

Minutes for October 28, 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

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Minutes of the Board of Governors of the Federal Reserve System on Monday, October 28, 1963. The Board met in the Board Room at 10:00 a.m.

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

Mr. Kenyon, Assistant Secretary
Mr. Broida, Assistant Secretary
Mr. Cardon, Legislative Counsel
Mr. Johnson, Director, Division of Personnel Administration
Mr. Hexter, Assistant General Counsel
Mr. O'Connell, Assistant General Counsel
Mr. Leavitt, Assistant Director, Division of Examinations
Mr. Mattras, General Assistant, Office of the Secretary
Mr. Bakke, Senior Attorney, Legal Division

Ratification of actions. Actions taken by the available members of the Board at the meeting held on October 25, 1963, as recorded in the minutes of that meeting, were ratified by unanimous vote.

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 State Bank of Virginia, Virginia, Minnesota, waiving the requirement of six months' notice of withdrawal from membership in the Federal Reserve System.	1
Letter to The Central State Bank, Connersville, Indiana, approving an investment in bank premises.	2

10/28/63

-2-

Item No.

Letter to the Federal Reserve Bank of New York
approving the payment of salaries to three officers
at rates fixed by the Bank's Board of Directors.

3

With reference to Item No. 3, it was noted that the Board's Committee on Organization, Compensation, and Building Plans, during discussion with President Hayes of the Federal Reserve Bank of New York with regard to proposed officer salaries at the Bank for 1964, had asked President Hayes to review the classification of the position of General Auditor, presently classified in Salary Group C. It was understood that President Hayes would take up the matter with the Bank's Audit Review Committee and advise the Board of the results of the review.

Report on S. 1663. There had been distributed a memorandum from the Legal Division dated October 15, 1963, with regard to a request from the Senate Judiciary Committee for a report on S. 1663, a bill to amend the Administrative Procedure Act. The memorandum described the salient features of the bill, which contained some 200 amendments of varying significance. Attached to the memorandum were Annex A, an analysis of the proposed changes in the Administrative Procedure Act; Annex B, a draft of letter to Chairman Eastland of the Judiciary Committee; and Annex C, draft comments to the Committee on the proposed amendments.

In discussion of the matter, Governor Mills stated that he was impressed by the analysis and recommendations of the Legal Division. He raised some question, however, about the desirability of including in the

10/28/63

-3-

letter to the Committee so strong a reference to the proposed Administrative Conference of the United States. (The Board, in a report to the Bureau of the Budget dated May 6, 1963, had expressed agreement in principle with the objectives sought to be accomplished by the proposal to make the Conference a permanent organization, and at that time Governor Mills had expressed reservations. The proposed letter to Chairman Eastland would suggest, for reasons stated, that formal Committee action on the revisions in the Administrative Procedure Act might be deferred until the fate of the Administrative Conference was resolved.)

Mr. Bakke stated that it had not been his intent to suggest necessarily that the views of the Conference should be binding as far as the provisions of S. 1663 were concerned. However, since the Conference would be comprised of individuals with particular competence and experience in the field of administrative law, he felt it would be useful to refer to it in the letter since the composite views of such a body could be helpful to the Committee in its consideration of the bill, which represented virtually a complete rewriting of the present Administrative Procedure Act.

Governor Robertson noted that the draft reply would express opposition to having actions committed by law to agency discretion made subject to judicial review. He agreed that it was important that the provisions for judicial review should not apply in the area of credit regulation and monetary policy, but he doubted whether the case was as strong in the area of bank supervisory and regulatory functions.

10/28/63

-4-

In discussion of this point, Mr. O'Connell said the position proposed in the draft was in line with the position that it was understood would be taken by the other Federal bank supervisory agencies. It was based on the view that a court's judgment ordinarily should not be substituted for the discretionary authority given by law to a supervisory agency.

Governor Robertson then said that he would not object to such a position being expressed. However, opposition was much more important when it came to the formulation of monetary policy. He suggested a revision of the draft comments to emphasize, separately and distinctly, the reasons why monetary policy decisions and credit regulations should not be subject to judicial review.

Governor Robertson also noted the objection in the draft to the proposal that multi-member agencies make available for public inspection individual voting records on issues not involving hazards to the national defense. He raised a question as to whether the position could be supported that it was not in the public interest to make the voting record public.

In discussion of this point, Mr. Bakke stated that although the votes of the Board members are made available to the public on actions such as decisions on merger or holding company cases, there was some question within the staff as to whether it would be in the public interest to follow the same practice in all cases, such as disciplinary actions

10/28/63

-5-

in the bank supervisory area. Mr. O'Connell expressed the opinion that disclosure of votes in disciplinary actions without making public the full background of the case could be disruptive to the Board's functions.

After further comments on this subject reflecting the tenor of staff thinking, Governor Robertson indicated that he continued to doubt that a strong argument could be made for differentiating between the release of the voting record on holding company or merger decisions as opposed to other actions in the bank supervisory area.

Governor Shepardson stated, with regard to the treatment of S. 1663 as a whole, that he considered the analysis of the Legal Division well prepared and the recommendations appropriate.

Mr. Cardon suggested certain editorial changes in one part of the draft reply, on the basis of possible misinterpretation if certain statements were taken out of context.

The Board then agreed to a suggestion made by Chairman Martin that the draft be revised at certain points along lines discussed at this meeting and that the matter be considered further after all members of the Board had had an opportunity to offer their comments.

Federal Advisory Council agenda. There had been distributed a draft of letter to the Secretary of the Federal Advisory Council suggesting topics for inclusion on the agenda for the meeting of the Council to be held on November 18, 1963, and for discussion at the joint meeting of the Council and the Board on the following day.

10/28/63

-6-

During discussion, it was suggested that a question be included with regard to absorption of exchange charges. It was also suggested that a question regarding stock market credit be omitted from the agenda.

It was understood that the Secretary's Office, in consultation with Governor Mills, would revise the proposed agenda along the lines suggested, and that the redrafted letter would be returned to the Board for consideration.

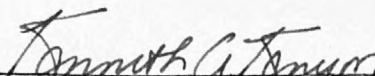
The meeting then adjourned.

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

Letter to the Federal Reserve Bank of Richmond (attached Item No. 4) approving the designation of Daniel J. Coli as special assistant examiner.

Memorandum from the Division of Research and Statistics dated October 22, 1963, recommending that Dr. Edgar L. Feige, Assistant Professor of Economics, University of Wisconsin, who was appointed by the Board as Consultant in that Division on a temporary contractual basis on May 29, 1963, be employed for an additional 30 business days between now and the end of 1963 under the terms of the original appointment: compensation at the rate of \$40 a day plus necessary travel allowance in accordance with the Board's travel regulations.

Memorandum from Mary H. B. Hillard, Statistical Assistant, Division of Research and Statistics, requesting permission to work part time at a local department store.


Assistant Secretary

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

Item No. 1
10/28/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 28, 1963

Board of Directors,
State Bank of Virginia,
Virginia, Minnesota.

Gentlemen:

The Federal Reserve Bank of Minneapolis has forwarded to the Board of Governors your letter dated October 11, 1963, 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.

In accordance with your request, the Board of Governors waives the requirement of six months' notice of withdrawal. Upon surrender to the Federal Reserve Bank of Minneapolis of the Federal Reserve Bank stock issued to your institution, such stock will be canceled and appropriate refund will be made thereon. 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 the notice of intention to withdraw from membership was given.

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

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary



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

Item No. 2
10/28/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 28, 1963

Board of Directors,
The Central State Bank,
Connersville, Indiana.

Gentlemen:

The Board of Governors of the Federal Reserve System approves, pursuant to section 24A of the Federal Reserve Act, an investment, direct and indirect, in bank premises of not to exceed \$525,000 by The Central State Bank, for the purpose of purchasing 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 the carrying value of said premises on the bank's books will be limited to \$275,000, the amount of capital stock of the affiliate.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.



3695

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

Item No. 3
10/28/63



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 28, 1963.

CONFIDENTIAL (FR)

Mr. William F. Treiber,
First Vice President,
Federal Reserve Bank of New York,
New York, New York 10045.

Dear Mr. Treiber:

The Board of Governors approves the payment of salaries to the officers of the Federal Reserve Bank of New York listed below, at rates indicated, from the effective date through December 31, 1963.

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>	<u>Effective Date</u>
John P. Jensen	General Auditor	\$21,500	November 1
John J. Clarke	Vice President and General Counsel	28,500	December 1
Thomas C. Sloane	Assistant General Counsel	20,000	December 1

The salary rates approved are those fixed by your Board of Directors, as reported in your letter of October 17, 1963.

Very truly yours,

A handwritten signature in cursive script, reading "Kenneth A. Kenyon".

Kenneth A. Kenyon,
Assistant Secretary.

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

Item No. 4
10/28/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 29, 1963

Mr. John L. Nosker, Vice President,
Federal Reserve Bank of Richmond,
Richmond, Virginia 23213.

Dear Mr. Nosker:

In accordance with the request contained in your letter of October 18, 1963, the Board approves the designation of Daniel J. Coli as a special assistant examiner for the Federal Reserve Bank of Richmond for the purpose of participating in examinations of State member banks except The Bank of Virginia, Richmond, Virginia and State-Planters Bank of Commerce and Trusts, Richmond, Virginia.

The authorization heretofore given your bank to designate Mr. Coli as a special assistant examiner is hereby canceled.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

