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Minutes for September 26, 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

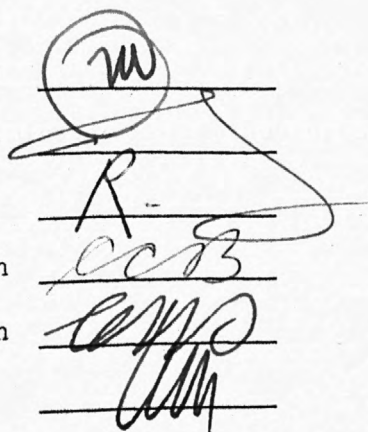
Gov. Mills

Gov. Robertson

Gov. Balderston

Gov. Shepardson

Gov. Mitchell



Minutes of the Board of Governors of the Federal Reserve System on Thursday, September 26, 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. Hackley, General Counsel  
Mr. Solomon, Director, Division of Examinations  
Mr. Leavitt, Assistant Director, Division of Examinations  
Mr. Mattras, General Assistant, Office of the Secretary  
Miss Hart, Senior Attorney, Legal Division  
Mr. Sanders, Attorney, Legal Division

Discount rates. The establishment without change by the Federal Reserve Bank of Minneapolis on September 25, 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 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 The Union Commerce Bank, Cleveland, Ohio, approving an extension of time to establish a branch in Lakewood.

1

Letter to American Trust & Savings Bank, Dubuque, Iowa, approving an investment in bank premises.

2

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Item No.

3

Letter to the Federal Reserve Bank of San Francisco regarding a question as to the length of time the San Francisco Reserve Bank, acting as a committee of the Pacific Coast Stock Exchange, must maintain records relating to extensions of time under sections 220.3(f) and 220.4(c)(6) of Regulation T.

With reference to Item No. 3, Governor Mills noted that the San Francisco Reserve Bank had acted since 1935 as a committee of the Pacific Coast Stock Exchange with regard to granting extensions of time under Regulation T, Credit by Brokers, Dealers, and Members of National Securities Exchanges. The Pacific Coast Stock Exchange was today a much larger institution than it was at the time the Board authorized this arrangement in 1935 (as reaffirmed in 1941), and he felt that the arrangement might have outlived its usefulness. He suggested, therefore, that the Bank be asked to explore the possibility of discontinuing this function and advise the Board of its views. There being general agreement with the thought expressed by Governor Mills, a paragraph to this effect was added to the letter.

Report on competitive factors (St. Joseph, Missouri). There had been distributed a draft of report to the Comptroller of the Currency on the competitive factors involved in the proposed consolidation of The American National Bank of St. Joseph, St. Joseph, Missouri, and The Tootle-Enright National Bank, St. Joseph, Missouri.

After discussion, the report was approved unanimously for transmission to the Comptroller in a form in which the conclusion read as follows:

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A consolidation of The Tootle-Enright National Bank, St. Joseph, Missouri, and The American National Bank of St. Joseph, St. Joseph, Missouri, would have an adverse effect on competition. It would significantly increase the size of the area's largest bank and would eliminate a substantial amount of competition.

Miss Hart and Mr. Sanders then withdrew from the meeting and the following entered the room:

Mr. Fauver, Assistant to the Board  
Mr. Noyes, Director, Division of Research and Statistics  
Mr. Conkling, Assistant Director, Division of Bank Operations  
Mr. Veenstra, Chief, Call Report Section, Division of Bank Operations

Window dressing. Governor Robertson referred to advice received that the Legal and Monetary Affairs Subcommittee of the House Committee on Government Operations had set October 2, 1963, as the date for hearings on the subject of window dressing by commercial banks. Governor Robertson noted that it had originally been felt that the Board's views could be presented to the Subcommittee by an appropriate member of the staff, but it was now his understanding that the Committee would prefer to have a member of the Board testify.

Chairman Martin suggested that Governor Robertson represent the Board at the hearing, and Governor Robertson expressed a willingness to do so but asked the Board's guidance on the position it wished to have presented. Governor Robertson stated that he would have in mind patterning his testimony basically on the Board's letter to Subcommittee Chairman Fascell of August 9, 1963. He would be inclined to tell the Subcommittee that window dressing was a problem of which the Board was fully

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aware, but that the problem was largely confined to a relatively small number of banks. He would express the view that the best solution to the problem would come through cooperative action on the part of the bank supervisory agencies, principally in the form of moral suasion, and he would reiterate the Board's continued willingness to cooperate on this matter with the other banking agencies. He would indicate that the problem could be approached more effectively in such manner than through legislative action. The position also would be taken that surprise call dates did not provide a complete answer.

There followed an extended discussion and exchange of views, during which general agreement was indicated with the outline of testimony suggested by Governor Robertson.

It was then agreed that Governor Robertson would represent the Board at the hearing to be held on October 2 before the Legal and Monetary Affairs Subcommittee, that a statement would be prepared along the lines suggested by the discussion at this meeting, and that the statement would be presented in a final form satisfactory to Governor Robertson.

Fund and Bank luncheons. Mr. Sherman reported on arrangements with regard to the luncheons to be held on October 1 and 3, 1963, for central bankers attending the annual meetings of the International Monetary Fund and the International Bank for Reconstruction and Development.



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All of the members of the staff then withdrew and the Board went into executive session.

Following the meeting, the Secretary was informed that during the executive session the Board had decided that, in view of the structural increase that will be made in salaries of certain Board employees at the beginning of 1964, in keeping with the General Pay Act that was passed in 1962, the Board had decided that it would forego the customary review in January 1964 of Board personnel for meritorious salary increases that would be called for under the program in effect at the Board for some years.

The meeting then adjourned.

Secretary's Notes: On September 25, 1963,  
Governor Shepardson approved on behalf  
of the Board the following items:

Letter to the Federal Reserve Bank of Chicago (attached Item No. 4) approving the appointment of Ronald L. Hansen as assistant examiner.

Letter to the Federal Reserve Bank of Kansas City (attached Item No. 5) approving the appointment of Thomas Bruce Williams as assistant examiner.

Governor Shepardson today approved on  
behalf of the Board the following items:

Letter to the Federal Reserve Bank of Cleveland (attached Item No. 6) approving the appointment of Reino Leonard Aalto as assistant examiner.

Memoranda from appropriate individuals concerned recommending increases in the basic annual salaries of the following persons on the Board's staff effective September 29, 1963:

Judith M. Golodner, Secretary, Office of the Secretary, from \$5,365 to \$5,525 per annum.

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Janet Hart, Senior Attorney, Legal Division, from \$11,150 to \$11,515 per annum.

Verna P. Ryon, Secretary, Legal Division, from \$6,055 to \$6,225 per annum.

Raymond J. Collier, Chief, Current Series Section, Division of Bank Operations, from \$13,270 to \$13,695 per annum.

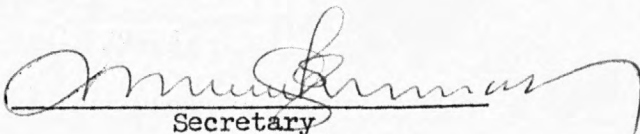
E. Ralph Massey, Chief, Reserve Bank Operations Section, Division of Bank Operations, from \$13,270 to \$13,695 per annum.

Helen M. Dunn, Statistical Assistant, Division of Research and Statistics, from \$4,565 to \$4,725 per annum.

Flora J. Griffith, Chief Telephone Operator, Division of Administrative Services, from \$5,685 to \$5,845 per annum.

Roger M. Painter, Chauffeur (Station Wagon), Division of Administrative Services, from \$4,295 to \$4,472 per annum.

Winofred J. Flowers Racz, Chart Machine Operator, Division of Data Processing, from \$6,900 to \$7,125 per annum.

  
Secretary



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

Item No. 1  
9/26/63

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

September 26, 1963

Board of Directors,  
The Union Commerce Bank,  
Cleveland, Ohio.

Gentlemen:

The Board of Governors of the Federal Reserve System extends to March 20, 1964, the time within which The Union Commerce Bank, Cleveland, Ohio, may establish a branch at 11710 Clifton Boulevard, Lakewood, 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.

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Item No. 2  
9/26/63

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

September 26, 1963

Board of Directors,  
American Trust & Savings Bank,  
Dubuque, Iowa.

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 of not to exceed \$148,000 by American Trust & Savings Bank, for the purpose of remodeling and expanding banking facilities. This amount includes approximately \$30,000 for the modernization of the bank's elevator system, of which \$17,000 is yet to be paid, \$75,000 for the acquisition of a four-story apartment and office building, and \$43,000 for installation of drive-in banking facilities.

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. 3  
9/26/63

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

September 26, 1963.



Mr. T. W. Barrett, Assistant Cashier,  
Federal Reserve Bank of San Francisco,  
San Francisco, California. 94120

Dear Mr. Barrett:

This refers to your letter of April 23, 1963, asking that the Board advise your Bank as to the length of time it must retain records relating to extensions granted under Regulation T. Since December 1935, your Bank has been acting as a committee of the Pacific Coast Stock Exchange, pursuant to authority of the Board granted in a telegram of December 21, 1935, reaffirmed in a Board telegram of September 12, 1941, in acting upon requests by brokers or dealers who are not members of a national securities exchange for extensions of time in connection with securities sold to customers in cases where payment is not received within the time specified in Regulation T.

After study of the matter, the Board has concluded that the records in question are not governmental records, and that, as a result, their disposition is not subject to the rules laid down in 44 U.S.C. §§ 366-380. This result follows from the facts that it is clear under Regulation T that your Bank is acting in this capacity solely as a committee of, or agent for, the Exchange, that the Securities and Exchange Commission has promulgated no rule requiring national securities exchanges to maintain records of the kind in question, and that the Board would have no legal authority to require an exchange to keep such records. In addition, copies of the requests are required, under rule 240.17a-4 of the Commission, to be retained for three years by the applying brokers and dealers.

Accordingly, it seems clear that the records maintained by your Bank as a committee of the Exchange are kept to facilitate orderly administration and to forestall abuses of the privilege granted by the committee. There seems no reason why the committee's copies of the records of its action should be maintained for more than the three-year period prescribed by the Commission for the copies in the hands of the applying brokers or dealers. It is suggested that after consulting with the Exchange to ascertain whether they have any objection, your Bank could proceed to destroy the records in question after a three-year retention period.

## BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Mr. T. W. Barrett

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In reviewing the matter, the Board raised a question whether, in view of the growth and development over recent years of the Pacific Coast Exchange, it might not be appropriate for your Bank to explore the possibility that the Exchange might take over a function which primarily concerns its internal working, and which does not naturally fall within the scope of activities of a Federal Reserve Bank.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

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

Item No. 4  
9/26/63

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

September 26, 1963.



Mr. Leland Ross, Vice President,  
Federal Reserve Bank of Chicago,  
Chicago, Illinois.

Dear Mr. Ross:

In accordance with the request contained in your letter of September 18, 1963, the Board approves the appointment of Ronald L. Hansen as an assistant examiner for the Federal Reserve Bank of Chicago. 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. 5  
9/26/63

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

September 26, 1963

Mr. L. F. Mills, Vice President,  
Federal Reserve Bank of Kansas City,  
Kansas City, Missouri.

Dear Mr. Mills:

In accordance with the request contained in your letter of September 20, 1963, the Board approves the appointment of Thomas Bruce Williams as an assistant examiner for the Federal Reserve Bank of Kansas City. Please advise the salary rate and the effective date of the appointment.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,  
Assistant Secretary.



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

Item No. 6  
9/26/63

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

September 27, 1963



CONFIDENTIAL (FR)

Mr. Paul C. Stetzelberger, Vice President,  
Federal Reserve Bank of Cleveland,  
Cleveland, Ohio.

Dear Mr. Stetzelberger:

In accordance with the request contained in your letter of September 23, 1963, the Board approves the appointment of Reino Leonard Aalto as an assistant examiner for the Federal Reserve Bank of Cleveland. Please advise the effective date of the appointment.

It is noted that Mr. Aalto is indebted to The Lorain County Savings & Trust Company, Elyria, Ohio, a State member bank. Accordingly, the Board's approval of the appointment of Mr. Aalto 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.