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Minutes for October 4, 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

M

Gov. Mills

[Signature]

Gov. Robertson

CRB

Gov. Balderston

TS

Gov. Shepardson

IM

Gov. Mitchell

Minutes of the Board of Governors of the Federal Reserve System on Friday, October 4, 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. Mitchell

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Broida, Assistant Secretary
Mr. Young, Adviser to the Board and Director, Division of International Finance
Mr. Fauver, Assistant to the Board
Mr. Noyes, Director, Division of Research and Statistics
Mr. Koch, Associate Director, Division of Research and Statistics
Mr. Brill, Adviser, Division of Research and Statistics
Mr. Holland, Adviser, 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. Spencer, General Assistant, Office of the Secretary
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. Goldstein, Economist, Division of International Finance

Money market review. There were distributed tables relating to member bank reserve positions, System Account and Treasury purchases of

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Treasury issues due in over five years, and monetary developments during the five-week period ending October 2, 1963.

Mr. Bernard reported on recent developments in the Government securities market, after which Mr. Holland commented on bank reserves, bank credit, and the money supply. Mr. Goldstein then discussed recent foreign exchange market developments.

Following discussion based on those reports, all members of the staff except Messrs. Sherman, Kenyon, Broida, Fauver, Noyes, and Spencer withdrew from the meeting, and the following entered the room:

Mr. Hackley, General Counsel
Mr. Hooff, Assistant General Counsel
Mr. Sammons, Adviser, Division of International Finance
Mr. Goodman, Assistant Director, Division of Examinations
Mr. Young, Senior Attorney, Legal Division
Mr. Egertson, Supervisory Review Examiner, Division of Examinations
Mr. Lyon, Review Examiner, Division of Examinations
Mr. Noory, Assistant Review Examiner, Division of Examinations

Discount rates. The establishment without change by the Federal Reserve Banks of New York, Philadelphia, Minneapolis, and San Francisco on October 3, 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:

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	<u>Item No.</u>
Telegram to the Federal Reserve Bank of New York approving an extension of the arrangement to make loans on gold to the Bank for International Settlements.	1
Letter to Bancorporation of Montana (formerly Montana Shares, Incorporated), Great Falls, Montana, regarding its application for a general voting permit with respect to the shares owned or controlled by it of Liberty County Bank, Chester; Citizens Bank of Montana, Havre; and Central Bank of Montana, Great Falls, Montana.	2
Letter to the Bureau of the Budget with respect to a draft bill, proposed by the Department of the Interior, "To provide for guaranty and insurance of loans to Indians and Indian organizations."	3

With respect to Item No. 2, it was the recommendation of the Federal Reserve Bank of Minneapolis that a general voting permit be granted; the Board's Division of Examinations recommended that a permit of this type not be authorized at this time because of the asset position and general condition of several of Bancorporation's subsidiary banks. In this connection, Governor Mills stated that he concurred with the conclusion of the Division of Examinations, but he suggested that a check be made with the Minneapolis Reserve Bank to determine whether the Bank would have any substantial objection to the proposed denial of the requested general voting permit.

During discussion, certain changes suggested by Governor Balderston in the wording of the draft letter were agreed upon, and it was understood

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that the letter would be sent in the form attached as Item No. 2 if a check with the Federal Reserve Bank of Minneapolis revealed no substantial disagreement with the position taken therein.

Secretary's Note: The Reserve Bank subsequently informed the Division of Examinations that it would not object to the action decided upon by the Board.

Messrs. Hooff, Lyon, and Noory then withdrew from the meeting.

Report on competitive factors (Akron-Mogadore, Ohio). There had been distributed a draft of report to the Comptroller of the Currency on the competitive factors involved in the proposed merger of The Mogadore Savings Bank, Mogadore, Ohio, into First National Bank of Akron, Akron, Ohio.

The report was approved unanimously for transmittal to the Comptroller, the conclusion therein reading as follows:

Consummation of the proposed merger of First National Bank of Akron and The Mogadore Savings Bank would eliminate direct competition now existing between them. It would increase the size of First National Bank of Akron, which is by far the largest bank in Akron, and would also reduce significantly the number of alternative sources of banking services for those people residing in the eastern section of Summit County.

Mr. Egertson then withdrew from the meeting.

Unbudgeted expenditure authorized for charts. On the basis of a memorandum dated October 3, 1963, from Mr. Young, Adviser to the Board and Director, Division of International Finance, Governor Shepardson recommended that authorization be given for an unbudgeted expenditure

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not to exceed \$1,500 for the purpose of having reproduced by commercial facilities certain charts and color film transparencies with Spanish language lettering to be used in a chart show presentation by members of the staff attending the Seventh Meeting of Technicians of Central Banks of the American Continent to be held this month in Rio de Janeiro, Brazil.

Unanimous approval was given to this recommendation.

System motion picture. Following discussion of a question raised by Governor Balderston, it was understood that the Board would see no objection to a copy of the System motion picture, "Money on the Move--The Federal Reserve Today," being made available, upon request, to the Center for Latin American Monetary Studies.

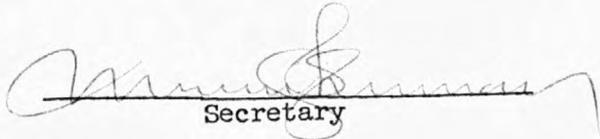
The meeting then adjourned.

Secretary's Note: Governor Shepardson today approved on behalf of the Board the following items:

Letter to the Presidents of all Federal Reserve Banks (attached Item No. 4) relating to the designation of Mr. Kelleher, Director, Division of Administrative Services, as point of contact between the Board and the National Communications System.

Memorandum from the Office of the Controller dated October 3, 1963, recommending that that Office be authorized, commencing with the first pay day in 1964, to withhold, for State income taxes in accordance with applicable withholding tables, from salaries of Board employees who make written request for the withholding and who reside in Maryland or Virginia and work in the District of Columbia.

Memorandum from Stephen H. Axilrod, Senior Economist, Division of Research and Statistics, requesting permission to co-author an article, "Appraisal of Monetary Policy," which will appear in a book published as part of the Columbia University American Assembly series.


Secretary

T E L E G R A M
LEASED WIRE SERVICEItem No. 1
10/4/63BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON

October 4, 1963

SANFORD - NEW YORK

Your wire September 26. Board approves extension of the arrangement to make loan or loans on gold by your Bank to the Bank for International Settlements during the period of one year, from November 1, 1963, through October 31, 1964, up to a total amount outstanding at any one time of \$25 million, each borrowing to mature in not more than seven days and total borrowings (the maximum loan facility) during any calendar month not to exceed the equivalent of \$25 million for the total of seven days.

For this facility, it is understood that you will make a commitment charge at the rate of one-fourth of one per cent per annum on that part of the maximum loan facility not used in any calendar month. The arrangement would conform to your usual terms and conditions:

- (a) Each such loan or loans to be made up to 98 per cent of the value of gold bars to be set aside at the time of each drawing under pledge to you;
- (b) Each such loans to bear interest from the date it is made until paid at the discount rate of your Bank in effect on the date such loan is made.

It is understood that the usual participation will be offered to the other Federal Reserve Banks.

(Signed) Merritt Sherman

SHERMAN

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 2
10/4/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 4, 1963.

Mr. Charles W. Rubie, President,
Bancorporation of Montana,
Central Bank Building,
Great Falls, Montana.

Dear Mr. Rubie:

The Board has considered Bancorporation of Montana's application for a general voting permit with respect to the shares it owns and controls of Liberty County Bank, Chester, Citizens Bank of Montana, Havre, and Central Bank of Montana, Great Falls.

You are, of course, aware of the problems relating to the asset position and general condition of several of Bancorporation's subsidiary banks. The Board does not deem it appropriate in the light of its statutory responsibilities to issue the requested general voting permit until the asset position and general condition of these banks improve markedly.

In the meantime, the Board will consider the issuance of limited voting permits, as needed, with respect to the subsidiary member banks for which general voting permits have not been issued, if timely requests are submitted pursuant to the provisions of Section 216.6(d) of the Board's Regulation P.

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
10/4/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 4, 1963



Mr. Phillip S. Hughes,
Assistant Director for
Legislative Reference,
Bureau of the Budget,
Washington, D. C. 20503

Dear Mr. Hughes:

This is to advise, in response to your letter of September 6, 1963, that the Board has no comments with respect to the draft bill proposed by the Department of Interior, "To provide for guaranty and insurance of loans to Indians and Indian organizations."

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

Item No. 4
10/4/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 4, 1963.



Dear Sir:

For your information, there is enclosed a copy of a memorandum dated August 21, 1963, from Mr. McGeorge Bundy, Special Assistant to the President, concerning the establishment of the National Communications System. The memorandum is accompanied by the following attachments:

- 1 - Memorandum from the Presidents--
August 21, 1963
- 2 - Procedures and Working Relationships for the National Communications System--August 21, 1963
- 3 - Statement of Initial Tasks Assigned to the Manager of the National Communications System--August 6, 1963.

Mr. Joseph E. Kelleher, Director of the Board's Division of Administrative Services, has been designated as the point of contact between the Board and the National Communications System and will keep the Subcommittee on Cash, Leased Wire and Sundry Operations advised as to any developments which might involve the present communication arrangements of the Federal Reserve System.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Merritt Sherman".

Merritt Sherman,
Secretary.

Enclosures

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS