

Minutes for September 23, 1963

To: Members of the Board

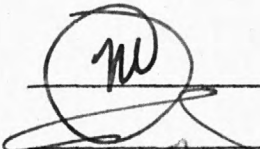
From: Office of the Secretary

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

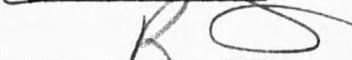
It is not proposed to include a statement with respect to any of the entries in this set of minutes in the record of policy actions required to be maintained pursuant to section 10 of the Federal Reserve Act.

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.

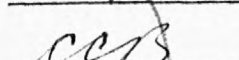
Chm. Martin



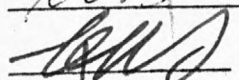
Gov. Mills



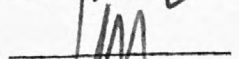
Gov. Robertson



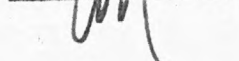
Gov. Balderston



Gov. Shepardson



Gov. Mitchell



Minutes of the Board of Governors of the Federal Reserve System on Monday, September 23, 1963. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Young, Adviser to the Board and Director,
Division of International Finance
Mr. Molony, Assistant to the Board
Mr. Noyes, Director, Division of Research
and Statistics
Mr. Koch, Associate Director, Division of
Research and Statistics
Mr. Furth, Adviser, Division of International
Finance
Mr. Hersey, Adviser, Division of International
Finance
Mr. Katz, Associate Adviser, Division of
International Finance
Mr. Mattras, General Assistant, Office of the
Secretary
Mr. Eckert, Chief, Banking Section, Division of
Research and Statistics
Mr. Yager, Chief, Government Finance Section,
Division of Research and Statistics
Mr. Axilrod, Senior Economist, Division of
Research and Statistics
Mr. Bernard, Economist, Division of Research
and Statistics
Mr. Gemmill, Economist, Division of International
Finance

Money market review. There were distributed tables with regard to Treasury advance refunding operations and reported changes in money market investments abroad.

Mr. Bernard commented on recent developments in the Government securities market, with particular reference to the current Treasury advance

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refunding, after which Mr. Axilrod discussed changes in bank reserves, bank credit, and the money supply. Mr. Gemmill then reported on foreign exchange market developments.

All members of the staff then withdrew except Messrs. Sherman, Kenyon, Young, Noyes, and Mattras and the following entered the room:

Mr. Hackley, General Counsel
 Mr. Solomon, Director, Division of Examinations
 Mr. Johnson, Director, Division of Personnel Administration
 Mr. Harris, Coordinator of Defense Planning
 Mr. Conkling, Assistant Director, Division of Bank
 Operations
 Mr. Goodman, Assistant Director, Division of Examinations
 Mr. Leavitt, Assistant Director, Division of Examinations
 Mr. Sprecher, Assistant Director, Division of Personnel
 Administration
 Mr. Collier, Chief, Current Series Section, Division of Bank
 Operations

Discount rates. The establishment without change by the Federal Reserve Banks of New York, Philadelphia, and San Francisco on September 19, 1963, of the rates on discounts and advances in their existing schedules was approved unanimously, with the understanding that appropriate advice would be sent to those Banks.

Circulated or distributed 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 First National City Bank, New York, New York, approving the establishment of a branch in Taipei, Taiwan.

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	<u>Item No.</u>
Letter to First National City Bank, New York, New York, approving the establishment of a branch in Dubai, Trucial State of Dubai.	2
Letter to Chester-Schroon-Horicon Bank, Chester-town, New York, approving operation on a year-round basis of its branch at Schroon Lake.	3
Letter to The First State Bank of Oxford, Oxford, Alabama, approving an investment in bank premises.	4
Letter to Union Bank and Trust Company, Grand Rapids, Michigan, approving an investment in bank premises and commenting on the bank's capital structure.	5
Letter to Wharton Bank and Trust Company, Wharton, Texas, waiving the requirement of six months' notice of withdrawal from membership in the Federal Reserve System.	6
Letter to the Federal Deposit Insurance Corporation regarding the application of Bank of the Mainland, La Marque, Texas, for continuation of deposit insurance after withdrawal from membership in the Federal Reserve System.	7
Letter to the Federal Reserve Bank of Chicago approving a revision of the employees' salary structure at the head office.	8

With reference to Item No. 8, it was noted that the proposed Chicago salary structure revision had been discussed at the meeting on September 19, 1963, at the request of Governor Mitchell, at which time it was agreed that Governor Shepardson and the Personnel Division would undertake a study with regard to possibilities for dealing with problems experienced by the Reserve Banks in obtaining and retaining professional persons in upper grade positions. It was understood at this meeting

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that the study would go forward, as agreed at the meeting on September 19, and that approval of the current Chicago proposal would not appear to present a complicating factor.

Messrs. Noyes, Johnson, and Sprecher then withdrew from the meeting.

Report on competitive factors (Charleston-Spartanburg, South Carolina). There had been distributed a draft of report to the Comptroller of the Currency on the competitive factors involved in the proposed merger of Piedmont National Bank of Spartanburg, Spartanburg, South Carolina, into The South Carolina National Bank of Charleston, Charleston, South Carolina.

During discussion, it was agreed, at the suggestion of Governor Robertson and with the concurrence of Governor Mills, that the conclusion of the report should be revised to indicate simply that the over-all effect of the proposed merger on competition would be adverse, without attempting to express a judgment on the degree of the adverse effect. It was also agreed that the conclusion should be modified to make clear that the proposed merger would expose the remaining local bank in Spartanburg to the competitive capabilities of the State's largest bank in addition to the competition already existing from the State's second largest bank.

The report was then approved unanimously for transmission to the Comptroller with the understanding that the conclusion would read as follows:

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Consummation of the proposed merger would eliminate the modest amount of competition existing between The South Carolina National Bank of Charleston and Piedmont National Bank of Spartanburg. While the proposed merger would not significantly alter South Carolina National's competitive position in the areas it currently serves, it would enhance its position as the State's largest bank both with respect to deposits and geographical coverage. It would also expose the remaining local bank in Spartanburg to the competitive capabilities of the State's largest bank in addition to existing competition from the second largest bank, and further concentrate banking resources in South Carolina.

The over-all effect of the proposed merger on competition would be adverse.

Reserve city status of Helena. There had been distributed a memorandum from the Division of Bank Operations dated September 17, 1963, recommending favorable action on applications by the First National Bank and Trust Company of Helena and the Union Bank and Trust Company, both of Helena, Montana, to maintain the same reserves against deposits as are required to be maintained by nonreserve city banks. The memorandum also recommended the termination of Helena's status as a reserve city.

It was noted that on May 23, 1963, the Board had advised the Federal Reserve Bank of Minneapolis that it would have no objection to the Bank's proposal to invite these two member banks (the only remaining reserve city banks in Helena) to apply for permission to maintain reduced reserves. The Division of Bank Operations had made an analysis of the character of business transacted by the two banks, and it was the Division's view that there were no unusual factors that would warrant requiring the banks to continue to maintain reserve city bank reserves. The memorandum

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also noted that neither the total demand deposits nor the interbank deposits of the member banks in Helena came close to meeting the proposed standards for determination of reserve cities that the Board had published in the Federal Register in March 1961. The only apparent argument for any banks in Helena being classified as reserve city banks was Helena's position as a Federal Reserve branch city.

Since approval of reduced reserves for the two applicant banks would result in the declassification of all member banks in Helena, the Division recommended that approval of the current requests be accompanied by termination of the designation of Helena as a reserve city. This would be accomplished by an amendment to the 1947 Rule for Classification of Reserve Cities, as amended, which would result in automatic termination of the reserve city designation of any Federal Reserve Bank or branch city in which all member banks had received permission to carry reduced reserves. (A form of amendment suggested for publication in the Federal Register was submitted with the memorandum from the Division of Bank Operations.)

Traditionally, all Federal Reserve Bank and branch cities had been designated as reserve cities, but the Division of Bank Operations felt that a city's classification should be changed when all of its banks ceased to maintain reserve city bank reserves. The present occasion seemed an opportune time for the Board to consider adopting such a position.

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In comments made in amplification of the Division memorandum, Mr. Conkling reviewed the size and characteristics of business of the two applicant banks and indicated that on the basis of such an analysis they would appear to qualify for permission to carry reserves required of nonreserve city banks. However, the second question, relating to termination of the designation of Helena as a reserve city, was more difficult. The Division of Bank Operations had no strong feeling on the subject, but the designation of a city as a reserve city seemed to carry with it the connotation of a city in which there were banks that carried reserve city bank reserves. If action should be taken to terminate the reserve city designation of Helena, the circumstances seemed to make this a good time for such action to be taken. It seemed unlikely that the same question would arise in the foreseeable future with respect to other Federal Reserve branch cities.

Governor Mills indicated that he agreed generally with Mr. Conkling's analysis. However, in the past a symbolic importance had attached to a city's designation as a reserve city, and this was tied in with local sentiment. He noted that Helena was the capital of the State of Montana and that local elements might not regard favorably the termination of the reserve city designation. To avoid possible criticism or representations to the Board, he suggested that the Minneapolis Reserve Bank be asked to advise the applicant banks in Helena of the effect that approval of their applications might have on Helena's status as a reserve city. This would

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permit a better evaluation of any sensitivity that might exist with regard to the proposed change in the classification of the city.

In reply to a question, Mr. Conkling stated that he saw no important reasons for the proposed change in classification of Helena even if there were no longer any bank in the city carrying reserve city bank reserves. While there might be a few technical problems from the standpoint of listings of reserve cities or other statistical presentations, they would not be insurmountable.

There followed a brief further discussion as to whether, as long as a city remained a Federal Reserve branch city, there would be reason for calling it a reserve city. While this discussion was inconclusive, there was general agreement with the suggestion of Governor Mills that the President of the Minneapolis Reserve Bank be requested to ascertain from the applicant banks in Helena whether they would desire approval of their applications to maintain reduced reserves if that would result in the termination of Helena's designation as a reserve city, and to ascertain whether local banking and community sentiment would appear adverse to the termination of the designation.

Messrs. Goodman, Leavitt, and Collier then withdrew and Messrs. Fauver, Assistant to the Board, and Furth, Adviser, Division of International Finance, entered the room.

Gold vault facilities (Item No. 9). There had been distributed a memorandum from Messrs. Farrell, Solomon, and Harris dated August 15, 1963, with regard to a request from the Federal Reserve Bank of New York

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for approval of proposed alterations to vault facilities. In accordance with the understanding reached at the meeting on July 10, 1963, those members of the staff had visited the New York Reserve Bank, the New York Assay Office, and the Silver Bullion Depository at West Point to explore possible solutions of the gold storage problem.

As stated in the memorandum, the gold vault at the New York Reserve Bank was nearly filled to practicable capacity under existing procedures. The vault held gold worth about \$13 billion, most of it earmarked for foreign accounts. Holdings for each account were kept separate, a procedure that did not permit maximum utilization of available space. The memorandum reviewed the Reserve Bank proposal for enlargement of its vault facilities along with other possible alternatives, and suggested various advantages and disadvantages inherent in each of the possible arrangements.

In reviewing the several alternative possibilities considered in the memorandum, Mr. Solomon noted that each of them presented certain problems. One possibility would be to invite the repatriation of gold by foreign owners. The staff did not feel that it was in a position to evaluate the impact of inviting a repatriation of earmarked gold, but this would no doubt involve important psychological factors, such as foreign confidence in the ability of this country to solve its balance of payments problem. Keeping the gold in this country might also offer a better opportunity to recapture the gold involved whenever gold sales were made by foreign countries.

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Alternatives to gold export involved, of course, the need to consider some form of additional storage space. The New York Reserve Bank's proposal for solving the problem was to convert an area adjacent to the present gold vault to use for gold storage. It was estimated that the cost of such a conversion would be about \$470 thousand. The proposed addition would be a full security vault and would have the advantage of providing all earmarked gold with approximately the same degree of protection. As another alternative, the same area could be converted to the same use, through a different type of construction, at a somewhat lesser cost, but this arrangement would provide a lesser degree of security and might provoke questions of discrimination.

From one standpoint the most efficient solution would be to establish a gold pool, which would eliminate the wasted space resulting from partially filled compartments, but certain foreign central banks might be opposed to such an arrangement and there could be distinct psychological disadvantages, particularly at this juncture. The possibility of using the Assay Office did not appear to be too satisfactory from a security control standpoint, and in any event the Director of the Mint had stated that it would be difficult to have space there made available for Federal Reserve gold storage.

Still another alternative would be to use space at the United States Bullion Depository at West Point. The Depository had a well-trained guard force and sufficient space might be made available to store

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about \$3 billion worth of gold. One advantage of this alternative would be the dispersion of gold between New York and West Point, which would reduce the risk inherent in New York City as a target area. A disadvantage of using West Point was the possibility that foreign central banks might have a more secure feeling if their gold were held at the New York Reserve Bank; thus, questions might arise as to the selection of gold for storage at West Point.

Earmarked gold could also be stored in the observation passageway surrounding the present vault. However, this would make it awkward for workers to handle the gold, the passageway being only three feet wide. The Bank might be forced to use this space until the gold storage problem was resolved, but it would prefer to use the space only in emergency situations.

In summary, Mr. Solomon expressed the view that a decision on this matter could not be made solely on the basis of cost considerations, or even on the basis of the availability of reasonably attractive physical facilities. In the last analysis, the matter must be decided on the grounds of psychological effects, and in that respect there was the question whether the Board would want to substitute its judgment for that of the management of the New York Reserve Bank, which had evidently studied the matter quite comprehensively.

Mr. Solomon added that when the case for additional gold vault facilities was presented by the New York Reserve Bank, in writing and orally,

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it was presented almost entirely on the basis of constructing an additional gold vault. Actually, it appeared that this was not an entirely complete story. The New York Bank was interested in the additional vault not only as a gold vault but as one that might conceivably be used for various purposes. Also, part of the cost of the proposed construction would be for the purpose of strengthening the undergirding to support the vaults on higher levels. This would be the first significant vault renovation since the Reserve Bank was constructed some 40 years ago.

Mr. Harris commented that a basic problem to ponder in reaching a decision was the extent to which there might be an increased demand for gold storage space at the New York Bank. The question was whether the demand had already reached a peak and whether the Bank would be providing, through additional facilities, for the storage of a volume of gold with which it would never have to contend. If there was sufficient question in this regard, further consideration might be given to utilizing the passageway surrounding the present gold vault, particularly for the storage of gold that tended to remain inactive, such as gold held for the International Monetary Fund.

Mr. Furth noted, in this connection, that if the balance of payments deficit could be expected to diminish sharply, the gold outflow likewise could be expected to diminish sharply. Whether this could be expected to occur, the Board was in a position to judge as well as anyone else. Under certain assumptions, the storage space in the passageway might be sufficient; under other assumptions, it would not.

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Chairman Martin stated that he was impressed, in the analysis presented by the staff, that the gold vault at New York was an asset to the System as a show place; also, that little improvement had been made to the Bank's vaults since the date of original construction. The improvements proposed by the New York Bank in the vault area would seem justifiable in the longer run, quite apart from the gold storage problem. On that basis alone, he was disposed to accept the judgment of the Bank.

In reply to a question, Mr. Harris stated that the \$50 thousand estimated cost of moving some of the gold to the West Point Depository covered only the initial transfer. Costs of further movements could be kept to a minimum, he noted, if the gold placed at West Point were to be for the most part such gold as was relatively inactive.

Further discussion related to the construction features of the vaults at the New York Bank and factors contributing to the security of gold held at that point. Reference also was made to the rate of U. S. gold losses in recent years and the probable adequacy of the contemplated additional facilities over a period of time in the light of that experience.

Governor Robertson then stated that he was not concerned about the proposed addition to the New York vault. He was concerned, however, about the wisdom of having all earmarked gold located at the New York Reserve Bank rather than dispersing some of the holdings outside New York City. As far as the depository at West Point was concerned, he understood that Mr. Harris did not feel that there was any serious fault

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to find with it from a security standpoint. Transportation costs might be substantial, but they could be held down by placing relatively inactive gold at the depository. The principal question, then, seemed to be one of psychology. On that basis, he would accept the proposal of the New York Bank because this was not a time to be taking chances with psychological factors. However, implementation of the current proposal should not preclude the Board and the Reserve Bank from considering at an appropriate time the movement of some of the gold out of New York City to West Point purely as a civil defense precaution.

Other members of the Board also expressed the view that the proposal of the New York Reserve Bank should be accepted. Accordingly, unanimous approval was given to a letter to the Federal Reserve Bank of New York in the form attached as Item No. 9. It was the view of the Board that it would not be necessary to transmit to the Reserve Bank a copy of the memorandum from Messrs. Farrell, Solomon, and Harris.

Messrs. Harris, Furth, and Conkling then withdrew from the meeting.

Foreign travel by Mr. Hersey (Item No. 10). Attached as Item No. 10 is a copy of a memorandum dated September 20, 1963, from Mr. Young, Adviser to the Board and Director, Division of International Finance, recommending that Mr. Hersey, Adviser in the Division of International Finance, be designated to give lectures during February 1964 at the next SEANZA Central Banking Course in accordance with a request from the

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Governor of the State Bank of Pakistan, that the necessary foreign travel be authorized, and that Mr. Hersey undertake certain additional foreign visits during his trip, with the understanding that another memorandum would be submitted in due course requesting approval of such additional travel.

In discussion, it was noted that it was proposed that Mr. Hersey would be a guest of the State Bank of Pakistan during his stay in that country, and that it was recommended that he be authorized to include in his travel voucher his actual out-of-pocket expenditures while in Pakistan, in lieu of the standard Government allowances. The view was stated that under such a procedure there should be a requirement for the recording of actual expenses, for review by the Board's Controller, and assurance was given that such a procedure would be followed. Question was raised, however, as to whether this method of reimbursement for expenditures would be preferable from the standpoint of all concerned, including Mr. Hersey, to travel on standard Government allowances.

Accordingly, the recommendations in Mr. Young's memorandum were approved unanimously subject to the understanding that the question of the basis of reimbursement to Mr. Hersey covering expenses incurred while in Pakistan would be reviewed by Mr. Young, Mr. Hersey, and the Board's Controller and worked out to their mutual satisfaction.

All of the members of the staff except Messrs. Sherman, Kenyon, and Fauver then withdrew from the meeting.

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Appointment of director at Boston. It was agreed unanimously to ascertain through the Chairman of the Federal Reserve Bank of Boston whether John T. Fey, President of the University of Vermont, Burlington, Vermont, would accept appointment if tendered as Class C director of the Boston Reserve Bank for the unexpired portion of the term ending December 31, 1965, with the understanding that if it were found that Mr. Fey would accept, the appointment would be made.

Secretary's Note: Advice having been received that Mr. Fey would accept the appointment if tendered, a telegram advising him of his appointment was sent on September 25, 1963, the appointment being effective as of that date.

Testimony on pending bills. Governor Mills raised a question regarding the tenor of the testimony to be given tomorrow by Chairman Martin before the House Banking and Currency Committee concerning five bills proposing greater latitude for banks and savings and loan associations in their financial activities, and Chairman Martin described the position on each of the bills that had been agreed to at earlier meetings of the Board.

Governor Mills then said that he thought the draft of testimony on the bill that would allow banks to engage in the underwriting of revenue bonds was an excellent presentation. Quite properly, he added, there was concern about the Comptroller of the Currency's recent interpretation to the effect that if a State contracted to make payments into a special fund to service the obligations of a revenue authority, this

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was equivalent to pledging the full faith and credit of the State. In the drafting of State and municipal laws, provision invariably was made for a debt limitation but not for a tax limitation, the objective being to assure that the State or municipality could always tax sufficiently to service the debt. The question was whether a State or municipality could contract to make good the aforementioned payments into special funds if such pledge would raise the debt limit beyond the constitutional ceiling. Also, there was the question whether State or municipal officials could contract and bind future officials who would subsequently hold the corresponding offices. These points would appear to strengthen the arguments in the testimony on the revenue bond proposal.

Governor Mills then said that he had prepared a paper reflecting his background thinking on the broad subject of the evolution of the banking laws, particularly in regard to loans and investments. In the absence of objection, he proposed to send this to Chairman Patman of the House Banking and Currency Committee as a paper reflecting his (Governor Mills') personal views on the status and trend of developments in commercial banking.

In was indicated that there would be no objection to the sending of the paper referred to by Governor Mills.

The meeting then adjourned.

Secretary's Notes: On September 20, 1963, Governor Shepardson approved on behalf of the Board the following items:

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Letter to the Federal Reserve Bank of Boston (attached Item No. 11) approving the appointment of John J. Kannegieser as assistant examiner.

Letter to the Federal Reserve Bank of Boston (attached Item No. 12) approving the appointment of Howard G. Smith as assistant examiner.

Letter to the Federal Reserve Bank of New York (attached Item No. 13) approving the reappointment of Robert L. Lang as assistant examiner.

Memorandum from the Division of Research and Statistics dated September 18, 1963, recommending that Rose C. Cassedy, formerly Research Assistant in that Division, be appointed to the Business Conditions Section on a temporary contractual basis effective to December 31, 1963, with compensation at the rate of \$33 per day.

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:

Appointments

Dorothy Isabel Folsom as Draftsman-Trainee, Division of Research and Statistics, with basic annual salary at the rate of \$3,820, effective the date of entrance upon duty.

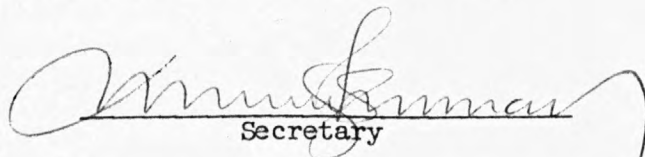
Watkins Leigh Ribble, Jr., as Economist, Division of Research and Statistics, with basic annual salary at the rate of \$8,045, effective the date of entrance upon duty.

Salary increase

Stephana Prager, Statistical Clerk, Division of Research and Statistics, from \$4,135 to \$4,390 per annum, effective September 29, 1963.

Acceptance of resignation

Phyllis Ann Carson, Clerk-Stenographer, Division of Personnel Administration, effective at the close of business October 4, 1963.


Secretary

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

Item No. 1
9/23/63



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 23, 1963

First National City Bank,
399 Park Avenue,
New York 22, New York.

Gentlemen:

The Board of Governors of the Federal Reserve System authorizes First National City Bank, New York, New York, pursuant to the provisions of Section 25 of the Federal Reserve Act, to establish a branch in Taipei, Taiwan, and to operate and maintain such branch subject to the provisions of such Section and of Regulation M.

Unless the branch is actually established and opened for business on or before October 1, 1964, all rights granted hereby shall be deemed to have been abandoned and the authority hereby granted will automatically terminate on that date.

Please advise the Board of Governors, in writing, through the Federal Reserve Bank of New York, when the branch is opened for business, furnishing information as to the exact location of the branch.

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.)

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

Item No. 2
9/23/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 23, 1963



First National City Bank,
399 Park Avenue,
New York 22, New York.

Gentlemen:

The Board of Governors of the Federal Reserve System authorizes First National City Bank, New York, New York, pursuant to the provisions of Section 25 of the Federal Reserve Act, to establish a branch in the city of Dubai, Trucial State of Dubai, and to operate and maintain such branch subject to the provisions of such Section and of Regulation M.

Unless the branch is actually established and opened for business on or before October 1, 1964, all rights granted hereby shall be deemed to have been abandoned and the authority hereby granted will automatically terminate on that date.

Please advise the Board of Governors, in writing, through the Federal Reserve Bank of New York, when the branch is opened for business, furnishing information as to the exact location of the branch.

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

Item No. 3
9/23/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 23, 1963

Board of Directors,
Chester-Schroon-Horicon Bank,
Chestertown, New York.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the operation by Chester-Schroon-Horicon Bank on a year-round basis of its seasonal branch at Schroon Lake, Essex County, New York.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.



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Item No. 4
9/23/63

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

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 23, 1963



Board of Directors,
The First State Bank of Oxford,
Oxford, Alabama.

Gentlemen:

The Board of Governors of the Federal Reserve System approves, under the provisions of Section 24A of the Federal Reserve Act, an investment in bank premises by The First State Bank of Oxford, Oxford, Alabama, of \$140,302. The amount approved includes \$21,000 invested in land on which a proposed new building is to be located.

It is understood that The First State Corporation, not yet organized, will be wholly owned by the bank and that The First State Corporation is to acquire the land presently held by the bank and will construct the new building thereon to be leased to the bank. It is also understood that the bank's investment in The First State Corporation will not exceed \$50,000.

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. 5
9/23/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 23, 1963

Board of Directors,
Union Bank and Trust Company,
Grand Rapids, Michigan.

Gentlemen:

The Board of Governors of the Federal Reserve System approves, pursuant to Section 24A of the Federal Reserve Act, an investment in bank premises, both direct and indirect, of not to exceed \$3,500,000 by Union Bank and Trust Company, for the purpose of acquiring a site and constructing new main office quarters. It is understood that an affiliated building corporation is to be organized to own and operate the new bank premises and that all but a nominal amount of the total cost of the project is to be obtained by the building corporation from sources outside the bank.

In view of the continuing expansion in volume of operations, the present capital structure of the bank is believed to be below the desired level. The Board wishes to emphasize the need for consideration of a program for providing additional capital funds if future retained earnings are proportionately less than future growth.

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. 3289
9/23/63



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 23, 1963

Board of Directors,
Wharton Bank and Trust Company,
Wharton, Texas.

Gentlemen:

The Federal Reserve Bank of Dallas has forwarded to the Board of Governors a letter dated August 19, 1963, signed by President B. C. Roberts, Jr., together with the accompanying resolution, signifying your intention to withdraw from membership in the Federal Reserve System and requesting waiver of the six-months' notice of such withdrawal.

The Board of Governors waives the requirement of six-months' notice of withdrawal. Under the provisions of Section 208.10(c) of the Board's Regulation H, your institution may accomplish termination of its membership at any time within eight months from the date that notice of intention to withdraw from membership was given. Upon surrender to the Federal Reserve Bank of Dallas of the Federal Reserve stock issued to your institution, such stock will be cancelled and appropriate refund will be made thereon.

It is requested that the certificate of membership be returned to the Federal Reserve Bank of Dallas.

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. ³²⁹⁰ 7
9/23/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 23, 1963

The Honorable Jesse P. Wolcott, Director,
Federal Deposit Insurance Corporation,
Washington 25, D. C.

Dear Mr. Wolcott:

Reference is made to your letter of September 10, 1963, concerning the application of Bank of the Mainland, La Marque, Texas, for continuance of deposit insurance after withdrawal from membership in the Federal Reserve System.

While there are no corrective programs that the Board of Governors believes should be incorporated as conditions to the continuance of deposit insurance, the bank has been urged to strengthen its capital and to review its current credit policies and collection practices.

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. 8
9/23/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



September 23, 1963

CONFIDENTIAL (FR)

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

Dear Mr. Scanlon:

The Board of Governors has approved the following minimum and maximum salaries for grades 10 through 16 of the salary structure applicable to employees at the Head Office of the Federal Reserve Bank of Chicago, effective September 1, 1963:

<u>Grade</u>	<u>Minimum</u>	<u>Maximum</u>
10	\$ 6,180	\$ 8,360
11	6,780	9,180
12	7,450	10,070
13	8,270	11,190
14	9,200	12,440
15	10,330	13,970
16	11,560	15,640

The Board also approved an upward adjustment to \$2,600 in the minimum range of grade 1, effective as of September 1.

The ranges approved are those fixed by your Board of Directors as reported in Mr. Tucker's letter of August 30. It is understood that the maximum of grade 1 and the minimums and maximums of grades 2 through 9 will remain unchanged from those approved by the Board effective March 1, 1962.

Salaries should be paid to employees other than officers within the limits specified for the grades in which the positions of the respective employees are classified. All employees whose salaries are below the minimum of their grades as a result of the structure increase should be brought within appropriate ranges by January 31, 1964.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 9
9/23/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 24, 1963.



Mr. Alfred Hayes, President,
Federal Reserve Bank of New York,
New York 45, New York.

Dear Mr. Hayes:

This refers to Vice President Bilby's letter of October 26, 1962, and to your letters of November 9, 1962, and March 22, 1963, concerning the proposed alterations to the gold vault facilities in the main building of the Federal Reserve Bank of New York.

In view of the considerations set forth in your letters and in your meetings with the Board regarding the proposal, the Board authorizes your Bank to proceed with the project, as outlined in Mr. Bilby's letter, at an estimated cost of \$470,000, including architects' and engineers' fees.

Your Bank's conclusion that this construction would not significantly affect the value of the building is noted. It would, however, result in an improvement in the building, adding to value in an accounting sense, if not in terms of market value. There is another, and perhaps more important, reason for not charging to "Repairs and alterations" expense in a particular year a large nonrecurring item. This is that to do so would distort the per-square-foot cost of maintaining space in the building, since the formula for determining space charges to reimbursable fiscal agency operations includes in the base figure all costs charged to "Repairs and alterations" expense in the year. Accordingly, the Board feels that the expenditure should, under the provisions of the Accounting Manual on page 54, be charged either to the allowance for depreciation on building or to the building account itself.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

September 20, 1963.

To: Board of Governors

From: Ralph A. Young

Subject: Participation in SEANZA Central Banking Course

It is recommended that Mr. A. B. Hersey, Adviser, Division of International Finance, be designated to give the lectures at the next SEANZA Central Banking Course in accordance with the request from Mr. S. A. Hasnie, Governor, State Bank of Pakistan, in his letter to the Chairman dated August 23, 1963, attached, and that for this purpose the necessary foreign travel be authorized.

We should also like to take advantage of Mr. Hersey's trip to Pakistan to permit him to visit central banks and observe economic and financial conditions in certain other countries. At this time, however, it is not feasible to make specific plans; therefore, a subsequent memorandum will be submitted to the Board requesting approval of additional travel plans when these will have been prepared.

A letter from the Chairman to Governor Hasnie has been prepared for use in the event the Board approves this travel.

It will be noted from Mr. Hasnie's letter that our nominee would be a guest of the State Bank of Pakistan during his stay in that country. In view of this I recommend that Mr. Hersey be authorized to include in his travel voucher his actual out-of-pocket expenditures while in Pakistan, in lieu of the standard government allowances.

RAG

Attachments.

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Item No. 11
9/23/63

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

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



September 20, 1963

Mr. Luther M. Hoyle, Jr., Vice President,
Federal Reserve Bank of Boston,
Boston, Massachusetts.

Dear Mr. Hoyle:

In accordance with the request contained in your letter of September 12, 1963, the Board approves the appointment of John J. Kannegieser as an assistant examiner for the Federal Reserve Bank of Boston. Please advise the effective date of the appointment.

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. 12
9/23/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 23, 1963.



CONFIDENTIAL (FR)

Mr. Luther M. Hoyle, Jr., Vice President,
Federal Reserve Bank of Boston,
Boston, Massachusetts.

Dear Mr. Hoyle:

In accordance with the request contained in your letter of September 12, 1963, and your telephone conversation with Mr. Leavitt, the Board approves the appointment of Howard G. Smith as an assistant examiner for the Federal Reserve Bank of Boston. Please advise the effective date of the appointment.

It is noted that Mr. Smith is indebted to The Boston Five Cents Savings Bank, Boston, Massachusetts, a nonmember bank. Accordingly, the Board's approval of Mr. Smith's appointment is given with the understanding that he will not participate in any examination of that bank until his indebtedness has been liquidated.

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. 13
9/23/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 20, 1963



Mr. Howard D. Crosse, Vice President,
Federal Reserve Bank of New York,
New York, New York.

Dear Mr. Crosse:

In accordance with the request contained in Mr. Pierce's letter of September 13, 1963, the Board approves the reappointment of Robert L. Lang as an assistant examiner for the Federal Reserve Bank of New York, effective October 1, 1963.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.