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Minutes for September 18, 1963.

To: Members of the Board

From: Office of the Secretary

Attached is a copy of the minutes of the Board of Governors of the Federal Reserve System on the above date.

It is not proposed to include a statement with respect to any of the entries in this set of minutes in the record of policy actions required to be maintained pursuant to section 10 of the Federal Reserve Act.

Should you have any question with regard to the minutes, it will be appreciated if you will advise the Secretary's Office. Otherwise, please initial below. If you were present at the meeting, your initials will indicate approval of the minutes. If you were not present, your initials will indicate only that you have seen the minutes.

Chm. Martin _____

Gov. Mills _____

Gov. Robertson _____

Gov. Balderston _____

Gov. Shepardson _____

Gov. King _____

Gov. Mitchell _____

Minutes of the Board of Governors of the Federal Reserve System on Wednesday, September 18, 1963. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Balderston, Vice Chairman
Mr. Robertson
Mr. Shepardson
Mr. Mitchell

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Molony, Assistant to the Board
Mr. Cardon, Legislative Counsel
Mr. Fauver, Assistant to the Board
Mr. Hackley, General Counsel
Mr. Solomon, Director, Division of Examinations
Mr. Hexter, Assistant General Counsel
Mr. O'Connell, Assistant General Counsel
Mr. Brill, Adviser, Division of Research and Statistics
Mr. Conkling, Assistant Director, Division of Bank Operations
Mr. Daniels, Assistant Director, Division of Bank Operations
Mr. Kiley, Assistant Director, Division of Bank Operations
Mr. Benner, Assistant Director, Division of Examinations
Mr. Smith, Assistant Director, Division of Examinations
Mr. Thompson, Assistant Director, Division of Examinations
Mrs. Semia, Technical Assistant, Office of the Secretary
Mr. Bakke, Senior Attorney, Legal Division
Mr. Young, Senior Attorney, Legal Division
Mr. Sanders, Attorney, Legal Division
Mr. Partee, Chief, Capital Markets Section, Division of Research and Statistics
Mr. Pickering, Economist, Division of Research and Statistics

Discount rates. The establishment without change by the Federal Reserve Bank of Boston on September 16, 1963, of the rates on discounts

and advances in its existing schedule was approved unanimously, with the understanding that appropriate advice would be sent to that Bank.

Circulated items. The following items, copies of which are attached to these minutes under the respective item numbers indicated, were approved unanimously:

	Item No.
Letter to The Central Trust Company, Cincinnati, Ohio, approving an extension of time to establish a branch in the Village of Forest Park.	1
Letter to the Federal Reserve Bank of Richmond authorizing the use of a Federal radio transmitting frequency assigned by the Interdepartment Radio Advisory Committee.	2
Letter to The Raleigh County Bank, Beckley, West Virginia, approving an investment in bank premises and offering no objection to certain previous transactions considered to be investments in bank premises.	3
Letter to Commercial National Bank of Dallas, Dallas, Texas, granting its request for permission to maintain reduced reserves.	4
Letter to Seattle Trust and Savings Bank, Seattle, Washington, approving the establishment of a branch near 175th Street and Aurora Avenue.	5
Telegram to the Federal Reserve Bank of Atlanta approving the awarding of appropriate contracts for construction of a new building for the New Orleans Branch and authorizing the expenditure for the program.	6
Letter to the Federal Reserve Bank of Chicago interposing no objection to the Bank's proceeding with the construction of fallout shelter facilities at the head office and Detroit Branch buildings and authorizing the expenditures for the two projects.	7

Item No.

Letter to First Western Financial Corporation, Las Vegas, Nevada, granting a determination exempting it from all holding company affiliate requirements except those contained in section 23A of the Federal Reserve Act. 8

Messrs. Daniels, Kiley, Thompson, and Bakke then withdrew from the meeting.

Report on competitive factors (Freehold-Matawan, New Jersey). There had been distributed a draft of report to the Federal Deposit Insurance Corporation on the competitive factors involved in the proposed merger of The Central Jersey Bank and Trust Company, Freehold, New Jersey, and The Matawan Bank, Matawan, New Jersey.

After a discussion during which changes were suggested in the wording of the conclusion, the report was approved unanimously for transmission to the Federal Deposit Insurance Corporation. The conclusion of the report, as approved, read as follows:

> The proposed merger of The Central Jersey Bank and Trust Company, Freehold, New Jersey, and The Matawan Bank, Matawan, New Jersey, would eliminate some existing and, to a greater degree, potential competition between them. It would also increase the concentration of banking resources in Monmouth County to a slight extent.

Report on competitive factors (Worcester-Clinton, Massachusetts). There had been distributed a draft of report to the Comptroller of the Currency on the competitive factors involved in the proposed consolidation of Clinton Trust Company, Clinton, Massachusetts, with Worcester County National Bank, Worcester, Massachusetts.

After a discussion during which there was agreement upon a slight change in the conclusion, the report was approved unanimously for transmission to the Comptroller of the Currency. The conclusion of the report, as approved, read as follows:

> The information contained in the application, including the absence of overlapping service areas, suggests that Worcester County National Bank and Clinton Trust Company are not directly competitive to an important extent. However, the banks operate branch offices within 7 miles of one another and their main offices are only 13 miles apart and, in view of this proximity of locations, the possibility of competition is evident. Worcester County National Bank is substantially the largest commercial bank in the county and its relative position is accented by the disparity in size between it and the next largest commercial banks, no one of which has deposits or banking offices equal to one-half those of Worcester County National. The proposed transaction would further the competitive imbalance and would eliminate an independent bank which, if not presently competitive, could become so. The effect of the proposed consolidation on competition would be significantly adverse.

Hearings on pending legislation. Chairman Martin had been invited to testify before the House Banking and Currency Committee on September 24, 1963, in regard to several bills. At the Board's request, Mr. Cardon reviewed the bills that were expected to be considered during the course of the Committee's hearings. The most controversial was H.R. 5845, particularly in its provisions that would permit banks, within specified limits, to underwrite and deal in so-called "revenue bonds" of States and political subdivisions. Other bills scheduled for consideration were H.R. 7878, which would extend the authority of

national banks to make conventional real estate loans; H.R. 8247, which would raise the limit on loans by a national bank to a single borrower from 10 to 20 per cent of the bank's capital and surplus; H.R. 8230, which would authorize national banks to lend more liberally on forest tracts; and H.R. 8245, which would broaden the powers of savings and loan associations. There was also a possibility, Mr. Cardon added, that the Committee might consider certain bills providing Federal charters for mutual savings banks and for liberalizing the powers of Federal credit unions.

On October 31, 1962, the Board heard arguments advanced by the Committee for Study of Revenue Bond Financing, a group of investment bankers, against the proposal to permit commercial banks to underwrite revenue bonds, and on July 24, 1963, the Board met with a group of commercial bankers who presented arguments in favor of the proposal.

There had been distributed a memorandum dated September 17, 1963, from Mr. Hexter regarding the testimony to be given by Chairman Martin on H.R. 5845, which would amend section 5136 of the Revised Statutes. The first, and probably uncontroversial part of the bill, would relax restrictions on national banks and State member banks with respect to underwriting, dealing in, and investing in public housing agency securities that indirectly have the complete backing of a State. The second proposed change was that relating to underwriting and dealing in revenue bonds by commercial banks. Evaluation and discussion of the latter proposal was

complicated by recent actions of the Comptroller of the Currency. In individual interpretations, and in the September 1963 revision of his Investment Securities Regulation, the Comptroller had departed from the prior consistent position of his Office and the Federal Reserve that banks could not underwrite municipal bonds, or invest in them without limit, unless the issuer possessed the power of general property taxation and the bonds were supported by that power, as a part of the "full faith and credit" of the issuer. Such bonds were generally known as general obligations. The Comptroller of the Currency held, in effect, that national banks may underwrite and purchase, without limitation on amount, bonds of States, cities, counties, and authorities that are not supported by the full faith and credit of a government unit that possesses plenary taxing power. It thus appeared that the Comptroller of the Currency interpreted existing provisions of section 5136 as conferring underwriting and investment powers with respect to revenue bonds that were broader than the powers that would be conferred by the proposed statutory amendment.

Attached to the memorandum was a draft of a portion of a statement that might be presented by Chairman Martin during his testimony. The draft set out the problem presented by the Comptroller's interpretation, which the Board considered to conflict with the law, and the arguments advanced for and against the underwriting of revenue bonds by commercial banks. As to each of these arguments, the memorandum

stated, it was necessary to determine validity and weight, and it was also necessary to weigh aggregate benefits against aggregate detriments of the proposal. The attached draft did not reach this evaluation and judgment, which must depend upon the position the Board chose to take with respect to the proposed legislation.

The memorandum noted that, although the Board had never announced its position on the revenue bond controversy, in 1957 it had reached the following conclusion, which was included in a letter that the Board then intended to send to the Senate Banking and Currency Committee:

> The principle of separation of commercial banking from investment banking (including underwriting and dealing), which was recognized and adopted by Congress in the Banking Act of 1933 and substantially adhered to since that time, is a sound and significant principle. It tends to minimize the possibility of commercial banks being subjected to conflicts of interests that might affect adversely their ability to devote themselves single-mindedly to their primary function of serving their customers and depositors. In the judgment of the Board, the benefits to be derived from maintaining the principle of separation of commercial banking from the securities business decidedly outweigh whatever benefits might result from enactment of S. 2021.

Also attached to the memorandum was a memorandum dated September 16, 1963, from Messrs. Partee and Pickering exploring the question of interest costs on general obligations versus revenue bonds, alleged savings on those costs being one of the principal arguments of the proponents of legislation to permit commercial banks to underwrite revenue bonds. After setting forth the various studies and comparisons that had been made, the conclusion was expressed that the analysis suggested that there would be little to be

gained in terms of reducing underwriting costs by authorizing bank underwriting in the revenue bond field. Much the more important consideration from the standpoint of borrowers was the possibility that the differential between revenue and general obligation yields to investors could be narrowed through commercial bank participation. To the extent that this was accomplished through bank sales of revenue bonds to investors who would otherwise have purchased general obligations, however, there would be little gain for municipal governments as a whole.

Also attached to the memorandum was a memorandum from Mr. Partee dated September 16, 1963, discussing the question of conflicts of interest in bank underwriting, the danger of which was one of the principal arguments of the opponents of the proposal to permit commercial banks to underwrite revenue bonds. After examining various circumstances that had a bearing on this question, the conclusions were that there was no question but that a bank underwriter would occupy a preferential status as against independent underwriters, by virtue of its bank identification and the existence of a developed list of prospective clients; that the possibility of conflicts of interest clearly existed, in regard to both the trust investment function and bank-customer considerations in juxtaposition with the short-run objectives of bond merchandising; that, nevertheless, the practical possibility of self-dealing seemed remote, since the short-run gains were so overwhelmingly outweighed by the longer-run objectives of the bank and its officers: it was the good reputation

of the bank and its personnel that made possible the continuity of customer relationships recognized as a basic strength of the banking system.

During the early part of the discussion at this meeting it was pointed out that a literal reading of H.R. 5845 did not appear to reflect accurately the intentions of the bill's sponsors, and agreement was expressed that it should be made clear that comments made in testimony were based on the assumption that the language would be revised to express those intentions clearly; in fact, revised language to accomplish that purpose might be suggested. Comments were also made to the effect that, although the view had been expressed that under present-day circumstances the need of a bank to protect its reputation and its customer relationships was more potent than the gain it might realize through subordinating those considerations to the needs of an underwriting operation, such conflicts of interest had in fact resulted in the securities affiliate abuses of the late 1920's and early 1930's, which Congress had sought to prevent in the 1933 legislation imposing the principle of separation of investment and commercial banking.

Governor Mitchell commented that there had been no claims, so far as he knew, of conflicts of interest in the merchandising of general obligations by banks, in which the same bank-customer relationships prevailed that would be present in the proposed underwriting of revenue bonds by banks.

Governor Robertson stated that after going over the file and the record of arguments that had been presented to the Board, he still felt as he had in August of last year. He did not believe that a strong case had been made on either side from the standpoint of the public benefit. He was not satisfied that underwriting of revenue bonds by commercial banks would result in any significant reduction of cost to municipalities; neither did he think that a strong case could be made for opposing the proposal. He gave some weight to the fact that since the time when Congress allowed an exemption for underwriting of general obligations by banks, which at that time were practically the only obligations used by municipalities, there had been no notable ill effects in the nature of conflicts of interest or impositions on correspondent banks. He had no reason to believe that the situation would be different with respect to revenue bonds, which were a device developed subsequent to the 1933 legislation and which had probably come to be the principal means of municipal finance. Therefore, he was in favor of the amendment to the law to enable commercial banks to underwrite such bonds. He noted that the proposed amendment placed restrictions on the kind and volume of revenue bonds commercial banks could underwrite. No such restrictions were contained in the Comptroller of the Currency's recent interpretation of the law, but they would be imposed by the proposed amendment. Governor Robertson considered it much better to extend the privilege of underwriting revenue bonds to commercial banks by law

rather than by administrative fiat. He did not see who could overturn the Comptroller of the Currency's interpretation except Congress, and therefore he felt it important that the bill be enacted.

Governor Shepardson asked what effect enactment of the proposed amendment would appear to have on the Comptroller of the Currency's interpretation of the law, to which Governor Robertson responded that in his view the amendment, if enacted, would limit bank underwriting to the kind and volume of obligations specified in the bill.

Mr. Hexter commented that this view probably would not be shared by the Comptroller of the Currency. An important point was presented, therefore, as to how the proposed amendment was to be made effective. Mr. Hexter's own view was that in practice the enactment of the bill would not affect the Comptroller's view, since the latter held that the present statute permitted banks to underwrite revenue bonds. If the present statute was so construed, and a further statute was enacted that appeared to be of a relaxing rather than a restricting nature, it seemed probable that the Comptroller of the Currency's position would be that anything that could be done now could also be done after the enactment of the amendment, and the new statute would thus be ineffective. It seemed, therefore, that the first question was what was to be done about the Comptroller of the Currency's interpretation, and second, whether the Board should favor the proposed amendment.

Governor Shepardson then commented that his feelings were somewhat like those of Governor Robertson. He could not see how a strong

case could be made for objecting to the broadened coverage proposed; neither did he think a strong case had been established as to the public benefits that would be derived from adopting the proposal. It seemed to him that the matter came down somewhat to the question of the necessity for banks to be more aggressive in various areas; whether this was a general area in which the banks should be allowed to move out further and be more aggressive. He found it difficult to arrive at a strong feeling on either side. If enactment of the proposed amendment would help to cure the dilemma posed by the Comptroller's interpretation, he would be inclined to favor the amendment, but at the moment he was largely in a neutral position.

Governor Mitchell addressed himself to two substantive issues involved, namely, the alleged inferior quality of revenue bonds, and the danger of conflicts of interest. He did not believe that by and large revenue bonds were of inferior quality. A bona fide revenue bond involved a matching of capital resources and the prices that could be charged for their use. It was a substitute for a tax, and if the difficult financing problems of urban government were ever to be solved, he believed it would be through revenue bonds rather than by taxes. He regarded the revenue bond as an extremely important device in municipal finance, one that ought to be used much more aggressively and encouraged. As to whether the bill would provide this encouragement, he was inclined to answer in the affirmative, at least as far as the smaller community

was concerned. There, the local bank might be the only financial contact that was concerned primarily with local interests. While the community could make contact with bond houses, they might take advantage of the community, not having any real tie to its interests. Accordingly, he would favor letting the local bank service the community on a revenue bond as well as on a general obligation. Even if the claimed benefits could not be proved, he saw no reason for not letting banks engage in this type of business. He thought it significant that the objectors were the potential competitors; no one who would be hurt by possible conflicts of interest was objecting. As to conflicts of interest, he thought they were there potentially, and if anyone regarded them as a serious danger, the law ought to include provisions that would insure some control over them. However, in his view the experience of banks in underwriting general obligations provided rather persuasive evidence that conflicts of interest would not be important with respect to the underwriting of revenue bonds; there had been no claims that the public must be protected against conflicts of interest with respect to general obligations. While the bill was not something he would crusade for, he would favor it.

Mr. Hackley commented that if the Board should be disposed not to oppose the bill, it might be advisable to make its approval subject to two conditions, first, that underwriting of revenue bonds be limited to those of bank investment quality and limited in amount to ten per cent of the underwriting bank's capital and surplus, and second, that general

obligations be clearly defined in the statute in a manner that would supersede the Comptroller's position, if possible.

Governor Shepardson, referring to Governor Mitchell's point regarding the role of banks in small communities in serving the financing needs of the municipality through revenue bond underwriting, asked if there was not the possibility that a local bank might be pressured into taking local issues when it was not in a position to handle them.

Governor Mitchell responded that his experience with most local bankers indicated that, although they might occasionally be pressured, on the whole they considered municipal finance a part of their job, since they had substantial deposits from the community.

In response to further inquiries from Governor Shepardson, the staff responded that the correspondent banking relationship might be expected to play a part. If an issue was too large for the local bank, the bank could refer the issue to its city correspondent; many small bond issues were underwritten by large banks, with smaller banks participating in a syndicate when a large issue was involved.

After additional discussion along these lines, Governor Balderston stated that to him the essential principle was that those who advise should not be also selling things that were on their shelves.

Chairman Martin said that that was also his basic reasoning. It was a question whether the separation of commercial and investment banking was a desirable principle, and personally he had some question even about the desirability of allowing banks to underwrite general

obligations. While he did not disagree with Governor Mitchell's argument about encouraging the use of revenue bonds, he would not like to see it done through putting pressure on small banks to get into that activity to maintain their customer contacts - a development that he considered likely if the bill was enacted. With the current state of business, his feeling that it was likely to improve, and the fact that loan-deposit ratios were already high and getting higher, he did not believe the Board should favor any steps that would lower banking standards. He felt the same way about H.R. 8247, which would raise the limit on loans by a national bank to a single borrower from 10 to 20 per cent of the bank's capital and surplus. He believed that the Federal Reserve's general position at the present time ought to be one that would favor giving every economic stimulus that could be given, but within the limits of sound standards. He noted the conclusion of the Board in 1957 that the principle of separation of commercial banking from investment banking, including underwriting and dealing, was a sound and significant principle; he believed that it still was a sound and significant principle.

There followed discussion of a suggestion that the members of the Board might wish to present their individual views to the House Banking and Currency Committee on the bill to allow commercial banks to underwrite revenue bonds, but a preference was indicated for stating a Board position if a majority view should emerge. It was noted that, of the members present, Chairman Martin and Governor Balderston were

opposed to the bill, Governors Robertson and Mitchell were in favor of it, and Governor Shepardson had expressed a neutral position. Also, at the meeting of the Board on September 4, 1963, Governor Mills had asked to be recorded as in opposition if the matter came up during his absence.

Governor Shepardson then stated that, on the basis of the general soundness of the principle of the separation of investment and commercial banking, as cited by Chairman Martin, he would concur in an adverse position.

Question was raised whether, if the Board took an adverse position, it might not, however, also recommend that the present law be clarified in relationship to the Comptroller's interpretation, and it was agreed such a recommendation would be appropriate.

The discussion then turned to H.R. 8247, which would raise the limit on loans by a national bank to a single borrower from 10 to 20 per cent of the bank's capital and surplus. (The Board made an adverse recommendation regarding this proposal in a letter to the Bureau of the Budget dated July 10, 1963.)

At the Board's request, Mr. Solomon commented on the proposal. The Reserve Banks, in response to the Board's inquiry in a telegram dated September 6, 1963, had expressed views predominantly against an increase to 20 per cent, although there had been some support for an increase to 15 per cent. Mr. Solomon suggested that, viewed from the standpoint of general principle, there might be some philosophical support for a modification of the 10 per cent limit. In his view, a persuasive philosophical

case could be made for eliminating the statutory limit and substituting for it an admonition to banks to observe appropriate diversity of risks. A statutory limit might be taken as a floor rather than a ceiling; on the other hand, a stated limit in the law was at least a benchmark to which an examiner could point. Another possibility might be to provide that the limit should be 10 per cent except where State law provided a higher limit, in which case national banks could go up to the State's limit, unless that limit was beyond a second stated ceiling.

Governor Mitchell stated that he would be in favor of a Board position that would recommend no change in the loan limit unless studies had been made from which it could be concluded that the present limit was not realistic. In the absence of some demonstrated showing of need, he could not see that there was much support for increasing the limit.

Governor Shepardson remarked that it seemed to him important to keep in mind that there had been a long period of relatively favorable economic conditions, without the stresses that could cause severe trouble; it was easy to forget what could happen under more adverse conditions.

Chairman Martin commented that Governor Shepardson's point reflected his own over-all thinking. He could not persuade himself that this was an appropriate time to be following a general policy of loosening up credit standards and regulations.

Governor Balderston stated that he had had a somewhat similar concern with respect to the entire bundle of proposals that would be considered at the forthcoming hearings. As he saw it, the country had been enjoying conditions since World War II that took care of mistakes of judgment, without encountering any real test. As to the immediate proposal, he had been somewhat impressed with the suggestion that the statutory limit on loans to one borrower might be exceeded, up to a secondary limit, where State law set a higher limit than did the Federal statute. Thus, in a State that set a 15 per cent limit, national banks that were already up to the 10 per cent set by Federal law could go to 15 per cent as a competitive matter. After discussion of the ramifications of such an arrangement, however, Governor Balderston indicated that his thinking reverted to a preference for letting the present limit of 10 per cent on loans to any one borrower stand.

Governor Robertson stated, in this connection, that in his view the Federal Government should set standards and not attempt to gear its regulations to match those provided by the respective States. One of the causes to which the difficulties of the twenties and early thirties had been attributed was the quality and concentration of bank loans. According to his observations, on the basis of present operations very few banks lent up to their 10 per cent limit. Over the years 10 per cent had been found to be a reasonable limitation on the number of eggs put in any one basket. The statute provided certain exceptions, and

it seemed to him a great deal of harm could come from over-all relaxation. In his view, the Board should take a firm position for retaining the 10 per cent limitation in the absence of a case being made for further exceptions, which in any event should be made by statute. Further, he did not believe that smaller banks were unable adequately to serve their communities, because they could participate loans. If the limit was raised to 20 per cent, the large institutions that now provided the soundest correspondent relationships for loan participation would increase their own loans, thus concentrating loan totals that were now spread over a larger number of institutions. He did not believe such increased concentration of loans would be in the public interest.

The Board then turned to H.R. 7878, which would raise the limits on conventional real estate loans by national banks in two respects: the maximum maturity would be increased from 20 to 30 years, and the maximum loan-to-value ratio, which had been raised from 66-2/3 to 75 per cent four years ago, would be further raised to 80 per cent. At the Board's request, Mr. Sherman read the letter the Board had sent to the Budget Bureau on May 17, 1963, regarding the bill in draft form. The letter concluded with the statement that "the Board believes that it would be inadvisable at this time to relax statutory restrictions further."

Governor Mitchell remarked that he would be against such relaxation.

Governor Robertson, after concurring with Governor Mitchell's comment, expressed the view that national banks were not finding it too

difficult to make mortgage loans at present. Holding the present line might deter banks from overextending their mortgage loan portfolios.

There ensued comments on H.R. 8245, which would provide broadened powers for Federal savings and loan associations in several respects. Some of these proposed authorities, relating to loans to finance college education and to purchase home furnishings, and authority to invest in municipal obligations as well as in United States Government securities, had been embodied in a draft bill, proposed by the Federal Home Loan Bank Board, on which the Board had commented in a letter to the Bureau of the Budget dated August 9, 1963. The Board's letter to the Budget Bureau had stated that "Without attempting to comment on the provisions of the draft bill at this time, the Board believes that such legislation should not be considered until it is determined what action Congress takes on H.R. 7404. The latter bill, based on the report of the Committee on Financial Institutions, provides for strengthening the safety and liquidity of insured institutions and safeguarding against conflicts of interest, while also raising the limit on deposit and share insurance."

During the discussion that followed, Governor Robertson commented that he could see no good reason for preventing savings and loan associations from engaging in the activities contemplated by H.R. 8245, provided that such associations were subject to the same regulation, supervision, and tax incidence as were other institutions engaging in like activities; if savings and loan associations were going to have the powers of banks, they should be subject to the same requirements.

After additional discussion, it was understood that the positions to be taken in regard to the several legislative proposals at the forthcoming hearings would be discussed further at the meeting of the Board tomorrow.

The meeting then adjourned.

Secretary's Note: Pursuant to recommendations contained in memoranda from appropriate individuals concerned, Governor Shepardson today approved on behalf of the Board the following actions relating to the Board's staff:

Appointment

Mary Elizabeth Mehall as Statistical Clerk, Division of Research and Statistics, with basic annual salary at the rate of $4,250, effective the date of entrance upon duty.

Transfer

Nancy H. McCaslin, from the position of Indexing and Reference Assistant in the Office of the Secretary to the position of Editorial Clerk in the Division of Research and Statistics, with no change in basic annual salary at the rate of $6,225, effective the date of assuming her new duties.

Acceptance of resignation

Laura J. Banks, Records Clerk, Office of the Secretary, effective at the close of business September 16, 1963.

Secretary

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON 25, D. C.

Item No. 1
9/18/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 18, 1963

Board of Directors,
The Central Trust Company,
Cincinnati, Ohio.

Gentlemen:

The Board of Governors of the Federal Reserve System extends to August 31, 1964, the time within which The Central Trust Company, Cincinnati, Ohio, may establish a branch at the southeast corner of Northland and Waycross Roads, Village of Forest Park, Ohio.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON 25, D. C.

Item No. 2
9/18/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 18, 1963

Mr. Edward A. Wayne, President,
Federal Reserve Bank of Richmond,
Richmond, Virginia. 23213.

Dear Mr. Wayne:

This refers to the correspondence between Mr. Friend of your Bank and Mr. Massey of the Board's staff, particularly the former's letter of August 5, 1963, in the matter of obtaining a Federal radio transmitting frequency for a more effective means of delivering speeches at various locations in the Fifth Federal Reserve District.

The Board understands that this frequency is desired for the use of a portable, wireless microphone to afford unrestricted mobility for your speakers in using visual aids such as graphs, charts, and flannel boards at banking seminars and other periodic meetings.

Enclosed is a copy of a letter dated September 5, 1963, from Mr. D. C. Spitz, Alternate Treasury Department Representative on the Interdepartment Radio Advisory Committee, indicating assignment of a Federal radio transmitting frequency to the Federal Reserve System for use by your Bank. This will be your authority to use the radio frequency as set out and according to the particulars in that letter.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

Enclosure

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON 25, D. C.

Item No. 3
9/18/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 18, 1963

Board of Directors,
The Raleigh County Bank,
Beckley, West Virginia.

Gentlemen:

From the information provided, the Board understands that probable major repairs to the bank building will cost approximately $23,000. This will result in bank premises being carried on the books of the bank at about $550,000 including a loan of $150,000 to the bank's subsidiary building corporation, Raleigh County Bank Investment Corporation. The Board of Governors of the Federal Reserve System approves the proposed expenditure of $23,000.

Your attention is called to the fact that The Raleigh County Bank did not obtain the Board's permission prior to consummating certain previous transactions which are considered to be investments in bank premises under Section 24A of the Federal Reserve Act and which resulted in the total investment in bank premises, direct and indirect, exceeding an amount equal to the bank's common capital stock. These included the increase of $50,000 in the loan to the previously mentioned subsidiary and an indebtedness of $28,000 by such subsidiary representing funds due an individual on the purchase of the property. Although the Board's prior approval was not obtained as required by the statute, it appears on the basis of information before the Board, that such approval would have been granted had it been requested. Accordingly, the Board will offer no objections to the investment at this time.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON 25, D. C.

Item No. 4
9/18/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 18, 1963

Board of Directors,
Commercial National Bank of Dallas,
Dallas, Texas.

Gentlemen:

With reference to your request submitted through the Federal Reserve Bank of Dallas, the Board of Governors, acting under the provisions of Section 19 of the Federal Reserve Act, grants permission to the Commercial National Bank of Dallas to maintain the same reserves against deposits as are required to be maintained by nonreserve city banks, effective as of the date it opens for business.

Your attention is called to the fact that such permission is subject to revocation by the Board of Governors.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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Item No. 5
9/18/63

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON 25, D. C.

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 18, 1963

Board of Directors,
Seattle Trust and Savings Bank,
Seattle, Washington.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch by Seattle Trust and Savings Bank, Seattle, Washington, in the vicinity of the intersection of 175th Street and Aurora Avenue, Seattle, Washington, provided the branch is established within six months from the date of this letter.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

(The letter to the Reserve Bank stated that the Board also had approved a six-month extension of the period allowed to establish the branch; and that if an extension should be requested, the procedure prescribed in the Board's letter of November 9, 1962 (S-1846), Should be followed.)

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Item No. 6
9/18/63

TELEGRAM
LEASED WIRE SERVICE

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON

September 18, 1963

Bryan - Atlanta

Board approves awarding of appropriate contracts for construction of new building for New Orleans Branch, as described in Mr. Patterson's letter of August 29, 1963, and authorizes expenditure of approximately $4,610,000 for the program, which figure includes a 5 per cent allowance for contingencies.

(Signed) Merritt Sherman

SHERMAN

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON 25, D. C.

Item No. 7
9/18/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 18, 1963

Mr. C. J. Scanlon, President,
Federal Reserve Bank of Chicago,
Chicago, Illinois. 60690

Dear Mr. Scanlon:

This refers to your letter of August 19, 1963, concerning provision of fallout shelter facilities at the Chicago Head Office and Detroit Branch buildings.

The Board will interpose no objection to your Bank's proceeding with these two projects as described in your letter, and authorizes expenditures of about $400,000 for the Chicago shelter and about $32,230 for the Detroit shelter.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON 25, D. C.

Item No. 8
9/18/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 18, 1963.

Mr. Robert C. Fielding, President,
First Western Financial Corporation,
112 Las Vegas Boulevard South,
Las Vegas, Nevada.

Dear Mr. Fielding:

This refers to the request contained in a letter dated August 21, 1963, submitted to the Federal Reserve Bank of San Francisco, for a determination by the Board of Governors of the Federal Reserve System as to the status of First Western Financial Corporation ("First Western") as a holding company affiliate.

From the information presented, the Board understands that First Western is primarily engaged in rendering management and consulting services to a subsidiary savings and loan association and a commercial bank and operating an insurance agency and real estate business; that it is a holding company affiliate by reason of the fact that it owns 54,010 of the 54,384 outstanding shares of stock of the Nevada Bank of Commerce, Reno, Nevada; that it also owns all of the outstanding shares of stock of First Western Savings and Loan Association, Las Vegas, Nevada; and that it does not, directly or indirectly, own or control any stock of, or manage or control, any other banking institution.

In view of these facts the Board has determined that First Western is not engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling banks, banking associations, savings banks, or trust companies within the meaning of section 2(c) of the Banking Act of 1933 (12 U.S.C. 221a); and, accordingly, it is not deemed to be a holding company affiliate except for the purposes of section 23A of the Federal Reserve Act and does not need a voting permit from the Board of Governors in order to vote the bank stock which it owns.

If, however, the facts should at any time indicate that First Western might be deemed to be so engaged, this matter should again be submitted to the Board. The Board reserves the right to rescind this determination and make further determination of this matter at any time on the basis of the then existing facts. Particularly, should future activities of, or acquisitions by First Western, particularly in bank stocks, even though not constituting control, result in its attaining a position whereby the Board may deem desirable a determination that First Western is engaged as a business in the holding of bank stock, or the managing or controlling of banks, the determination herein granted may be rescinded.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.