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Minutes for November 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

M

Gov. Mills

[Signature]

Gov. Robertson

CRB

Gov. Balderston

[Signature]

Gov. Shepardson

[Signature]

Gov. Mitchell

Minutes of the Board of Governors of the Federal Reserve System on Tuesday, November 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. Mitchell

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Young, Adviser to the Board and Director,
Division of International Finance
Mr. Molony, Assistant to the Board
Mr. Hackley, General Counsel
Mr. Noyes, Director, Division of Research
and Statistics
Mr. Farrell, Director, Division of Bank
Operations
Mr. Solomon, Director, Division of
Examinations
Mr. Johnson, Director, Division of
Personnel Administration
Mr. Shay, Assistant General Counsel
Mr. Brill, Adviser, Division of Research
and Statistics
Mr. Kiley, Assistant Director, Division
of Bank Operations
Mr. Goodman, Assistant Director, Division
of Examinations
Mr. Smith, Assistant Director, Division of
Examinations
Mr. Leavitt, Assistant Director, Division
of Examinations

Discount rates. The establishment without change by the Federal Reserve Banks of New York, Philadelphia, Chicago, and San Francisco on November 21, 1963, and by the Federal Reserve Bank of Boston on November 25, 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.

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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 Cambria Bank, Incorporated, Cambria, Virginia, approving the establishment of a branch in Montgomery County.	1
Letter to Wells Fargo Bank, San Francisco, California, approving the establishment of a branch in San Jose.	2
Letter to Wells Fargo Bank, San Francisco, California, approving the establishment of a branch in Alturas.	3
Letter to Inter National Bank of Miami, Miami, Florida, granting its request for permission to maintain reduced reserves.	4
Letter to the Federal Reserve Bank of Dallas waiving the assessment of a penalty incurred by Sulphur Springs State Bank, Sulphur Springs, Texas, because of a deficiency in its required reserves.	5
Letter to the Federal Reserve Bank of Chicago approving the payment of salaries to the Bank's janitors at specified rates in excess of grade maximums.	6
Letter to Bank of America National Trust and Savings Association, San Francisco, California, approving the establishment of a branch in the City of Panama, Republic of Panama.	7

Report on competitive factors (Baltimore-Chestertown, Maryland).

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 Chestertown Bank of Maryland, Chestertown, Maryland, into Maryland National Bank, Baltimore, Maryland.

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A change in the wording of the conclusion suggested by Governor Mills having been agreed upon, the report was approved unanimously for transmittal to the Comptroller. The conclusion read as follows:

The proposed merger of Chestertown Bank into Maryland National would not significantly expand the over-all size of Maryland National, the largest bank in the State, but it would, by the acquisition of Chestertown Bank's branches, extend Maryland National's operations into areas where it is not now represented. The merger would eliminate the largest independent bank in that bank's two-county service area; it would eliminate one of two alternative local banking sources in Chestertown; and it would give Maryland National a dominant position in Chestertown, where it would operate four of five banking offices holding nearly 70 per cent of the deposits. In addition, the merger would eliminate the strong competition presently existing between the constituent banks in the Chestertown area.

The competitive effects of the merger herein proposed are clearly adverse.

Report on competitive factors (Bay City-Pinconning, Michigan).

A report on the competitive factors involved in the proposed merger of Pinconning State Bank, Pinconning, Michigan, into Peoples National Bank & Trust Company of Bay City, Bay City, Michigan, was approved unanimously for transmittal to the Comptroller of the Currency. The conclusion read as follows:

The proposed merger of Peoples National Bank & Trust Company of Bay City, Bay City, Michigan, and Pinconning State Bank, Pinconning, Michigan, would eliminate competition existing between them and expose the small banks at Linwood and Standish to competition from a substantially larger bank. It would also increase the concentration of area banking resources and offices in a bank which is by far the largest of any in the area. Consummation of this proposal would have an adverse effect on competition.

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Messrs. Johnson, Shay, Kiley, Goodman, Smith, and Leavitt then withdrew and Messrs. Broida, Assistant Secretary; Koch, Associate Director, Holland, Adviser, and Yager, Chief, Government Finance Section, Division of Research and Statistics; and Furth, Adviser, Division of International Finance, entered the room.

Money market review. This was the first business day of the Board following the death of the President of the United States, John F. Kennedy, on Friday, November 22. The stock exchanges had closed early Friday afternoon and were also closed yesterday, as was the Government securities market. A telephone conference meeting of the Federal Open Market Committee was scheduled for later this morning.

In this setting, Mr. Yager reported on recent developments in the Government securities market, Mr. Furth discussed foreign exchange market developments, and Mr. Koch described recent trends in credit demand, the money supply, deposits, and reserves.

There were also comments on initial developments this morning in the Government securities market and the stock market, along with comments on weekend developments pertinent to the affairs and operations of the Federal Reserve System. Consideration was given informally to certain questions that would arise during the telephone conference meeting of the Federal Open Market Committee, in preparation for that meeting.

Federal Reserve notes. There was some discussion, with no specific decision reached, of an inquiry by the Treasury Department

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concerning the possible availability of low-numbered \$1 Federal Reserve notes of the Federal Reserve Bank of Chicago.

Secretary's Note: In view of subsequent developments, the question was not pursued by the Treasury.

The meeting then adjourned.

Secretary's Notes: Pursuant to the procedure agreed upon at the Board meeting on November 4, 1963, a letter was sent to the Presidents of all Federal Reserve Banks on November 21, 1963, with regard to window dressing by banks. A copy of the letter is attached as Item No. 8.

A letter was sent today to First National City Bank, New York, New York, acknowledging receipt of notice of its intent to establish a branch in the Causeway Bay area of Hong Kong, Colony of Hong Kong.

Pursuant to the recommendation contained in a memorandum from the Division of Examinations, Governor Shepardson approved on behalf of the Board on November 21, 1963, the appointment of Judith Ann Thomas as Special Assistant Federal Reserve Examiner in that Division, with basic annual salary at the rate of \$4,950, effective the date of entrance upon duty.

On November 22, 1963, Governor Shepardson approved on behalf of the Board the following items:

Letter to the Federal Reserve Bank of New York (attached Item No. 9) approving the appointment of Richard J. Smith as assistant examiner.

Letter to the Federal Reserve Bank of Richmond (attached Item No. 10) approving the appointment of S. Richard Bagby as assistant examiner.

Letter to the Federal Reserve Bank of St. Louis (attached Item No. 11) approving the appointment of Ronald Wesley Wallace as examiner.

Memoranda from appropriate individuals concerned recommending the following actions relating to the Board's staff:

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Appointment

Walter W. Graves as Cafeteria Laborer, Division of Administrative Services, with basic annual salary at the rate of \$3,245, effective the date of entrance upon duty.

Salary increases

Joseph E. Dougherty, Assistant Federal Reserve Examiner, Division of Examinations, from \$5,545 to \$5,910 per annum, effective November 24, 1963.

Henry L. Edmonds, Window Washer, Division of Administrative Services, from \$3,973 to \$4,181 per annum, retroactive to February 3, 1963 (to correct an administrative error that resulted in Mr. Edmonds' salary not having been properly increased at the time).


Secretary

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

Item No. 1
11/26/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 26, 1963.

Board of Directors,
Cambria Bank, Incorporated,
Cambria, Virginia.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Cambria Bank, Incorporated, of a branch in the vicinity of the intersection of State Highway 114 and U. S. Highway 460, which is about 1.8 miles from the town of Cambria. This approval is given provided the branch is established within one year from the date of this letter, and that capital stock of the bank is increased to not less than \$100,000 prior to the establishment of the branch.

It is noted capital structure of the bank will be increased by injection of \$60,000 to be realized from the sale of common capital stock for cash.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
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. 2
11/26/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 26, 1963



Board of Directors,
Wells Fargo Bank,
San Francisco, California.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Wells Fargo Bank of a branch in the vicinity of the intersection of Camden and Hillsdale Avenues, San Jose, California, provided the branch is established within one year from the date of this letter.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
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. 3
11/26/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 26, 1963.



Board of Directors,
Wells Fargo Bank,
San Francisco, California.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Wells Fargo Bank, San Francisco, California, of a branch office in the downtown business district of Alturas, Modoc County, California, provided the branch is established within six months from the date of this letter.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
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. 4
11/26/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 26, 1963

Board of Directors,
Inter National Bank of Miami,
Miami, Florida.

Gentlemen:

With reference to your request submitted through the Federal Reserve Bank of Atlanta, the Board of Governors, acting under the provisions of Section 19 of the Federal Reserve Act, grants permission to the Inter National Bank of Miami to maintain the same reserves against deposits as are required to be maintained by nonreserve city banks, effective with the first biweekly reserve computation period beginning after the date of this letter.

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
11/26/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 26, 1963

Mr. Philip E. Coldwell,
First Vice President,
Federal Reserve Bank of Dallas,
Station K,
Dallas, Texas. 75222

Dear Mr. Coldwell:

This refers to your letter of November 12, 1963, regarding a penalty of \$239.45 incurred by the Sulphur Springs State Bank, Sulphur Springs, Texas, on a deficiency in its required reserves for the computation period ended October 30, 1963.

It is noted that (1) the deficiency occurred because the bank, through oversight, failed to cover a securities purchase transaction early in the computation period, (2) the bank has had no deficiency in its reserve status during the past fifteen years, and (3) during the past 26 reserve computation periods, the bank has carried average daily excess reserves ranging from over \$100,000 to slightly over \$500,000.

In the circumstances, the Board authorizes your Bank to waive the assessment of the penalty of \$239.45 for the period ended October 30, 1963.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 6
11/26/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 26, 1963

CONFIDENTIAL (FR)

Mr. C. J. Scanlon, President,
Federal Reserve Bank of Chicago,
Chicago, Illinois. 60690.

Dear Mr. Scanlon:

As requested in your letter of November 13, the Board of Governors approves the payment of salaries by the Federal Reserve Bank of Chicago to the Bank's Janitors at rates which are above the maximums of the grades in which the positions are classified, effective on the dates indicated, as follows:

<u>Title</u>	<u>Annual Salaries</u>		
	<u>Effective</u> <u>9/30/63</u>	<u>Effective</u> <u>9/30/64</u>	<u>Effective</u> <u>9/30/65</u>
Janitor	\$4,960.80	\$5,064.80	\$5,168.80
Janitor (6 mos. or less)	4,877.60	4,981.60	5,085.60
Marble Maintenance Man	5,096.00	5,200.00	5,304.00
Paper Baler	5,096.00	5,200.00	5,304.00
Matron	3,827.20	3,910.40	3,972.80

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 7
11/26/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 26, 1963.



Bank of America National Trust
and Savings Association,
San Francisco 20, California.

Gentlemen:

The Board of Governors of the Federal Reserve System grants its permission to Bank of America National Trust and Savings Association, San Francisco, California, pursuant to the provisions of Section 25 of the Federal Reserve Act, to establish a branch in the City of Panama, Republic of Panama; and to operate and maintain such branch subject to the provisions of such Section and of Regulation M.

Unless the branch is actually established and opened for business on or before December 1, 1964, all rights granted hereby shall be deemed to have been abandoned and the authority hereby granted will automatically terminate on that date.

Please inform the Board of Governors, through the Federal Reserve Bank of San Francisco, when the branch is opened for business, furnishing information as to the exact location of the branch. The Board should also be promptly informed of any future change in location of the branch within the City of Panama.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
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.)

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Item No. 8
11/26/63BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 21, 1963.



Dear Sir:

On October 2, 1963, there was sent to the President of each Federal Reserve Bank a copy of the statement presented that day by Governor Robertson, on behalf of the Board, before the Legal and Monetary Affairs Subcommittee of the House Committee on Government Operations with respect to the practice of "window dressing" in banks' reports of condition. A copy of Governor Robertson's statement also appeared in the October Federal Reserve Bulletin, page 1380.

In order to implement the suggestion contained in Governor Robertson's testimony, the Board is requesting each President, in cooperation with the appropriate Supervising Examiner of the Federal Deposit Insurance Corporation, to arrange meetings with the principal officers of the State and national banks that engage in this practice. The purpose of such meetings, of course, should be to dissuade the bankers to desist from engaging in window dressing. It is understood that the Supervising Examiners are being advised by the Corporation regarding their cooperation in this endeavor.

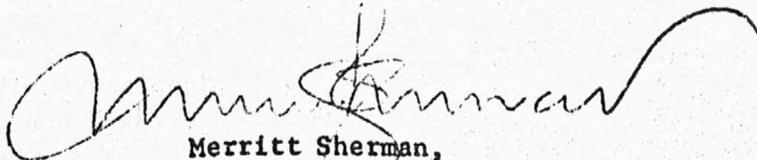
In carrying out this program you may feel that it is desirable to hold a series of meetings with bankers in several cities, based upon the number of banks, number of cities, personalities, and other considerations. The procedures to be followed in preparing for and conducting these meetings may be expected to vary, and in any given instance will, of course, be left to the discretion of the Reserve Bank and Federal Deposit Insurance Corporation officials.

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The Board's Division of Bank Operations has prepared some comparative data on deposit figures, several copies of which are enclosed herewith, that may supplement the more direct evidence available to each Reserve Bank in identifying the institutions that have engaged in window dressing.

It will be appreciated if you will keep the Board advised of your efforts.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Merritt Sherman", with a long, sweeping flourish extending to the right.

Merritt Sherman,
Secretary.

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

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

Item No. 9
11/26/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 26, 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 your letter of November 13, 1963, the Board approves the appointment of Richard J. Smith as an assistant examiner for the Federal Reserve Bank of New York, effective November 28, 1963.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 10
11/26/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 26, 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 November 15, 1963, the Board approves the appointment of S. Richard Bagby as an assistant examiner for the Federal Reserve Bank of Richmond, effective today.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 11
11/26/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 26, 1963



Mr. O. O. Wyrick, Vice President,
Federal Reserve Bank of St. Louis,
St. Louis, Missouri 63166.

Dear Mr. Wyrick:

In accordance with the request contained in your letter of November 7, 1963, the Board approves the appointment of Ronald Wesley Wallace, at present an assistant examiner, as an examiner for the Federal Reserve Bank of St. Louis, effective January 1, 1964.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.