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Minutes for February 7, 1964


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.

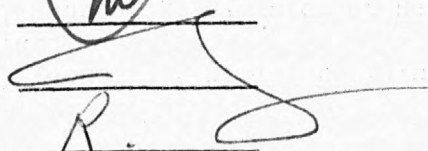
It is not proposed to include a statement with respect to any of the entries in this set of minutes in the record of policy actions required to be maintained pursuant to section 10 of the Federal Reserve Act.

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

  
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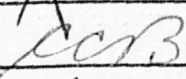
Gov. Mills

  
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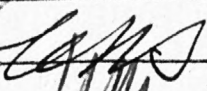
Gov. Robertson

  
\_\_\_\_\_

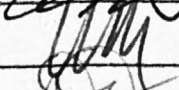
Gov. Balderston

  
\_\_\_\_\_

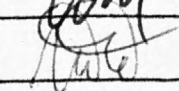
Gov. Shepardson

  
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Gov. Mitchell

  
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Gov. Daane

  
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Minutes of the Board of Governors of the Federal Reserve System on Friday, February 7, 1964. 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. Daane

Mr. Sherman, Secretary  
Mr. Kenyon, Assistant Secretary  
Mr. Broida, Assistant Secretary  
Mr. Noyes, Adviser to the Board  
Mr. Brill, Director, Division of Research and Statistics  
Mr. Holland, Associate Director, Division of Research and Statistics  
Mr. Koch, Associate Director, Division of Research and Statistics  
Mr. Sammons, Adviser, Division of International Finance  
Mr. Katz, Associate Adviser, Division of International Finance  
Mr. Mattras, General Assistant, Office of the Secretary  
Mr. Axilrod, Chief, Government Finance Section, Division of Research and Statistics  
Mr. Eckert, Chief, Banking Section, Division of Research and Statistics  
Mr. Keir, Chief, Capital Markets Section, Division of Research and Statistics  
Mr. Staiger, Economist, Division of Research and Statistics  
Mr. Gemmill, Economist, Division of International Finance

Money market review. There were distributed tables relating to U. S. capital outflows for the years 1960-1963 and monetary developments during the six-week period ended February 5, 1964.

Mr. Axilrod reported on recent developments in the Government securities market, after which Mr. Eckert discussed bank credit, bank

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reserves, and related matters. Mr. Gemmill then reported on recent developments in the foreign exchange market.

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

Mr. Cardon, Legislative Counsel  
Mr. Hackley, General Counsel  
Mr. Solomon, Director, Division of Examinations  
Mr. Hexter, Assistant General Counsel  
Mr. O'Connell, Assistant General Counsel  
Mr. Shay, Assistant General Counsel  
Mr. Hooff, Assistant General Counsel  
Mr. Conkling, Assistant Director, Division of Bank Operations  
Mr. Goodman, Assistant Director, Division of Examinations  
Mr. Hunter, Supervisory Review Examiner, Division of Examinations  
Mr. McClintock, Supervisory Review Examiner, Division of Examinations  
Mr. Achor, Review Examiner, Division of Examinations  
Mr. Poundstone, Review Examiner, Division of Examinations

Discount rates. The establishment without change by the Federal Reserve Banks of New York, Philadelphia, Cleveland, Richmond, St. Louis, Minneapolis, Kansas City, Dallas, and San Francisco on February 6, 1964, 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 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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Item No.

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|---|---|
| Letter to Manufacturers and Traders Trust Company, Buffalo, New York, approving the establishment of a branch at the Greater Buffalo International Airport Terminal Building, Town of Cheektowaga.  | 1 |
| Letter to Manufacturers Hanover Trust Company, New York, New York, approving the establishment of a branch at 91-20 59th Avenue, Elmhurst.  | 2 |
| Letter to Manufacturers Hanover Trust Company, New York, New York, approving the establishment of a branch at 1 Whitehall Street, Borough of Manhattan, for the purpose of conducting the operations of the bank's stock transfer department. | 3 |
| Letter to American Trust & Savings Bank, Dubuque, Iowa, approving the establishment of a branch at 911-937 Locust Street.   | 4 |
| Letter to Commonwealth National Bank of Dallas, Dallas, Texas, granting its request for permission to maintain reduced reserves.  | 5 |
| Letter to Fidelity Union Trust Company, Newark, New Jersey, approving an investment in bank premises.   | 6 |

Report on competitive factors (Green Bay, Wisconsin). There had been distributed a draft of report to the Federal Deposit Insurance Corporation on the competitive factors involved in the proposed consolidation of Peoples Trust & Savings Bank and Bank of Green Bay, both of Green Bay, Wisconsin.

The conclusion of the report noted that more than 61 per cent of the deposits of individuals, partnerships, and corporations in the

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Green Bay metropolitan area would be concentrated in the two largest local banks if the proposed consolidation were approved. In discussion, question was raised as to whether such a degree of concentration, in an area such as Green Bay, should be construed as adverse from a competitive standpoint. There was a general feeling that, while there might be some difference of opinion as to the significance of this degree of concentration, the statement was factual and should remain in the conclusion.

It was also noted that, as stated in the body of the report, the resulting nonmember insured bank would be a subsidiary of The Marine Corporation, Milwaukee. However, Board approval of the transaction would not be required under the provisions of the Bank Holding Company Act, and the Board had decided recently against recommending to the Congress an amendment to the Act that would subject transactions of this kind to Board approval. It was felt that in the circumstances no reference to the holding company relationship in the conclusion of the report was warranted.

The report was then approved unanimously for transmission to the Corporation. The conclusion read as follows:

The proposed consolidation of Peoples Trust & Savings Bank, Green Bay, Wisconsin, and Bank of Green Bay, Green Bay, Wisconsin, would eliminate substantial existing competition and would reduce the number of banking alternatives in the downtown area from three to two. More than 61 per cent of deposits of individuals, partnerships and corporations in the Green Bay metropolitan area would be concentrated in the two largest local institutions. The competitive effects of this proposed consolidation are adverse.



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Messrs. McClintock, Achor, and Hunter then withdrew from the meeting and Mr. Molony, Assistant to the Board, entered the room.

Request of Chairman Fascell. There had been distributed for preliminary discussion a draft of letter prepared by the Legal Division in response to a letter dated February 3, 1964, from Chairman Fascell of the Legal and Monetary Affairs Subcommittee of the House Committee on Government Operations regarding conflicting interpretations of the Board and the Comptroller of the Currency and related matters. The letter from Chairman Fascell asked for comments on the extent to which there had been differences in interpretations of statutes and duplication of regulation between the two agencies, how the operations of the agencies had been affected, how the supervised banks had been affected, efforts that had been made to prevent such differences and duplications, and means for preventing disparate actions by the agencies.

The draft letter summarized the areas where the Comptroller's recent rulings differed from those of the Board, including the Comptroller's ruling on the authority of national banks to maintain savings deposits for corporations. The letter outlined the reasons for the Board's positions and expressed the view that prompt action should be taken to put an end to the present state of affairs in which banks striving to comply with Federal law were faced with contradictory rulings by Federal supervisory agencies. It expressed the Board's continued willingness to participate in any efforts that would hold

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promise of achieving a reasonable solution of present conflicts without doing violence to the apparent intent of Congress as reflected in applicable statutory provisions.

Mr. Hackley commented on the draft letter and mentioned some alternative changes that the Board might wish to consider. In connection with the Comptroller's ruling on corporate savings deposits, Mr. Hackley noted that on January 21, 1964, the Comptroller had sent a letter to all national banks enclosing a copy of the ruling, a copy of a letter to Senator Robertson, and a memorandum of his Legal Department in support of his position. Copies of these documents, along with a copy of a revised edition of the analytical memorandum prepared by the Board's Legal Division, could be enclosed with the letter to Chairman Fascell.

It was the consensus that the draft letter was basically an appropriate presentation of the issues involved. There followed a lengthy discussion, however, of various questions of wording and emphasis, and a number of editorial and other changes were suggested. There was general agreement that copies of the items referred to by Mr. Hackley should be enclosed with the letter.

It was then agreed that the draft letter would be revised along the lines indicated for further consideration at another meeting of the Board.

At this point all members of the staff except Mr. Sherman withdrew from the meeting.

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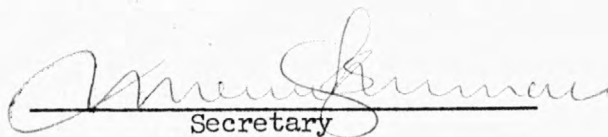
Luncheon. Pursuant to a recommendation from Mr. Young, Adviser to the Board and Director, Division of International Finance, in a memorandum dated February 5, 1964, the Board approved payment of the cost of a small luncheon at the Cosmos Club on Saturday, February 8, 1964, for Mr. Lucius Thompson-McCausland of the Bank of England and Mr. David Hubback of the British Treasury.

The meeting then adjourned.

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

Memorandum from the Division of Administrative Services recommending an increase in the basic annual salary of James T. Jones from \$3,620 to \$3,830, with a change in title from Messenger to Mail Clerk in that Division, effective upon assuming his new duties.

Memorandum dated January 29, 1964, from the Division of Research and Statistics recommending that a supplement to the Board's Flow of Funds Accounts, to include data for specified years for all sector and transaction categories listed in the memorandum, be published; that 2,000 copies be printed at an estimated cost of \$1,900; that the new supplement be made available upon request without charge; and that approval of this publication constitute approval of any resultant overexpenditure in the Printing and Binding Account of the 1964 budget of the Division of Administrative Services.

  
Secretary



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON 25, D. C.

Item No. 1  
2/7/64

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

February 7, 1964



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 the Greater Buffalo International Airport Terminal Building, Genesee Street near Cayuga Road, Town of Cheektowaga, 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.)

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 2  
2/7/64

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

February 7, 1964



Board of Directors,  
Manufacturers Hanover Trust  
Company,  
New York, New York.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch at 91-20 59th Avenue, Elmhurst, Queens County, New York, by Manufacturers Hanover 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.)

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 3  
2/7/64

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

February 7, 1964

Board of Directors,  
Manufacturers Hanover Trust  
Company,  
New York, New York.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch at 1 Whitehall Street, Borough of Manhattan, New York, New York, by Manufacturers Hanover Trust Company, for the limited purpose of conducting the operations of your stock transfer department, 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  
2/7/64BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

February 7, 1964



Board of Directors,  
American Trust & Savings  
Bank,  
Dubuque, Iowa.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by American Trust & Savings Bank, Dubuque, Iowa, of an in-town branch (parking lot office) at 911-937 Locust Street, 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.)

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

Item No. 5  
2/7/64

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

February 7, 1964

Board of Directors,  
Commonwealth National Bank  
of Dallas,  
Dallas, Texas.

Gentlemen:

With reference to your request submitted through the Federal Reserve Bank of Dallas, the Board of Governors, acting under the provisions of Section 19 of the Federal Reserve Act, grants permission to the Commonwealth National Bank of Dallas to maintain the same reserves against deposits as are required to be maintained by nonreserve city banks, effective as of the date it opens for business.

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, D. C. 20551

Item No. 6  
2/7/64

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

February 7, 1964



Board of Directors,  
Fidelity Union Trust Company,  
Newark, New Jersey.

Gentlemen:

The Board of Governors of the Federal Reserve System approves, pursuant to Section 24A of the Federal Reserve Act, an additional investment of \$400,000 in bank premises by Fidelity Union Trust Company, for additions contemplated during 1964.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,  
Assistant Secretary.