

Minutes for September 30, 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

MM

Gov. Mills

[Signature]

Gov. Robertson

[Signature]

Gov. Balderston

CCB

Gov. Shepardson

[Signature]

Gov. Mitchell

UM

Minutes of the Board of Governors of the Federal Reserve System on Monday, September 30, 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. Mitchell

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Broida, Assistant Secretary
Mr. Fauver, Assistant to the Board
Mr. Mattras, General Assistant, Office of the Secretary

Messrs. Koch, Brill, Garfield, Holland, Williams, Dembitz, Eckert, Gehman, Osborne, Partee, Weiner, and Yager of the Division of Research and Statistics

Messrs. Hersey, Sammons, Katz, Gekker, Gemmill Irvine, Maroni, and Swerling of the Division of International Finance

Economic review. The Division of International Finance commented on international financial conditions, with special reference to the U. S. balance of payments, after which the Division of Research and Statistics presented information relating to the domestic economy.

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

Mr. Hackley, General Counsel
Mr. Solomon, Director, Division of Examinations
Mr. Shay, Assistant General Counsel
Mr. Hooff, Assistant General Counsel
Mr. Goodman, Assistant Director, Division of Examinations
Mr. Leavitt, Assistant Director, Division of Examinations

9/30/63

-2-

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

	<u>Item No.</u>
Letter to Chase International Investment Corporation, New York, New York, granting permission to purchase shares of Banque Ivoirienne de Developpement Industriel, Abidjan, Ivory Coast.	1
Letter to Chase International Investment Corporation, New York, New York, granting permission to purchase shares of Nigerian Industrial Development Bank, Limited, Lagos, Nigeria.	2
Letter to Manufacturers and Traders Trust Company, Buffalo, New York, approving the establishment of a branch in the Town of West Seneca.	3
Letter to The Newark Trust Company, Newark, Ohio, approving the establishment of a branch in Lima Township.	4
Letter to First Michigan Bank and Trust Company, Zeeland, Michigan, approving the establishment of a branch in Holland Township.	5
Letter to the Presidents of all Federal Reserve Banks regarding the value at which U. S. Government securities received in exchange for maturing securities would be appraised for examination and supervisory purposes.	6

With respect to Items 1 and 2, the letters were revised slightly, as agreed at the meeting, in the interest of clarification of the intent of the final paragraph.

With reference to Item No. 6, the question involved arose under the uniform agreement among the Board, the Federal Deposit Insurance

9/30/63

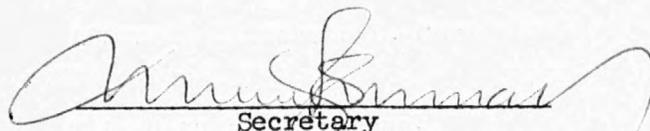
-3-

Corporation, and the Comptroller of the Currency, which was approved in 1938 and revised in 1949. Under that agreement, U. S. Government securities and other investment grade securities are carried at cost, disregarding market fluctuations. However, the Division of Examinations felt that Government securities received in exchange for maturing securities should realistically be carried at par; the Comptroller's Office and the Federal Deposit Insurance Corporation agreed. Actually, it was pointed out, the market value of the maturing securities was generally close to par on the day the securities were exchanged. Discussion of the matter covered the background circumstances against which the 1938 uniform agreement was formulated, along with the effects from a bank accounting standpoint of adherence to the uniform agreement.

Arrangements in connection with annual convention of American Bankers Association. Mr. Fauver reported on arrangements for the reception to be held at the Board on October 6, 1963, in connection with the annual convention of the American Bankers Association.

The meeting then adjourned.

Secretary's Note: Governor Shepardson today approved on behalf of the Board a letter to the Federal Reserve Bank of Cleveland (attached Item No. 7) approving the appointment of David J. Weitzel as examiner.


Secretary

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Item No. 1
9/30/63

WASHINGTON 25, D. C.

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



September 30, 1963.

Chase International Investment Corporation,
1 Chase Manhattan Plaza,
New York 5, New York.

Gentlemen:

Reference is made to your letter of September 18, 1963 regarding the proposed purchase and holding of 62,500 shares of Banque Ivoirienne de Developpement Industriel ("BIDI"), Abidjan, Ivory Coast, a development bank incorporated under the laws of the Republic of the Ivory Coast, at a cost of about CFA Francs 60 million, or approximately US\$250,000 (equivalent.)

You have applied for a ruling by the Board of Governors that BIDI will be, upon its organization, a "foreign bank" within the meaning of that term as used in Section 211.8(a)(2) of Regulation K effective September 1, 1963, or, in the alternative, if such a ruling is not made, for the consent of the Board of Governors to purchase and hold such shares of BIDI.

It is noted from the second paragraph of your letter that "BIDI will not engage in activities of a purely commercial banking nature such as the acceptance of deposits or the creation of acceptances." Accordingly, it would not be a "foreign bank" within the meaning of Section 211.8(a)(2), and, therefore, the Board of Governors grants its specific consent, pursuant to Section 211.8(b), for your Corporation to purchase and hold 62,500 shares, par value CFA Francs 1,000 each, of BIDI, at a cost of approximately US\$250,000, provided such shares are acquired within one year from the date of this letter.

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
9/30/63



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 30, 1963.

Chase International Investment Corporation,
1 Chase Manhattan Plaza,
New York 5, New York.

Gentlemen:

Reference is made to your letter of September 19, 1963 regarding the proposed purchase and holding up to 200,000 Class B ordinary shares of Nigerian Industrial Development Bank, Limited ("NIDB"), Lagos, Nigeria, a development bank incorporated under the laws of the Federation of Nigeria, at a cost of Nigerian £200,000, or about US\$560,000 (equivalent).

You have applied for a ruling by the Board of Governors that NIDB will be, upon its organization, a "foreign bank" within the meaning of that term as used in Section 211.8(a)(2) of Regulation K effective September 1, 1963, or, in the alternative, if such a ruling is not made, for the consent of the Board of Governors to purchase and hold such shares of NIDB.

It is noted from the second paragraph of your letter that your "commitment to invest in NIDB is conditional upon NIDB not accepting deposits." Accordingly, it would not be a "foreign bank" within the meaning of Section 211.8(a)(2), and, therefore, the Board of Governors grants its specific consent, pursuant to Section 211.8(b), for your Corporation to purchase and hold up to 200,000 Class B ordinary shares, par value Nigerian £1 each of NIDB, at a cost of approximately US\$560,000, provided such shares are acquired within one year from the date of this letter.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

3401

Item No. 3

9/30/63

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON 25, D. C.

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



September 30, 1963

Board of Directors,
Manufacturers and Traders Trust Company,
Buffalo, New York.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch at 2067-2071 Union Road, Town of West Seneca (unincorporated area), Erie County, New York, by Manufacturers and Traders Trust Company, 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.)

Item No. 4
9/30/63

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

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 30, 1963

Board of Directors,
The Newark Trust Company,
Newark, Ohio.

Gentlemen:

The Board of Governors approves the establishment of a branch by The Newark Trust Company, Newark, Ohio, in the vicinity of the intersection of State Routes 16 and 310 in Lima Township, Licking County, Ohio, provided the branch is established within one year from the date of this letter.

It is understood that the bank's capital stock will be increased to at least \$435,000 in order that the capital of the bank will be sufficient to permit establishment of the branch under State law.

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. 5
9/30/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 30, 1963



Board of Directors,
First Michigan Bank and Trust Company,
Zeeland, Michigan.

Gentlemen:

The Board of Directors of the Federal Reserve System approves the establishment by First Michigan Bank and Trust Company, Zeeland, Michigan, of a branch in the vicinity of the intersection of Woodbridge and Clover Streets, Federal District, Holland Township, Ottawa County, Michigan, provided the branch is established within six months from the date of this letter. It is noted that the branch is to be temporarily at 431 Woodbridge Street, Federal District, Holland Township, Ottawa County, Michigan until quarters at the permanent site are ready.

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.

S-1892
Item No. 6
9/30/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 2, 1963.



Dear Sir:

A question has been raised regarding the carrying value, for examination and supervisory purposes, of U. S. Government securities received by a State member bank in an exchange of maturing U. S. Government securities.

The situation giving rise to the question related to an exchange made pursuant to Treasury Circular 18-62, dated October 29, 1962. It involved a par-for-par exchange of \$850,000 of 2-1/4% Treasury Bonds, dated November 15, 1945, and maturing December 15, 1962, which were purchased and carried at a cost price of \$843,625 on the books of the bank, for a like amount of 3-1/2% Treasury Notes, dated November 15, 1962, and maturing November 15, 1965, which were carried on the books of the bank at par or \$850,000 on the date of examination.

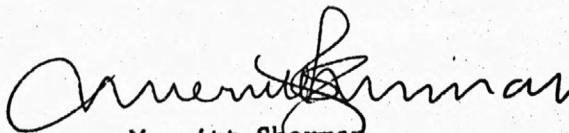
It appears that an exchange of U. S. Government securities pursuant to Treasury Circular 18-62, or similar exchanges involving U S Government securities which are at or near maturity, would not present the usual possibilities of speculative trading or arbitrary write-ups, since they are carried out directly with the issuer (the U. S. Government) and at or near maturity of the security exchanged. The holder of the security has only one opportunity to effect such an exchange, and he has no alternative but to receive either cash or a new security; it will be impossible for him to continue to hold the old security.

Accordingly, U S. Government securities received by a State member bank in such an exchange will hereafter be considered to have an allowable carrying value of par for bank examination and supervisory purposes.

This does not in any way conflict with or alter the long-standing policy under which arbitrary write-ups of securities or other assets have been deemed undesirable or the Board's letter of November 1, 1954 (S-1551, F.R.L.S. #3649.1), relating to purchases and sales of securities, under which profits are to be used to write down the securities acquired or establish valuation reserves applicable to securities.

This matter has been reviewed with the Federal Deposit Insurance Corporation and the Office of the Comptroller of the Currency, both of which are taking the same position as that stated in this letter.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Merritt Sherman". The signature is written in dark ink and is positioned above the typed name.

Merritt Sherman,
Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

3406

Item No. 7
9/30/63

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



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 1, 1963

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 David J. Weitzel, at present an assistant examiner, as an examiner for the Federal Reserve Bank of Cleveland. Please advise the effective date of the appointment.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.