

Minutes for April 27, 1964

To: Members of the Board

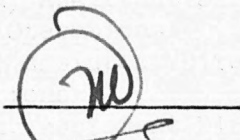
From: Office of the Secretary

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

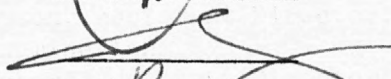
It is not proposed to include a statement with respect to any of the entries in this set of minutes in the record of policy actions required to be maintained pursuant to section 10 of the Federal Reserve Act.

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.

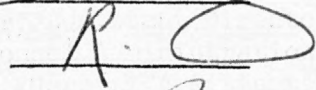
Chm. Martin



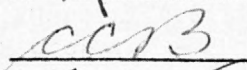
Gov. Mills



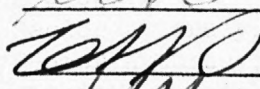
Gov. Robertson



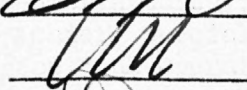
Gov. Balderston



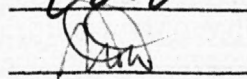
Gov. Shepardson



Gov. Mitchell



Gov. Daane



Minutes of the Board of Governors of the Federal Reserve System on Monday, April 27, 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. Mitchell

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Cardon, Legislative Counsel
Mr. Fauver, Assistant to the Board
Mr. Hackley, General Counsel
Mr. Brill, 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. 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. Thompson, Assistant Director, Division of Examinations
Mr. Sprecher, Assistant Director, Division of Personnel Administration
Mr. Spencer, General Assistant, Office of the Secretary
Miss Hart, Senior Attorney, Legal Division
Mr. Young, Senior Attorney, Legal Division
Mr. Collier, Chief, Special Assignment Section, Division of Bank Operations
Mr. Egertson, Supervisory Review Examiner, Division of Examinations

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Mr. Smith, Review Examiner, Division of Examinations

Mr. Hart, Personnel Assistant, Division of Personnel Administration

Mr. Mitchell, Examiner, Federal Reserve Bank of Atlanta

Discount rates. The establishment without change by the Federal Reserve Bank of Minneapolis on April 24, 1964, of the rates on discounts and advances in its existing schedule was approved unanimously, with the understanding that appropriate advice would be sent to that Bank.

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 Chase Manhattan Overseas Banking Corporation, New York, New York, granting consent to the purchase by The Chase Manhattan Trust Corporation Limited, Nassau, N.P., Bahamas, of shares of a nominee corporation to be known as The Chase Manhattan Trust Corporation (Nominees) Limited.	1
Letter to The Maries County Bank, Vienna, Missouri, interposing no objection to a dividend declared on January 13, 1964.	2
Letter to Franklin National Bank, Franklin Square, New York, denying its request for permission to maintain reduced reserves.	3
Letter to Corpus Christi Bank and Trust Company, Corpus Christi, Texas, approving its application for membership in the Federal Reserve System.	4
Letter to the Federal Reserve Bank of Dallas with regard to the application by Corpus Christi Bank and Trust Company, Corpus Christi, Texas, for membership in the Federal Reserve System.	5

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	<u>Item No.</u>
Letter to Chairman Robertson of the Senate Committee on Banking and Currency concerning Senator Javits' request and proposal regarding S. 750, the "truth-in-lending" bill.	6
Letter to the Federal Reserve Bank of Cleveland approving a revision of the salary structures applicable to employees at the head office and Cincinnati and Pittsburgh Branches.	7

In connection with Item No. 3, Mr. Fauver pointed out that it was possible the press would express an interest in knowing of the Board's decision on the request of Franklin National Bank. He raised the question whether the Board's decision could be made known if a direct inquiry were received prior to the publication date of the next weekly H.2 release (Applications Received or Acted On by the Board). Following discussion, it was understood that the decision of the Board could be released in the event of inquiry.

With respect to Items 4 and 5, Governor Mills pointed out that the draft of letter to the Federal Reserve Bank of Dallas did not mention that Corpus Christi Bank and Trust Company had certain outstanding loans that did not conform to the limitations imposed on member banks by provisions of the Federal Reserve Act. Three loans, secured by stock, exceeded the limitation of 10 per cent of capital and surplus specified in section 11(m), and two other loans were to executive officers of the bank in excess of the limitation prescribed by section 22(g). Further, he noted that the bank held share accounts in several savings and loan associations that would be ineligible for investment by a State member bank under the provisions of section 5136 of the Revised Statutes.

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In discussion, it was understood that the draft letter to the Reserve Bank that had been distributed would be revised to emphasize the need for Corpus Christi Bank to bring the loans in question into conformity with sections 11(m) and 22(g). Mr. Solomon commented, with regard to the share accounts held by the bank, that since the shares were legally acquired under the provisions of Texas banking laws and the aggregate dollar amount was not substantial, it had been recommended by the Reserve Bank that the bank be permitted to hold the accounts subsequent to admittance to membership. Upon becoming a member of the System the bank could not, of course, enlarge the share accounts.

Messrs. Hooff, Conkling, Goodman, and Egertson then withdrew from the meeting.

Applications of First National Bank of Tampa and Union Security & Investment Co. There had been distributed a memorandum from the Division of Examinations dated April 15, 1964, and supporting papers with respect to the applications by The First National Bank of Tampa, Tampa, Florida, and Union Security & Investment Co., Tampa, Florida, to become bank holding companies through the acquisition by Union Security of shares of the Second National Bank of Tampa, Tampa, Florida, a proposed new bank. Union Security owned a majority of the outstanding shares of the Broadway National Bank of Tampa, and the stock of Union Security was held by trustees for the benefit of the shareholders of The First National Bank of Tampa. The Division's recommendation was favorable, but Review

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Examiner Smith recommended denial. If the applications should be approved, the Division recommended that the letters to applicants indicate that the Board would not look with favor upon acquisition of Second National's shares through borrowings.

At the Board's request, Mr. Thompson made a statement regarding the facts of the case and the reasons underlying the favorable recommendation of the Division of Examinations, his comments being based substantially on the information presented in the April 15 memorandum.

Mr. Smith indicated that his principal reason for recommending denial was that this case seemed to turn on the narrow question whether control of 33 per cent of the deposits and loans by a two-bank group in the 19-bank Tampa area represented such undue concentration as to infer an inherent anticompetitive potentiality. In his opinion, and using the Supreme Court decision on the Philadelphia National Bank merger case as one guideline, the applicants' present competitive position in the Tampa area was sufficiently strong to militate against approval of further expansion by that group, particularly in the absence of evidence of any resulting benefits. Further, while he believed that Second National would, in the event of denial, be operated in close harmony with First and Broadway, the possibility of eventual actual competition between Second and the others, although remote, was certainly greater without actual corporate stock ownership under a holding company setup. The possibility of eventual deconcentration was, in his view, more consistent

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with the legislative aims of the Bank Holding Company Act than the sanction of further expansion under the circumstances. He believed that the present heavy concentration was adverse to approval and felt the proposal was inconsistent with public interest concepts as embraced in the Act. Although recognizing that "open control," with its resulting financial responsibility, might be more in the public interest than a loose "chain" type of operation, Mr. Smith did not believe that this consideration was sufficiently strong to tip the scale toward approval.

Mr. Solomon pointed out that the Division of Examinations viewed this case as a rather close one. Florida was a State that prohibited branch banking. If there was a clear alternative to the proposed holding company setup whereby an independent bank would be established, then he believed that the Board would be justified in denying this application. However, this was not a case where it was likely that an independent bank would be established, since the directors of First National would probably purchase the shares of the proposed bank on an individual basis. While there would not be a technical affiliation between First and Second under such an arrangement, it would be a situation that might be termed satellite banking. It seemed to him that, viewed realistically, it would be difficult to provide true competition. That being so, there was the question whether it would be better to have a "back door" arrangement (satellite relationship) or to have "open control" through the holding company. Between the two, he believed that it would be more desirable to accept the holding company arrangement.

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A number of questions of fact about the proposed transaction were then posed by the members of the Board, in response to which the staff made explanatory comments. During this exchange, Mr. O'Connell indicated that he felt a Board decision of either approval or denial would be likely to be sustained in the event of judicial review.

At the conclusion of this discussion, Chairman Martin called for an expression of views by the members of the Board.

Governor Mills stated that he agreed with the position of the Division of Examinations and would approve the applications. He then presented the following statement:

Although the case represented by the subject application is a close one, an analysis of all factors required for review falls in favor of approval. Control of the future expansion of bank holding companies lay at the heart of the Bank Holding Company Act of 1956 and focused on "whether the effect of a bank holding company proposal would be to expand the size or extent of the bank holding company system involved beyond limits consistent with adequate and sound banking, the public interest, and preservation of competition in the field of banking." The proposal submitted is not believed to be in violation of the statutory directive which the Board administers. The Board is charged with the responsibility of controlling the expansion of bank holding companies, which presumes that unless a proposed expansion is contrary to the public interest, the wishes of the parties thereto, as in this instance, should be concurred in.

The establishment of the bank holding company relationship depicted in the subject application would not produce a bank holding company of a size inconsistent with the commercial banking structure of the area to which its operations and those of its subsidiary banks would extend. The city of Tampa, Hillsborough, and Hillsborough County area in which operations would be conducted seemingly are of sufficient population and economic importance to justify the operation of three commercial

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banking groups of considerable size, with smaller commercial banks supporting localized areas of the over-all community; and all in combination providing a well-rounded scope of commercial banking services. The statutory prohibition of branch banking in the State of Florida has in a financial sense necessitated a grouping of commercial banking operations in other forms, such as bank holding companies and chain banking operations, as the best means for providing appropriate commercial banking services within the State.

The proposed bank holding company fits into the financial needs requiring to be served in the Tampa area. As a practical matter and considering the web of relationships existing among many Florida commercial banks, a sound case can be made for approval of the subject application, in that it sets up a bank holding company whose operations will come under adequate and centralized public supervision to better advantage than the dispersed kind of supervision that otherwise is applied to the so-called "independent" commercial banks. Attention should also bear on the fact that establishment of the proposed bank holding company viewed from a Statewide angle would not produce a financial entity controlling an oversize proportion of financial resources. This is an important consideration in view of the accessibility of commercial banking services from any point throughout the State of Florida, where transportation and communication facilities are efficient.

The fact that approval of the application would place approximately 34 per cent of the city of Tampa's and 31.6 per cent of Hillsborough County's commercial banking resources under single control is not considered to be objectionable in the light of the area's needs for commercial banking institutions of considerable size and where, as has also been previously indicated, there are many smaller commercial banking institutions available to supply services to their more localized constituencies. The United States Supreme Court's decision in the Philadelphia case does not appear to be relevant to the instant application in that the financial, population, and economic characteristics of the two areas and of the commercial banks involved are unlike. For that matter, it would be a mistake to accept the Supreme Court's 30 per cent market control by a single commercial bank as a criterion for judgment on this application, or other bank holding company applications, because to do so would set a narrow definition of size as the focal point of decision, with the other factors required to be reviewed in a bank holding company application relegated to minor status.

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Approval of the application should be contingent on the proposed requirement that the Union Security & Investment Co. be adequately financed through equity capital rather than from borrowed funds.

Governor Mills also commented that thus far the Board had not allowed its thinking to be overshadowed by the Supreme Court decisions in the Philadelphia and Lexington, Kentucky, cases. Instead, it had adhered to the responsibility imposed upon it under the Bank Merger Act and the Bank Holding Company Act. He saw more and more evidence that the Supreme Court, in cases considered by it under the Sherman and Clayton Acts, had not been consistent throughout the history of its decisions. This made it all the more important that the Board's judgments be independent and consistent with a responsible interpretation of the laws it was charged to administer.

Governor Robertson stated that he agreed generally with the views expressed by Mr. Smith. While no existing competition was being eliminated, potential competition would be eliminated. It was evident that the proposed bank would be located within First National's service area. Further, he saw no basis for assuming that the new bank necessarily would be a satellite institution because the statement had been made by the applicants that in the event the applications were denied the stock of the new bank would be sold publicly. Therefore, one could not say for certainty that the new bank would become a satellite institution.

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Governor Robertson went on to say that, whether one liked them or not, the Supreme Court's decisions were the law of the land. The Court had indicated what it regarded as a competitive situation that should be avoided. In the present case, a substantial concentration existed, in excess of the levels specified by the Supreme Court, thus putting the case under a cloud of doubt at the outset. To offset it, there should be favorable considerations. But it appeared that the needs of the community would be taken care of in any event. Accordingly, he would deny the applications.

Governor Shepardson stated that he aligned himself with Governor Mills' reasoning and therefore would vote for approval.

Governor Mitchell stated that he concurred with the recommendation of Mr. Smith on the ground that potential competition would be foreclosed by the proposed transaction. Further, he had some reservation with respect to the proposed holding company arrangement because it was being forced upon the applicants by the exigencies of the situation and did not represent a positive attempt to provide any particular complex of services in the area concerned. Further, to approve would imply endorsement by the Board of the financial arrangements of the proposed transaction. He would vote to disapprove.

Governor Balderston said that he found this case difficult, and the source of this difficulty was the State statute prohibiting

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branch banking. The applicants were forced to submit a proposal such as this one to circumvent the statute. However, he preferred to see an arrangement of "open control" rather than have the newly-founded bank operated by the applicants through indirect methods. For the reasons set forth in the Division of Examinations' memorandum and presented orally by Mr. Solomon, he would approve the application.

Chairman Martin stated that he also would vote for approval.

Thereupon, the applications of The First National Bank of Tampa and Union Security & Investment Co. were approved, Governors Robertson and Mitchell dissenting. It was understood that the Legal Division would prepare an order and statement reflecting this decision for the Board's consideration, and that a dissenting statement or statements also would be prepared.

Messrs. Smith and Mitchell then withdrew from the meeting.

Reports on H.R. 10668 and S. 2561. There had been distributed a memorandum dated April 23, 1964, from the Legal Division with regard to two identical bills, H.R. 10668 and S. 2561, that would amend the Bank Holding Company Act of 1956 so as to bring within its scope testamentary trusts and charitable and educational foundations that control bank assets of \$100 million or more. The two bills would also, by amending the Bank Merger Act, require each Federal bank supervisory

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agency to take into consideration the possible inconsistency of a proposed merger with the purposes and objectives of the Bank Holding Company Act when passing upon an application for approval under the Bank Merger Act of a transaction that would remove a company from the purview of the Holding Company Act.

The Board had been requested to comment on both the House and Senate bills.

After an examination of the purpose of the proposed legislation, the Legal Division memorandum suggested that the Board might want to consider recommending as a substitute for the word "testamentary," as contained in the bills, the word "perpetual." The memorandum went on to state that the bills were phrased in terms of a trust "which controls bank assets of \$100 million or more." Under the Bank Holding Company Act, the definition of "control" had given trouble; therefore, it was suggested that the Board might wish to recommend substituting the language "if the total assets at the end of the most recent calendar year of the banks with respect to which it is a bank holding company exceed \$100 million." Further, the Board might also wish to suggest an additional amendment to the Bank Merger Act, namely, one that would specifically require the banking agencies to consider whether the merger of a banking subsidiary of a bank holding company with an independent bank would be consistent with the purposes and objectives of the Bank Holding Company Act.

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A draft of letter for transmittal to the House and Senate Banking and Currency Committees expressing the views indicated in the memorandum was attached.

In connection with this subject there also had been distributed a memorandum from the Division of Examinations dated April 24, 1964, presenting certain information with regard to the Florida National group of banks that were owned by a testamentary trust and would be brought within the scope of the Bank Holding Company Act if the proposed legislation were enacted.

At the Board's request, Miss Hart commented in supplementation of the information contained in the Legal Division's April 23 memorandum. Following Miss Hart's review, Mr. Cardon commented that Chairman Patman of the House Committee on Banking and Currency had scheduled hearings to begin tomorrow on the House bill. While Chairman Patman had upon request also introduced H.R. 10872, which was the Board's bill to amend the Bank Holding Company Act, it appeared that he would handle H.R. 10668 separately.

During the ensuing discussion, question was raised by Governor Robertson whether the word "perpetual" was an adequate substitute for "testamentary." Also, the provision in the proposed legislation that would bring under the scope of the Bank Holding Company Act trusts that controlled bank assets of \$100 million might be questioned because the potentiality for abuse did not exist only in instances where a large volume of banking assets was controlled.

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Governor Robertson went on to speak of the proposed amendment to the Bank Merger Act that would require the Comptroller of the Currency and the Federal Deposit Insurance Corporation to take into consideration the possible inconsistency of a proposed merger with the purposes of the Bank Holding Company Act. As he saw it, each agency would be interpreting the Holding Company Act, which Act the Board was charged by law with administering.

There followed a lengthy discussion of various aspects of the bills in light of the questions raised by Governor Robertson, and it was agreed that the draft of letter to the Senate and House Banking and Currency Committees should be revised to incorporate certain suggestions agreed upon during the discussion for consideration at tomorrow's Board meeting.

The meeting then adjourned.

Secretary's Notes: A letter was sent today to International Banking Corporation, New York, New York, acknowledging receipt of notice of the intention of The Mercantile Bank of Canada, Montreal, Canada, to establish the following additional branches in Canada: (1) in Calgary, Alberta, at the corner of Eighth Avenue and 6th Street, West, on or about September 1, 1964; and (2) in Winnipeg, Manitoba, on Portage Avenue between Fort and Garry Streets, on or about June 1, 1964.

Pursuant to recommendations contained in memoranda from appropriate individuals concerned, Governor Shepardson today approved on behalf of the Board the following actions relating to the Board's staff:

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Appointments

The following persons as Summer Research Assistants in the Division of Research and Statistics, each with basic annual salary at the rate of \$5,795, effective the respective dates of entrance upon duty:

David T. Hulett
James L. Kichline
James J. Sullivan
Edward H. Rastatter
Alan K. Severn

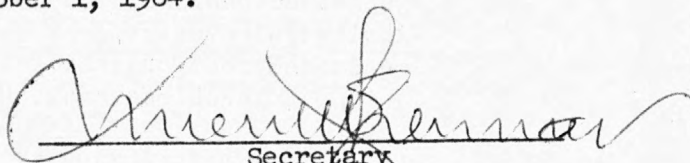
Transfers

Marjorie Eaton, from the position of Secretary to the position of General Assistant in the Office of the Secretary, with no change in basic annual salary at the rate of \$7,355, effective April 27, 1964.

Mary Anne Lostaunau, from the position of Secretary in the Division of Research and Statistics to the position of Secretary in the Office of the Secretary, with an increase in basic annual salary from \$4,850 to \$5,235, effective upon assuming her new duties.

Extension of leave without pay

Mary C. Wing, Technical Editor (Economics), Division of Research and Statistics, from April 15 to October 1, 1964.


Secretary

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 1

4/27/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 27, 1964.

Chase Manhattan Overseas Banking Corporation,
1 Chase Manhattan Plaza,
New York 5, New York.

Gentlemen:

In accordance with the request and on the basis of the information furnished in your letter of April 22, 1964, the Board of Governors grants its consent to the purchase by The Chase Manhattan Trust Corporation Limited ("CMTCL"), Nassau, N.P., Bahamas, of all the shares of a nominee corporation to be organized under the laws of the Bahamas and to be known as The Chase Manhattan Trust Corporation (Nominees) Limited, at a cost of approximately \$10.

It is understood that the nominee corporation is to be organized and maintained solely for the purpose of acting as nominee for the registration of securities held in custody, or in trust, or as collateral by CMTCL and of accepting and complying with any and all instructions of CMTCL with respect to the disposition of shares so registered; and that all shares of the nominee corporation are to be owned by CMTCL, except such shares as may be held by individuals, for account of CMTCL, in order to meet Bahamian legal requirements as to number of shareholders.

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. 2
4/27/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 27, 1964

Board of Directors,
The Maries County Bank,
Vienna, Missouri.

Gentlemen:

The Board of Governors of the Federal Reserve System has received a copy of a letter written by Mr. Travis E. John, Cashier and Director of The Maries County Bank, regarding the declaration and payment of a dividend by the bank on January 13, 1964. The declaration of this dividend was in contravention of the provisions of paragraph 6, Section 9 of the Federal Reserve Act and Section 5199(b), United States Revised Statutes, as you were previously informed by the Federal Reserve Bank of St. Louis.

Under the statutes, the Board's approval is required prior to the declaration of the dividend. Prior approval cannot be given in this case since the dividend has already been paid. However, the Board, after consideration of the facts, interposes no objection to the declaration of the dividend. This letter does not authorize any future declaration of dividends.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.



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

Item No. 3
4/27/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 27, 1964



Board of Directors,
Franklin National Bank,
Franklin Square, New York.

Gentlemen:

This relates to the application from your bank, submitted through the Federal Reserve Bank of New York, for a delay of one year in the imposition of reserve city reserve requirements against your bank upon the establishment of three branches in New York City.

The Board has considered the information submitted with your current application, and has concluded that, except for your bank's continued growth and increased services, the situation has not changed since 1961 when your bank made a similar suggestion for a delay should it establish a branch in New York City. The Board is of the opinion that the character of your bank's business, as reflected in the amount of its total demand deposits and its competition with other banks, is more like that of the reserve city banks in New York City than that of banks to which the Board has granted permission to maintain reduced reserves. Accordingly, the Board reaffirms its previous decision that it would not be justified in granting your bank permission to continue to carry country bank reserves, even temporarily, upon the establishment of a branch in New York City.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Item No. 4

4/27/64

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 27, 1964

Board of Directors,
Corpus Christi Bank and Trust Company,
Corpus Christi, Texas.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the application of Corpus Christi Bank and Trust Company, Corpus Christi, Texas, for stock in the Federal Reserve Bank of Dallas, 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.

Corpus Christi Bank and
Trust Company

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It appears that the bank possesses a power which is not being exercised and which is not necessarily required in the conduct of a banking and trust business; that is, the power to guarantee stocks, bills of exchange, bonds, mortgages and other securities. Attention is invited to the fact that if the bank should desire to exercise any powers not actually exercised at the time of admission to membership, it will be necessary under condition of membership numbered 1 to obtain the permission of the Board of Governors before exercising them. In this connection, the Board understands that there has been no change in the scope of the corporate powers exercised by the bank since the date of its application for membership.

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.

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 of Dallas. 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.

Corpus Christi Bank and
Trust Company

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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, D. C. 20551

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Item No. 5
4/27/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 27, 1964.

Mr. Watrous H. Irons, President,
Federal Reserve Bank of Dallas,
Dallas, Texas. 75222

Dear Mr. Irons:

The Board of Governors of the Federal Reserve System approves the application of Corpus Christi Bank and Trust Company, Corpus Christi, Texas, for membership in the Federal Reserve System, subject to the conditions prescribed in the enclosed letter, which you are requested to forward to the board of directors of the institution. Two copies of such letter are also enclosed, one of which is for your files and the other of which you are requested to forward to the Banking Commissioner of Texas for his information.

It is noted that the bank is operating temporary drive-in facilities in violation of the Texas banking code, but that permanent drive-in facilities, now under construction, will eliminate this violation. The Board, of course, expects the bank to complete such facilities as promptly as possible.

It is also noted that the bank's attention has been called to certain loans which do not conform to the limitations of Sections 11(m) and 22(g) of the Federal Reserve Act and the Board hopes such loans will be brought into conformity with such statutes within a reasonable period of time.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.

Enclosures.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 6
4/27/64

OFFICE OF THE CHAIRMAN

April 30, 1964



The Honorable A. Willis Robertson,
Chairman,
Committee on Banking and Currency,
United States Senate,
Washington, D. C.

Dear Mr. Chairman:

In your letter of April 10, 1964, you asked for the Board's views on certain matters that have been raised by Senator Javits concerning the recommendations for transfer from the Board to the Federal Trade Commission of the responsibility for administration of S. 750, the "Truth-in-Lending" bill. You enclosed copies of a letter of April 8, 1964, and its enclosure, to you from the Federal Trade Commission supporting the recommendation for such transfer in the Presidential Message of May 15, 1962, and submitting proposed amendments to the bill to effectuate the transfer.

Your letter also referred to the Board's reply of March 31, 1964, to you concerning S. 750 which, as reported to your Committee on March 16, 1964, by the Subcommittee on Production and Stabilization, continued to designate the Board as the agency to administer the bill. In that reply, the Board strongly urged, in line with earlier reports by the Board on the legislation, that the bill be revised to place responsibility for its administration in the Federal Trade Commission, and advised that the Board would not favor enactment of the bill in the form reported by the Subcommittee.

As you related, the first matter raised by Senator Javits was his request that the Board reconsider the position stated in its reply of March 31, 1964, and accept the responsibility for administering S. 750. You explained that Senator Javits' request is based on his beliefs that the Board would be familiar with the kinds of problems that would arise under the bill because of its experiences during emergency periods of the 1940's and the early 1950's in administering Regulation W, and that the Board already has jurisdiction in one way or another over many of the institutions that would be subject to S. 750.

One of the main reasons for the Board's position that administration of S. 750 would be inappropriate for the Board is

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that, since the bill is a measure for the regulation of trade practices, such a function would be foreign to the Board's present responsibilities, which are principally in the field of regulating money and credit through the banking system to meet the varying needs of the economy. In marked contrast to S. 750, Regulation W was a measure for the control of consumer credit. This was brought out during my testimony on April 5, 1960, and July 19, 1961, at the hearings of the Subcommittee on S. 2755 and S. 1740, predecessors to S. 750. As explained at those hearings, in administering Regulation W the Board was very careful to avoid involvement in the trade practice aspects of consumer credit. The Board, therefore, cannot agree that its temporary experiences with Regulation W--which has not been in effect since May of 1952 and authority for which was repealed in June of that year--would provide any special competence in dealing with the many problems of essentially different kinds that would arise under S. 750.

The Board wishes to emphasize that such jurisdiction as it has over some of the institutions that, as mentioned by Senator Javits, would be subject also to S. 750, is not for the purpose of regulating trade practices. Accordingly, the Board disagrees that the nature or scope of its activities provides any significant reason for singling out the Board as particularly qualified to administer S. 750. At the hearings of the Subcommittee on April 5, 1960, mentioned above, my statement in behalf of the Board stressed, among other things, that "Even if business loans were exempted, the proposed regulation [contemplated by the bill] would apply to hundreds of millions of individual transactions, carried out by over 50,000 financial institutions and hundreds of thousands of retail outlets . . . [The bill] . . . would require the Federal Reserve to police the trade practices of hundreds of thousands of credit granters over which it now has no supervisory authority. The major activities of most of these are far removed from basic Federal Reserve responsibilities, and their operations entail practices and problems with which the Federal Reserve is totally unfamiliar."

Considerations such as the foregoing clearly support the transfer of administrative responsibility for S. 750 recommended in the Presidential Message of May 15, 1962. That Message expressly recognizes that the bill would not control prices or charges, but is aimed specifically at activities closely related to and often combined with other types of misleading trade practices which the Federal Trade Commission is already regulating.

Since the legislation in question was first introduced as S. 2755 in 1960, the Board, as you know, has had several opportunities to consider whether it would be appropriate to place the responsibility for administering the bill in the Board. On each occasion the decision

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has been that such responsibility should not be vested in the Board. As indicated herein, the matters raised by Senator Javits have previously been among the various points that have been taken into consideration.

The Board has again reviewed its position and the various considerations that have been involved, including those mentioned by Senator Javits. The Board has concluded that it would not be warranted in departing from the position of which you were advised by its reply of March 31, 1964, noted above.

Your letter of April 10, 1964, related also that if S. 750 is amended to give the Federal Trade Commission responsibility for administering the legislation, Senator Javits would propose an amendment to "require the Board to take jurisdiction over banks and other financial institutions".

Such an amendment, of course, would bring under the jurisdiction of the Board many institutions which are not regulated by the Board. Difficulties that would arise if this were done have been mentioned previously in this letter. There are, however, other objections as well.

The best means of assuring comparable information concerning finance charges as a basis for intelligent decisions by users of credit is for all extenders of credit to be subject to the same laws and regulations administered by the same agency. Diffusion of administrative or regulatory power, especially in an area such as that covered by S. 750, would give rise to the probability of divergent interpretations and requirements in the disclosure of information to the public which would make comparison of costs among various sources of credit more difficult. Certainly such a division of authority clearly would be inefficient and more costly than would be the case if the law were to be administered by a single agency already having broad regulatory experience in the area of trade practices. Obviously the considerations which prompted the recommendation in the 1962 Presidential Message, previously mentioned, also apply against the suggested division of responsibility for administration of the bill.

Furthermore, the Board feels that it should underscore the fact that both the Board and its relatively small staff are fully occupied by a heavy work load arising from present statutory responsibilities, which have increased substantially in recent years. Assigning to the Board either full or partial responsibility for the essentially unrelated, untested, and highly complex regulatory task under S. 750 clearly would not be consistent with the demands on time and energy for the effective performance of either the Board's present functions or for the new program envisaged by the bill.

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Accordingly, in addition to the foregoing reaffirmance of the position stated in its reply of March 31, 1964, the Board would recommend against the proposed division of responsibility for administration of S. 750 and would not favor enactment of the bill if it were to be amended to incorporate such proposal.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

1472
Item No. 7
4/27/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 27, 1964



CONFIDENTIAL (FR)

Mr. W. Braddock Hickman, President,
Federal Reserve Bank of Cleveland,
Cleveland, Ohio 44101.

Dear Mr. Hickman:

Reference is made to Mr. Thompson's letter of March 17, 1964, in which your Bank requests the approval of upward adjustments in the salary structures covering each of your offices.

The Board approves the following minimum and maximum salaries for the respective grades at the various offices in your District effective May 1, 1964:

Grade	Cleveland		Cincinnati Branch		Pittsburgh Branch	
	Minimum	Maximum	Minimum	Maximum	Minimum	Maximum
1						
2	\$ 2,925	\$ 3,939	\$ 2,652	\$ 3,432	\$ 2,782	\$ 3,718
3	3,055	4,147	2,756	3,692	2,938	3,874
4	3,263	4,433	3,068	4,004	3,068	4,160
5	3,536	4,784	3,224	4,316	3,354	4,446
6	3,822	5,148	3,484	4,732	3,614	4,862
7	4,186	5,590	3,835	5,161	3,978	5,382
8	4,550	6,110	4,238	5,642	4,394	5,954
9	4,992	6,708	4,680	6,240	4,888	6,604
10	5,447	7,319	5,148	6,864	5,382	7,254
11	5,941	8,047	5,642	7,514	5,941	8,047
12	6,630	8,970	6,214	8,398	6,630	8,970
13	7,410	10,062	6,955	9,373	7,410	10,062
14	8,307	11,193	7,800	10,452	8,307	11,193
15	9,243	12,441	8,736	11,700	9,243	12,441
16	10,257	13,767	9,750	13,026	10,257	13,767
	11,297	15,275	10,790	14,534	11,297	15,275

The Board approves the payment of salaries within the limits specified for the grades in which the positions of employees are classified.

In reviewing the material submitted, the Board noted that the supervisory positions in the Protection Department are classified in grades that seem inordinately high in relation to other positions of greater responsibility in the Cleveland Bank and branches and, externally, with positions on the Protection Force at other Reserve Banks. Attached is a table showing the titles and grade classifications for members of the Protection Department at each Federal Reserve Bank and branch.

The Board is aware that this disparity in grade classification has been recognized by your Bank to the extent that the Captains of the Guard at the Head Office and the two branches have been reduced one grade by administrative action, effective March 18, 1964. However, there remains a considerable differential between the grades for similar positions in other Reserve Banks and branches and grades of the position of Captain, as well as other supervisory positions on the Protection Force. Consequently, it is requested that these positions be studied with a view to realignment, including the recognition of a difference in level of Protection Department supervisory responsibilities between the Head Office and the branches.

Accordingly, the Board also requests that the salaries of incumbents of the supervisory positions of the Protection Department at all three offices in the Cleveland District not be raised to the new minimums pending completion of the Bank's study. The Board would appreciate an opportunity to review the results of the study before any action is taken on their salaries. All other employees whose salaries are below the minimum of their grades as a result of structure increases should be brought within appropriate ranges by August 1, 1964.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.