

Minutes for March 18, 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.

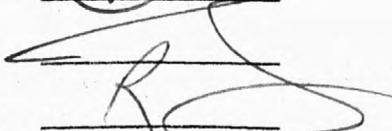
It is not proposed to include a statement with respect to any of the entries in this set of minutes in the record of policy actions required to be maintained pursuant to section 10 of the Federal Reserve Act.

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



Gov. Mills



Gov. Robertson

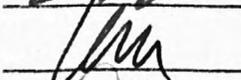
Gov. Balderston



Gov. Shepardson



Gov. Mitchell



Gov. Daane



Minutes of the Board of Governors of the Federal Reserve System
on Wednesday, March 18, 1964. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Young, Adviser to the Board and Director,
Division of International Finance
Mr. Noyes, Adviser to the Board
Mr. Cardon, Legislative Counsel
Mr. Fauver, Assistant to the Board
Mr. Brill, Director, Division of Research and
Statistics
Mr. Solomon, Director, Division of Examinations
Mr. Schwartz, Director, Division of Data
Processing
Mr. Hexter, Assistant General Counsel
Mr. Holland, Associate Director, Division of
Research and Statistics
Mr. Partee, Adviser, Division of Research and
Statistics
Mr. Conkling, Assistant Director, Division of
Bank Operations
Mr. Leavitt, Assistant Director, Division of
Examinations
Mr. Langham, Assistant Director, Division of
Data Processing
Mr. Spencer, General Assistant, Office of the
Secretary
Mr. Eckert, Chief, Banking Section, Division
of Research and Statistics
Mr. Egertson, Supervisory Review Examiner,
Division of Examinations
Mr. McClintock, Supervisory Review Examiner,
Division of Examinations
Mr. Veenstra, Chief, Financial Statistics
Section, Division of Data Processing
Mr. Gedanken, Statistician, Division of Data
Processing

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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 The Bank of LaCrosse, LaCrosse, Virginia, approving the establishment of a branch in South Hill.	1
Letter to Citizens Fidelity Bank and Trust Company, Louisville, Kentucky, approving the establishment of a branch in the Knob View Shopping Center, Jefferson County.	2
Letter to Devon-North Town State Bank, Chicago, Illinois, approving an investment in bank premises and emphasizing the need for providing additional capital funds.	3
Letter to First Western State Bank of Minot, Minot, North Dakota, granting an extension of time to accomplish membership in the Federal Reserve System.	4
Letter to Vidalia Banking Company, Vidalia, Georgia, approving its application for membership in the Federal Reserve System.	5
Letter to Chairman Patman of the House Banking and Currency Committee regarding further processing of data reported in the 1962 questionnaire, Schedule of Stockholders, Directors, Officers, and Loans Secured by Stock of Other Banks, used in the Committee's study of bank ownership and loans secured by bank stock.	6

Approval was given to Item No. 1 after a discussion during which the Board reviewed at some length questions that were raised concerning the justification for the establishment of a branch in South Hill, Virginia, by The Bank of LaCrosse.

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Governor Daane, who initiated the discussion, expressed reservations about the application. His knowledge of the area caused him to question whether South Hill needed or could adequately support another banking facility, and he felt that its establishment might have a rather severe competitive impact on the town's one existing bank.

The principal justification cited was that the establishment of a branch by Bank of LaCrosse might be regarded primarily as a defensive move on its part to protect its interests in an area where it had built up quite a large volume of business during a period when the local bank was not too aggressive. Operation of the branch office would also provide a convenience for its customers. The relatively small size of Bank of LaCrosse likewise was noted. In going along with the approval of the branch application, Governor Daane noted that, despite his reservations, the matter admittedly was not of too great significance.

With regard to Item No. 3, Governor Mills remarked that while he would not vote to disapprove the investment in bank premises by Devon-North Town State Bank, it did not stand out as a well-managed bank.

Preceding approval of Item No. 6, Mr. Langham reviewed the background of the request made by Chairman Patman, which was in furtherance of the Banking and Currency Committee's study of chain banking, following which agreement was expressed by the Board that the course mentioned in the letter seemed to be the only reasonable way to proceed.

Messrs. Egertson and McClintock then withdrew from the meeting.

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Collection of bank condition data (Item No. 7). There had been distributed a memorandum from the Divisions of Research and Statistics and Bank Operations dated February 28, 1964, discussing a proposed program for collecting needed statistics on bank balance sheet changes by means that could minimize reliance on uniform quarterly call reports issued by supervisory agencies. It was believed that such a program could provide guidance for recurrent Board negotiations with other bank supervisory agencies concerning the timing and contents of forthcoming calls; it could also provide a focus for the next stage of System efforts to review and improve the nation's banking statistics. The proposed program called for the continuation of an official call report from all commercial banks, in slightly expanded detail, at least once and preferably twice a year. This benchmark reporting would be supplemented by an interlocking group of more frequent general-purpose and special-purpose series, designed to reveal promptly any changes in major bank assets and liabilities and to provide additional detail on bank conditions that are particularly volatile or have a high degree of economic significance. Several changes in frequency or content of present series were suggested, and three new sample series were proposed.

If the general framework of the program was acceptable to the Board, the proposal would be referred to the appropriate System research committees and, in turn, to the Presidents' Conference for review and comment on its contents and consideration of the issues of implementation.

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Any eventual series changes would require, in due course, specific approval by the Board and also by the Bureau of the Budget.

There also had been distributed a memorandum from the Division of Bank Operations dated March 11, 1964, with regard to plans for the spring call for bank condition reports. The memorandum noted that the basic question to be decided before proceeding with arrangements for the call was whether to attempt to tabulate the reports, since the report form specified for use by national banks differed from that to be used by State member and insured nonmember banks. It was recommended, however, that an effort be made to tabulate data for both State member banks and national banks. Arguments for and against this recommendation were set out in the memorandum.

At the Board's request Mr. Holland commented on the proposed program for the collection of bank condition data, basing his remarks to a large extent on the information presented in the memorandum of February 28.

Governor Mills commented that while acknowledging the desirability of having such information, he had some question whether it was sufficiently essential to burden the respondent banks with supplying additional detailed information on a rather frequent basis. The Board had knowledge that there was a rising tide of complaints from banks about the burden that they were asked to carry in supplying the System with information. If the information that was to be obtained would do little more than refine figures now available, it was necessary to balance this factor against the problems that

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might be raised for the respondent banks. While he recognized that it would be nice to have perfect figures, there was a question in his mind as to the need for being informed in detail on frequent changes in bank credit, and as to whether that knowledge would help greatly in determining credit policy. He could not foretell this. However, he thought that the Board would be moving into a sensitive area so far as the respondent banks were concerned.

Governor Mitchell stated that he felt the proposed program for collecting bank condition data was well thought out and comprehensive. The priorities had been established by an actual survey of the needs in this area. In his judgment, the System had never collected in a modern scientific way the information that it needed. Further, although the reporting burden would be distributed differently, the aggregate compliance burden would appear to be less than at present. In his view, the System had exposed itself to the risk of poor policy determination because of insufficiency of information, and he hoped this exposure would be minimized in the future. The proposed program was designed so as to give about as much freedom from the call report as seemed feasible. It had been under study for a long time, and he considered it a good program.

Governor Daane stated that he agreed with Governor Mitchell's views. This was a sound approach to the collection of banking statistics that had been evolving over a period of time. It would come much closer to meeting the System's needs for information in the way that this should

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be done. For benchmark purposes, he believed it probably would be necessary to have two calls a year. He would be reluctant to move to one call until the program had been in effect for some period of time.

Mr. Holland said that this line of reasoning lay behind the staff's preference for two calls a year for the present. Information in two areas--Government security holdings and agricultural lending--would be particularly needed twice a year. These were not kinds of data that lent themselves well to sampling. In any event, detailed condition report data would be asked of all banks not more than twice each year. Many small and medium-sized banks--in the categories of banks that had been a major source of complaints about the reporting burden--would be asked to provide a much lighter flow of information than at present.

In response to questions posed by Governor Shepardson, Mr. Holland said it was contemplated that from time to time there would be shifts in the smaller banks included in the sample. Aside from shifting the burden, this also would protect against any statistical bias that might develop if only one group of respondent banks was used continually to provide data.

After further discussion of the nature of the program, Governor Robertson said he considered the program a good one. He thought the System would receive fewer complaints about the reporting burden than it did now. The banks that would be asked to provide the largest part of the information were banks in the best position to furnish it.

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Governor Mills pointed out that the plans for the spring call appeared as the next item on today's agenda. If the call should cause irritation, then the program for collecting banking data might be made more difficult. He continued to have some question about the need for the amount of information that would be asked for from banks under the proposed program, beyond what was already required to be furnished in connection with the call reports.

Mr. Veenstra noted that the reporting form to be used by national banks for the spring call differed in several respects from the one to be used by State member and nonmember insured banks. The question thus created was whether it would be worthwhile to tabulate the call report data. However, the Board's research staff was of the opinion that the tabulation would be worth the trouble. As to publishing the figures developed, he would have in mind that the Board would not publish them in the same detail as in the past, since the margin for error would be greater. However, for purposes of internal use, it should be possible to employ estimating techniques with reasonably satisfactory results.

Asked by Governor Robertson for comments on the relationship between the problem of the spring call and the proposed program for the collection of banking data, Mr. Veenstra said that an amicable working through of the spring call might make it easier to obtain interagency cooperation in pursuing the data collection program. At the staff level, at least, this program already appeared to have good support. The general

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idea appealed to the staff of the Federal Deposit Insurance Corporation and to representatives of the State bank supervisors, particularly insofar as it would lighten the reporting burden on small banks. The staff of the Comptroller's Office had also expressed a general feeling of sympathy to the plan, and an amicable settlement of the spring call procedures might prove of additional help in winning support for the program. If this program was not in prospect, the Board's staff would have apprehension, due to call report developments, about the eventual ability to obtain sufficient data to afford an understanding of what was going on in the banking system. With that program in prospect, however, the staff felt that the abbreviated spring call report would be adequate. With the prospects for uniformity in the June call uncertain, it would seem advisable to tabulate the spring call as a precaution against possible eventualities.

At the conclusion of further discussion, the Board authorized proceeding with the arrangements for the spring call as outlined in the memorandum of March 11 from the Division of Bank Operations. Attached as Item No. 7 is a copy of the letter sent to the Federal Reserve Banks pursuant to this decision. The Board also authorized proceeding with the proposed program for the collection of bank condition data as described in the memorandum from the Divisions of Research and Statistics and Bank Operations of February 28, with the understanding that the next step would be consideration of the proposed program with the appropriate System

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research committees. In this connection, some of the members of the Board urged that efforts be made to expedite the necessary procedures looking toward putting the program in operation.

All members of the staff except Messrs. Sherman, Kenyon, Young, Noyes, Cardon, Fauver, Brill, Solomon, Hexter, and Spencer then withdrew from the meeting, and Mr. Morgan, Staff Assistant, Board Members' Offices, entered the room.

Directors Day program. There was general discussion of arrangements for the program for newly-appointed Federal Reserve Bank and branch directors, to be held beginning with dinner this evening and continuing tomorrow. It was agreed that the plans for the program were generally satisfactory.

Mr. Morgan then withdrew from the meeting.

Request for access to Board documents. Mr. Sherman reported that yesterday afternoon he had been visited in his office by Mr. Robert A. Schremp, a member of the staff of the House Banking and Currency Committee. Mr. Cardon, the Board's Legislative Counsel, was also present.

Mr. Schremp had indicated that he and an associate, Mr. Harvey W. Geist, were pursuing a request of Chairman Patman to learn as much as possible about the mechanism through which the Federal Reserve bought and sold Government securities in the 1900's and 1920's. Mr. Schremp asked about the availability of public documents, and he was provided with certain references, including the diaries of Charles S. Hamlin, a former member of

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the Board, which were available at the Library of Congress, and certain documents available at the Columbia University Library. No indication had been given during discussion with Mr. Schremp that minutes of the meetings of the Reserve Board would be made available.

Mr. Sherman went on to say that this morning he had made available to Mr. Geist the stenographic records of certain meetings of the Governors' Conference in 1923, which contained discussions of rediscounting and open market operations. Since this material had been placed in the Columbia University Library by an individual formerly with the Reserve System, he felt that it could be made available without obtaining authorization from the Board. It appeared, however, that Mr. Schremp was proceeding on the assumption that pertinent minute records of the Board for the period being studied would also be furnished to him, and Mr. Sherman therefore presented this question for the Board's consideration.

After discussion of the circumstances reported by Mr. Sherman, Chairman Martin suggested that Mr. Sherman be authorized to use his discretion in making available to Messrs. Schremp and Geist such documents, including minutes and other records, as appeared relevant to their study, and no objection was indicated.

It was also suggested that consideration be given to what might be done to analyze for the Board the contents of records such as Messrs. Schremp and Geist would be studying. Following comments on various types of records in the Board's possession and the work that had been done by

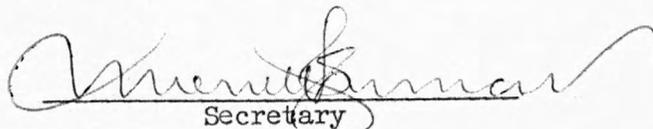
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Professor Wicker of Indiana University in reviewing certain records when he was retained as a consultant by the Board last summer, it was understood that Mr. Sherman would consider the matter further.

The meeting then adjourned.

Secretary's Note: Governor Shepardson noted today on behalf of the Board a memorandum from the Division of Examinations advising of the death in active service of Thomas L. Hunter, Jr., Supervisory Review Examiner in that Division, on March 12, 1964.


Secretary

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 1
3/18/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 18, 1964.



Board of Directors,
The Bank of LaCrosse,
LaCrosse, Virginia.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch by The Bank of LaCrosse, LaCrosse, Virginia, in the 100 block of West Atlantic Street, South Hill, Virginia, provided the branch is established within one year from the date of this letter.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
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. 2
3/18/64

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 18, 1964.



Board of Directors,
Citizens Fidelity Bank
and Trust Company,
Louisville, Kentucky.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Citizens Fidelity Bank and Trust Company, Louisville, Kentucky, of a branch in the Knob View Shopping Center located at the junction of Old Shepherdsville Road and the Outer Loop in Jefferson County, Kentucky, provided the branch is established within one year from the date of this letter.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
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
3/18/64

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ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 18, 1964.



Board of Directors,
Devon-North Town State Bank,
Chicago, Illinois.

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 (direct and indirect), of not to exceed \$1,400,000 by Devon-North Town State Bank for the purpose of acquiring a site and erecting new banking quarters. This amount includes the entire capital stock of a wholly-owned affiliate to be organized to hold title to bank premises, and the indebtedness of the corporation to finance the construction of bank premises.

The proposed investment will weaken further the bank's capital structure which, even now, is believed to be below the desired level, and the Board wishes to emphasize the need for early consideration of a definite program for providing additional capital funds.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.

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

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Item No. 4
3/18/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 18, 1964.

Organizing Committee,
First Western State Bank
of Minot,
Minot, North Dakota.

Gentlemen:

The Board of Governors of the Federal Reserve System extends to June 15, 1964, the time within which admission to membership in the Federal Reserve System may be accomplished by First Western State Bank of Minot, Minot, North Dakota.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 5
3/18/64

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ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 18, 1964.

Board of Directors,
Vidalia Banking Company,
Vidalia, Georgia.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the application of Vidalia Banking Company, Vidalia, Georgia, for stock in the Federal Reserve Bank of Atlanta, subject to the numbered conditions hereinafter set forth.

1. Such bank at all times shall conduct its business and exercise its powers with due regard to the safety of its depositors, and, except with the permission of the Board of Governors of the Federal Reserve System, such bank shall not cause or permit any change to be made in the general character of its business or in the scope of the corporate powers exercised by it at the time of admission to membership.
2. The net capital and surplus funds of such bank shall be adequate in relation to the character and condition of its assets and to its deposit liabilities and other corporate responsibilities.

In connection with the foregoing conditions of membership, particular attention is called to the provisions of the Board's Regulation H, regarding membership of State banking institutions in the Federal Reserve System, with especial reference to Section 208.7 thereof. A copy of the regulation is enclosed.

If at any time a change in or amendment to the bank's charter is made, the bank should advise the Federal Reserve Bank, furnishing copies of any documents involved, in order that it may be determined whether such change affects in any way the bank's status as a member of the Federal Reserve System.

Vidalia Banking Company

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Acceptance of the conditions of membership contained in this letter should be evidenced by a resolution adopted by the board of directors and a certified copy of such resolution should be transmitted to the Federal Reserve Bank. Arrangements will thereupon be made to accept payment for an appropriate amount of Federal Reserve Bank stock, to accept the deposit of the required reserve balance, and to issue the appropriate amount of Federal Reserve Bank stock to the bank.

The time within which admission to membership in the Federal Reserve System in the manner described may be accomplished is limited to 30 days from the date of this letter, unless the bank applies to the Board and obtains an extension of time. When the Board is advised that all of the requirements have been complied with and that the appropriate amount of Federal Reserve Bank stock has been issued to the bank, the Board will forward to the bank a formal certificate of membership in the Federal Reserve System.

The Board of Governors sincerely hopes that you will find membership in the System beneficial and your relations with the Reserve Bank pleasant. The officers of the Federal Reserve Bank will be glad to assist you in establishing your relationships with the Federal Reserve System and at any time to discuss with representatives of your bank means for making the services of the System most useful to you.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.

Enclosure.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 6
3/18/64

OFFICE OF THE CHAIRMAN

March 19, 1964.

The Honorable Wright Patman, Chairman,
Banking and Currency Committee,
House of Representatives,
Washington, D. C.

Dear Mr. Chairman:

This is to acknowledge your letter of February 28 requesting further processing of data reported in the 1962 questionnaire, Schedule of Stockholders, Directors, Officers, and Loans Secured by Stock of Other Banks.

The Board understands that Professor Giulio Pontecorvo, Columbia University, has been retained by your Committee to carry on the analyses of data reported in this questionnaire. The Board's staff has had several meetings with Professor Pontecorvo and generally understands the nature of the compilations he desires. Although specifications for the proposed study are not yet firm enough to determine either the magnitude of the proposed study or the cost of developing the necessary data, it is clear that this phase of the study is expected to be a comprehensive one requiring the generation of numerous statistical tables and might be quite expensive.

The Board's staff will be fully occupied for some time with current assignments or projects already scheduled, and will be unable to undertake the work for an additional study of the scope anticipated by Professor Pontecorvo. Thus, if work is to be started on this project in the near future it must be done by a commercial organization on a contractual basis. In the circumstances, the Board will arrange for a reputable firm to consult with Professor Pontecorvo to obtain his specifications for the study and submit to the Board a firm cost estimate for preparing necessary computer programs and related data processing.

When a reasonable estimate of the expense for this additional work has been developed the Board will write the Committee further. In the meantime, possibly the large volume of related computations made throughout the first half of 1963 as requested by, and delivered to, Mr. Houghton will be of some use to Professor Pontecorvo.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.

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

Item No. 7
3/18/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 19, 1964



Dear Sir:

The indicated number of copies of the following forms are being forwarded to your Bank under separate cover for use of State member banks and their affiliates in submitting reports as of the next call date. A copy of each form is attached.

Number of
copies

Form FR 105 (Call No. 171), Report of Condition of State member banks.

Form FR 105e (Revised February 1961), Publisher's copy of report of condition of State member banks.

Form FR 105e-1 (Revised February 1961), Publisher's copy of report of condition of State member banks.

Form FR 220 (Revised March 1952), Report of affiliate or holding company affiliate.

Form FR 220a (Revised March 1952), Publisher's copy of report of affiliate or holding company affiliate.

Except for FR 105, the forms are the same as those used on December 20, 1963. On FR 105, the reverse side has been reduced to those items necessary for Federal Deposit Insurance assessment purposes, and the affiliate schedule.

Almost exactly the same form is being printed by the Federal Deposit Insurance Corporation for distribution to insured nonmember State banks. The Comptroller of the Currency has already distributed to national banks a form which differs in several respects from the form being used by State banks.

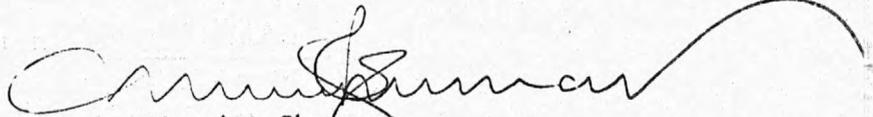
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A new memorandum on operating procedures for tabulating national and State member reports will be forwarded to the Reserve Banks by the Division of Data Processing. It is not planned to collect any additional information directly from national banks for the forthcoming call as originally planned for the December 1963 call.

The revised operating procedures would preclude use of existing editing and verification computer programs developed at some of the Reserve Banks for both national and State member banks, but a procedure could be adopted here for one call which would eliminate this burden at the Reserve Banks.

Reserve Bank responses to the Board's letter of November 21 on the subject of window dressing of bank statements indicated that gross reporting of reciprocal interbank balances and the inclusion of Federal Reserve transit accounts in deposits in voluntary statements, were factors in the deposit increase between call and year-end dates. Call report instructions require net reporting of reciprocal bank balances with domestic banks and exclusion of Federal Reserve transit accounts from deposit liabilities. The total of amounts represented by outstanding drafts on or other authorizations to charge the reporting banks' reserve accounts with the Federal Reserve Bank, should be reported in the appropriate item in other liabilities unless reporting banks follow the practice of reducing the amount of the balances at the Reserve Bank as shown on their own books when such drafts or authorizations are drawn. Banks should be urged to prepare their voluntary statements on the same basis as their required statements.

Very truly yours,



Merritt Sherman,
Secretary.

Enclosures.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS