

Minutes for May 8, 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 Friday, May 8, 1964. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Cardon, Legislative Counsel
Mr. Fauver, Assistant to the Board
Mr. Brill, Director, Division of Research and
Statistics
Mr. Solomon, Director, Division of Examinations
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. Smith, Assistant Director, Division of
Examinations
Mr. Axilrod, Chief, Government Finance Section,
Division of Research and Statistics
Mr. Eckert, Chief, Banking Section, Division of
Research and Statistics
Mr. Baker, Economist, Division of International
Finance
Mr. Gemmill, Economist, Division of International
Finance

Money market review. Mr. Axilrod commented on the Government securities market and on the Federal budget; Mr. Holland reviewed recent monetary and banking data and commented on member bank borrowing trends; and Mr. Baker discussed foreign exchange market developments, along with the current System position under reciprocal currency arrangements.

Material distributed included a summary of monetary developments in the five weeks ended May 6, 1964; charts showing trends in ratios of

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excess reserves and member bank borrowings to required reserves in 1963-64; tables on concentration of borrowings by reserve city and country banks in 1963-64; and a table on System foreign exchange balances and commitments.

The members of the staff who were present, except Messrs. Sherman, Kenyon, Cardon, Fauver, Brill, and Solomon, then withdrew and the following entered the room:

Mr. Hackley, General Counsel
 Mr. Farrell, Director, Division of Bank Operations
 Mr. Connell, Controller
 Mr. Leavitt, Assistant Director, Division of Examinations
 Mr. Egertson, Supervisory Review Examiner, Division of Examinations

Discount rates. The establishment without change by all of the Federal Reserve Banks except Boston on May 7, 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, which had been circulated to the members of the Board and copies of which are attached to these minutes under the respective item numbers indicated, were approved unanimously:

	<u>Item No.</u>
Letter to The Ohio Bank and Savings Company, Findlay, Ohio, approving the establishment of a branch at 1330 North Main Street.	1

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	<u>Item No.</u>
Letter to The Firestone Bank, Akron, Ohio, approving the establishment of two branches in the Summit Mall Shopping Center, Fairlawn Village.	2
Letter to The People's Savings and Trust Company, Hazleton, Pennsylvania, approving an investment in bank premises.	3
Letter to Farmers' State Bank of Yorkville, Yorkville, Illinois, (1) interposing no objection to an investment in bank premises made in 1963, and (2) approving an additional investment in bank premises.	4
Letter to Friendly National Bank in Southwest Oklahoma City, Oklahoma City, Oklahoma, granting its request for permission to maintain reduced reserves.	5
Letter to the Federal Deposit Insurance Corporation regarding the application of First State Bank of King City, King City, Missouri, for continuation of deposit insurance after withdrawal from membership in the Federal Reserve System.	6
Memorandum from the Division of Research and Statistics dated April 29, 1964, recommending the installation of a Dow-Jones Financial News Service Ticker in the FDIC Building for joint use by staff of the Board and the Corporation.	7
Letter to the Comptroller of the Currency regarding the proposed collection of branch deposit statistics as of June 30, 1964. (With a similar letter to the Chairman of the Federal Deposit Insurance Corporation.)	8

Reports on competitive factors. A report to the Federal Deposit Insurance Corporation on the competitive factors involved in the proposed consolidation of The First National Bank of Westboro, Westboro, Massachusetts, into Guaranty Bank and Trust Company, Worcester, Massachusetts, was approved unanimously for transmittal to the Corporation. The conclusion read as follows:

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The proposed consolidation of Guaranty Bank & Trust Company and The First National Bank of Westboro would eliminate the minor degree of competition between the two banks and the potential for future competition. While it would also eliminate the only independent commercial bank in Westboro, it would not have an appreciable effect on the banking structure in the over-all area.

A report to the Comptroller of the Currency on the competitive factors involved in the proposed merger of The Peoples National Bank of West Alexander, West Alexander, Pennsylvania, into The First National Bank of Fredericktown, Fredericktown, Pennsylvania, was approved unanimously for transmittal to the Comptroller. The conclusion read as follows:

The Peoples National Bank of West Alexander and The First National Bank of Fredericktown do not appear to be competing institutions, and there is no indication that other banks would be adversely affected by the proposed merger. The competitive effects of the merger would not be adverse.

Meetings with academic economists. Mr. Fauver referred to an article in today's issue of the Washington Post concerning the Board's recent meetings with academic economists. After indicating that he did not know the source of the information contained in this particular article, he raised a question as to the response that should be made to other members of the press who might inquire about the meetings.

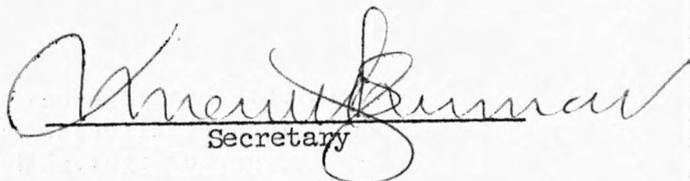
It was the view of the Board that there would be no objection to furnishing inquirers basic information on such meetings as they occurred, including the names of the academic economists participating.

The meeting then adjourned.

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Secretary's Note: A letter was sent today to Chase Manhattan Overseas Banking Corporation, New York, New York, acknowledging receipt of notice of the intention of Banco Mercantil y Agricola, Caracas, Venezuela, to establish additional branches in Venezuela at (1) Los Palos Grandes Business Center, Avenida Francisco de Miranda, Los Palos Grandes, Sucre District, State of Miranda; and (2) Edificio Ponta (Ponta Building), Avenida Macklake, Puerto Ordaz, State of Bolivar.


Secretary



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

1672
Item No. 1
5/8/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 8, 1964.

Board of Directors,
The Ohio Bank and Savings Company,
Findlay, Ohio.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch by The Ohio Bank and Savings Company, Findlay, Ohio, at 1330 North Main Street, Findlay, Ohio, provided the branch is established within six months 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
5/8/64BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 8, 1964.



Board of Directors,
The Firestone Bank,
Akron, Ohio.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of two branches by The Firestone Bank, Akron, Ohio, in the Summit Mall Shopping Center at the intersection of West Market Street and Ghent Road, Fairlawn Village, Ohio, provided the branches are established within two years from the date of this letter. It is understood that one of the two branches is to be a drive-in facility located approximately 155 yards from the other branch.

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 branches; 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
5/8/64



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 8, 1964.

Board of Directors,
The People's Savings and
Trust Company,
Hazleton, Pennsylvania.

Gentlemen:

The Board of Governors of the Federal Reserve System approves, under the provisions of Section 24A of the Federal Reserve Act, an additional investment of \$355,000 in bank premises by The People's Savings and Trust Company, Hazleton, Pennsylvania, for the purpose of remodeling and constructing an addition to present banking quarters. This approval includes approximately \$30,000 more than requested in order to provide for possible unforeseeable expenditures.

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. 4
5/8/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 8, 1964.



Board of Directors,
Farmers' State Bank of Yorkville,
Yorkville, Illinois.

Gentlemen:

The Board of Governors of the Federal Reserve System has received the request of your bank for approval of a recent expenditure for bank premises in connection with the purchase of land for a parking lot and for approval of an additional amount to be employed in improvement of the parking lot, also construed as an investment in bank premises. Section 24A of the Federal Reserve Act requires a State member bank to obtain the approval of the Board of Governors for an investment in bank premises which, when added to the carrying value of present investments in bank premises, will aggregate an amount in excess of the bank's capital structure. Since part of the expenditure in this case has already been made, prior approval for purchase of the parking lot, as contemplated by the statute, cannot be given.

However, if a timely request had been made for the required approval, it appears, on the basis of information before the Board, that such approval would have been granted. Accordingly, the Board offers no objection to the expenditure of \$7,433.43 for the purchase of a parking lot in 1963. The Board also approves an additional expenditure of \$2,566.57 for the improvement of the parking lot.

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
5/8/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 8, 1964.



Board of Directors,
Friendly National Bank in
Southwest Oklahoma City,
304 Park Avenue,
Oklahoma City, Oklahoma. 73102

Gentlemen:

With reference to your request submitted through the Federal Reserve Bank of Kansas City, the Board of Governors, acting under the provisions of Section 19 of the Federal Reserve Act, grants permission to the Friendly National Bank in Southwest Oklahoma City 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.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 6
5/8/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



May 8, 1964.

The Honorable Joseph W. Barr, Chairman,
Federal Deposit Insurance Corporation,
Washington, D. C. 20429

Dear Mr. Barr:

Reference is made to your letter of April 23, 1964, concerning the application of First State Bank of King City, King City, Missouri, for continuance of deposit insurance after withdrawal from membership in the Federal Reserve System.

There have been no corrective programs urged upon the bank, or agreed to by it, which have not been fully consummated, and in the Board's opinion, there are no such programs that it would be advisable to incorporate as conditions of admitting the bank to membership in the Corporation as a nonmember of the Federal Reserve System.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

1678

Item No. 7
5/8/64

Office Correspondence

Date April 29, 1964.

To Board of Governors
From Division of Research
and Statistics

Subject: Additional Dow-Jones

News Service Outlet.

The Research Division requests authorization to arrange for the installation of a Dow-Jones Financial News Service Ticker in the FDIC Building for joint use by Board staff and FDIC staff. The cost would be shared equally by the Board and by the FDIC.

Dr. Cramer, FDIC research head, has informed us that the FDIC has officially approved the proposal.

Because of central billing by Dow-Jones, the cost of an outlet to the Federal Reserve System is \$145 per month. The total cost of a single outlet to the FDIC would be \$180 per month because the FDIC would not be eligible for the quantity or central billing discount. Consequently, under the terms of the proposal, monthly cost to the Board and to the FDIC would be \$72.50 each.

Our request is based upon the needs of the Capital Markets Section for up-to-the-minute news on capital markets developments. Prior to the move to the FDIC Building, the Dow-Jones Financial News Service Ticker in the Board Members' Section was referred to frequently by the Capital Markets Section during the day. Without ready access to the Dow-Jones financial news, the operations of the Section have been appreciably impaired.

The Section's uses of ticker information are essentially of two types. One relates to the preparation of regular reports under the pressure of tight deadlines. The FOMC memo every three weeks is perhaps the most important such report, but the weekly H.14 release and periodic oral briefings of the Board also require reporting of the latest information within tight deadlines. The other broad use of ticker information relates to the general and continuing need for Section specialists to "stay on top of" capital market developments.

Newspapers cannot provide up-to-the-minute news. Efforts have been made to obtain the latest news by calling market specialists at the New York Federal Reserve Bank and by sending clerks to the Board Building to copy relevant information from the Dow-Jones Ticker in the Board Members' Section. Neither approach has been very successful, particularly because of the amount of detail required. We have not been able to develop any suitable means of transmitting the Dow-Jones news received at the Board Building to the Capital Markets Section.

No provision was made in the 1964 Budget for this proposal. If approved, authorization for any resultant overexpenditure in the Research Division's All Other Account is also requested.

JRK

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 8
5/8/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 8, 1964.



The Honorable James J. Saxon,
Comptroller of the Currency,
Washington, D. C. 20220.

Dear Mr. Saxon:

For many years, the Federal bank supervisory agencies have cooperated in making biennial collections of branch deposit data which have been the basis for the publication of the booklet "Distribution of Bank Deposits by Counties and Standard Metropolitan Statistical Areas." This publication is widely used by the bank supervisory agencies and other Government agencies and by banking and other analysts outside the Government. The program was expanded in 1962 to collect reports of deposits by cities for branches outside the head office city rather than totals by counties, which had been reported earlier. These new data have had wide internal circulation and application, but outside publication was limited to county totals as before.

The Board is satisfied that the more useful data furnished under the expanded program did not result in an undue expansion of the reporting burden, and, in some cases, may actually have reduced the burden. Most reporting banks, given the choice of submitting individual branch data or totals of branches grouped by cities, elected the former. The additional data collected in 1962 have been extremely valuable for many purposes and the Board feels strongly that branch deposit data should be collected on the same basis in 1964. The three items collected for the 1962 survey were basically the same as for previous years, i.e., demand deposits and time deposits of individuals, partnerships, and corporations; and total deposits. However, the form used in 1962 included a space for the residual "other deposits" item for internal balance. There have been no suggestions for expanding the survey beyond these items in 1964.

The Board hopes that your Office will be willing to cooperate in collecting these branch deposit data as of June 30, 1964. Since individual reporting forms must be prepared for each bank operating branches outside the head office city, and since the Board must

The Honorable James J. Saxon

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clear the program with the Bureau of the Budget, early advice of your decision in this matter would be appreciated. Details of reporting and tabulating procedures and preparations for the survey can be worked out at the staff level. As in previous years, the Board is willing to tabulate and publish these branch deposits data.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.