

10/9/63

Minutes for October 29, 1963

To: Members of the Board

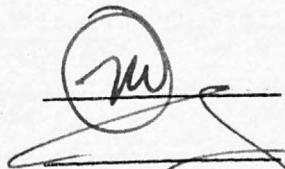
From: Office of the Secretary

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

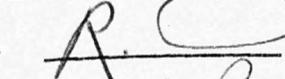
It is not proposed to include a statement with respect to any of the entries in this set of minutes in the record of policy actions required to be maintained pursuant to section 10 of the Federal Reserve Act.

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



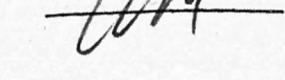
Gov. Robertson



Gov. Balderston



Gov. Shepardson



Gov. Mitchell

Minutes of the Board of Governors of the Federal Reserve System
on Tuesday, October 29, 1963. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Broida, Assistant Secretary
Mr. Fauver, Assistant to the Board
Mr. Hexter, Assistant General Counsel
Mr. Shay, Assistant General Counsel
Mr. Conkling, Assistant Director, Division
of Bank Operations
Mr. Leavitt, Assistant Director, Division
of Examinations
Mr. Spencer, General Assistant, Office of
the Secretary
Miss Hart, Senior Attorney, Legal Division

Discount rates. The establishment without change by the Federal Reserve Bank of Minneapolis on October 26 and by the Federal Reserve Banks of Boston and Atlanta on October 28, 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:

| | <u>Item No.</u> |
|--|-----------------|
| Letter to City Bank and Trust Company, Jackson, Michigan, approving the establishment of a branch in Summit Township. | 1 |
| Letter to Citizens State Bank of El Dorado, El Dorado, Kansas, approving the establishment of a branch at 519-521 North Main Street. | 2 |

10/29/63

-2-

| | <u>Item No.</u> |
|---|-----------------|
| Letter to Fremont Bank and Trust Company, Fremont, Michigan, approving an investment in bank premises. | 3 |
| Letter to Fidelity Bank, Beverly Hills, California, granting its request for permission to continue to maintain reduced reserves. | 4 |
| Letter to the Secretary of the Federal Advisory Council suggesting topics for inclusion on the agenda for its forthcoming meeting. (Revised draft prepared pursuant to the understanding at the meeting on October 28, 1963; the letter as approved reflected certain further suggestions made at today's meeting.) | 5 |

Report on competitive factors (Norfolk-Staunton, Virginia).

There had been distributed a draft of report to the Comptroller of the Currency on the competitive factors involved in the proposed merger of Farmers and Merchants Bank of Staunton, Staunton, Virginia, into Virginia National Bank, Norfolk, Virginia.

After discussion, the report was approved unanimously for transmittal to the Comptroller, the conclusion therein being stated as follows:

There is virtually no direct competition existing between Virginia National Bank and Farmers and Merchants Bank of Staunton. However, Virginia National, as the second largest bank in the State and the dominant institution in eastern and central Virginia, attracts correspondent business from a wide region and solicits accounts from large national and regional corporations that operate in the service areas of both banks.

The conversion of Staunton Bank into a branch of Virginia National would increase the existing significant concentration of area deposits in Virginia National and expand its geographical coverage in the central section of the State. It would also expose the remaining four independent banks in the area to the competitive capabilities of an additional large bank, and represent a potential threat to the ability of these local banks to offer effective competition in the community and maintain their independent status. In addition, it would further concentrate banking resources in Virginia.

10/29/63

-3-

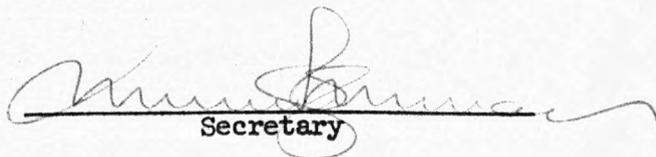
The over-all effect of the proposed merger on competition would be adverse.

Task force on foreign investment in U. S. securities. Governor Shepardson reported that as part of the program of the Presidential task force on foreign investment in U. S. securities, certain work was to be performed by a group consisting of representatives of the Treasury Department, the Federal Reserve Bank of New York, and the Board's staff, which would require about six weeks in Washington and New York, and that it had been recommended that Robert F. Gemmill, Economist in the Division of International Finance, be designated to represent the Board.

The recommendation was approved unanimously.

The meeting then adjourned.

Secretary's Note: Governor Shepardson today approved on behalf of the Board a letter to the Federal Reserve Bank of New York (attached Item No. 6) approving the reappointment of Bruce A. Cassella as assistant examiner.


Secretary

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 1
10/29/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 29, 1963



Board of Directors,
City Bank and Trust Company,
Jackson, Michigan.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by City Bank and Trust Company, Jackson, Michigan, of a branch in the vicinity of the intersection of Brown Street, Morrell Street, and Spring Arbor Road, Summit Township, Jackson County, Michigan, provided the branch is established within one year 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.)

3701

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

Item No. 2
10/29/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 29, 1963



Board of Directors,
Citizens State Bank of
El Dorado,
El Dorado, Kansas.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Citizens State Bank of El Dorado, El Dorado, Kansas of an in-town branch at 519-521 North Main Street, 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.)

3702

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

Item No. 3
10/29/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 29, 1963



Board of Directors,
Fremont Bank and Trust Company,
Fremont, Michigan.

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 \$250,000 by Fremont Bank and Trust Company, for the purpose of constructing new banking quarters.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

3703

Item No. 4
10/29/63

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

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



October 29, 1963

Board of Directors,
Fidelity Bank,
Beverly Hills, California.

Gentlemen:

With reference to your request submitted through the Federal Reserve Bank of San Francisco, the Board of Governors, acting under the provisions of Section 19 of the Federal Reserve Act, grants permission to the Fidelity Bank to continue to maintain the same reserves against deposits as are required to be maintained by nonreserve city banks, effective as of the date it opened a drive-in branch in Los Angeles.

Your attention is called to the fact that such permission is subject to revocation by the Board of Governors.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 5
10/29/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 29, 1963.



Mr. Herbert V. Prochnow, Secretary,
Federal Advisory Council,
c/o The First National Bank of Chicago,
Chicago, Illinois.

Dear Mr. Prochnow:

The Board suggests the following topics for inclusion on the agenda for the meeting of the Federal Advisory Council to be held on November 18, 1963, and for discussion at the joint meeting of the Council and the Board on November 19:

1. Domestic economic conditions and prospects.
 - A. What are the views of Council members about the business outlook on the assumption that the proposed tax cut will be passed? On the assumption that it will not? To what extent does it appear to members that anticipations of a tax cut are already reflected in current levels of consumer and business spending, and in reports of spending plans?
 - B. Does an accumulative rise in prices appear to be developing, or are price increases expected to remain selective, with decreases continuing generally to offset increases in the over-all averages?
 - C. What are the views of the Council members regarding the quality of consumer and business credit? Are repayments on mortgage and consumer instalment credit at unduly burdensome levels?
2. Banking developments.
 - A. What is the Council's judgment as to business needs for bank financing over the next several months?
 - B. In the opinion of Council members, have commercial banks recently become somewhat more selective in granting business or consumer loans?

Mr. Herbert V. Prochnow

-2-

- C. What are the members' views as to likely developments over coming months with respect to volume and rates on time certificates of deposit? What are their views as to the implications of the recent sharp growth in time certificates of deposit for bank liquidity needs?

3. Absorption of exchange charges.

What are the views of Council members on the position the Board has consistently followed that absorption of exchange charges by member banks involves an indirect payment of interest on demand deposits? In view of the widespread evasions of the Board's ruling by member banks, the difficulties of effective enforcement, and the inequities to member banks resulting from the fact that the Federal Deposit Insurance Corporation interprets exchange absorption differently, does the Council believe that Regulation Q should be amended to provide that exchange absorption will not be considered a payment of interest on demand deposits?

4. The U. S. balance of payments.

- A. What are the views of Council members as to prospects for further improvement in our balance of payments position? To what extent, if any, do members believe that monetary policy has contributed to the recent improvement in our balance of payments?
- B. In the opinions of Council members, has there been any recent change in the strength of demand for bank loans by foreign customers?
- C. Do members observe any indications of significant improvement in the competitive position of the United States in world trade?

5. Monetary policy.

How do Council members evaluate recent monetary and credit policy?

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

3706
Item No. 6
10/29/63



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 29, 1963.

Mr. Howard D. Crosse, Vice President,
Federal Reserve Bank of New York,
New York, New York 10045.

Dear Mr. Crosse:

In accordance with the request contained in Mr. Pierce's letter of October 23, 1963, the Board approves the reappointment of Bruce A. Cassella as an assistant examiner for the Federal Reserve Bank of New York, effective today.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.