

Minutes for May 28, 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.

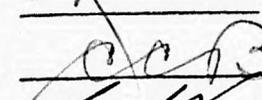
Chm. Martin



Gov. Mills



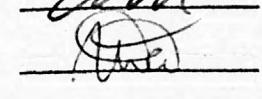
Gov. Robertson



Gov. Balderston



Gov. Shepardson



Gov. Mitchell



Gov. Daane



Minutes of the Board of Governors of the Federal Reserve System  
on Thursday, May 28, 1964. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary  
Mr. Fauver, Assistant to the Board  
Mr. Hackley, General Counsel  
Mr. Solomon, Director, Division of  
Examinations  
Mr. O'Connell, Assistant General Counsel  
Mr. Leavitt, Assistant Director, Division  
of Examinations  
Mr. Spencer, General Assistant, Office of  
the Secretary  
Mr. Hricko, Senior Attorney, Legal Division

Branch application (Item No. 1). Unanimous approval was given to a letter to Peoples Union Bank and Trust Company, McKeesport, Pennsylvania, approving the establishment of a branch on Liberty Way, Liberty Borough, Allegheny County. A copy of the letter is attached to these minutes as Item No. 1.

Report on competitive factors (Nashville, Tennessee). There had been distributed a draft of report to the Comptroller of the Currency on the competitive factors involved in the proposed merger of Nashville Bank and Trust Company, Nashville, Tennessee, into Third National Bank in Nashville, Nashville, Tennessee.

The report was approved unanimously for transmittal to the Comptroller in a form containing the following conclusion:

A merger of Nashville Bank and Trust Company into Third National Bank in Nashville would eliminate direct competition which exists between participants and would

5/28/64

-2-

increase significantly the already heavy concentration of banking and trust business in Nashville. This proposal would have clearly adverse effects on competition.

Mr. Hricko withdrew from the meeting at this point.

Securities reported missing by member bank (Items 2 and 3).

There had been distributed a memorandum dated May 27, 1964, from Mr. Solomon, Director, Division of Examinations, with regard to an inquiry by Mr. Robert A. Schremp, on assignment from the General Accounting Office to the House Banking and Currency Committee, about an incident involving certain securities reported missing by State Street Bank and Trust Company, Boston, Massachusetts.

At the Board meeting on May 13, 1964, Mr. Solomon reported that Mr. Schremp had inquired whether there had occurred in 1963 or 1964 any incidents of a nature similar to the inadvertent disappearance in 1962 of certain securities from the San Francisco Reserve Bank. It was agreed that Mr. Schremp should be advised in the negative but informed of the incident that occurred earlier this year in which a parcel of \$200,000 of U. S. Treasury notes was issued by the Boston Reserve Bank on the basis of a wire transfer transaction originating at the New York Reserve Bank and sent by Brink's messenger, along with other parcels of U. S. Government securities, to State Street Bank and Trust Company. A week after the date of delivery, the member bank advised the Reserve Bank that the parcel of Treasury notes could not be located.

The memorandum of May 27 stated that Mr. Schremp had presented certain questions with respect to the Boston incident. In this connection,

5/28/64

-3-

it was suggested that a memorandum be sent to Mr. Schremp indicating that the Federal Reserve Bank of Boston was being requested to give its views on the questions that he raised. A draft of letter to the Boston Reserve Bank that would enclose a copy of the questions presented by Mr. Schremp was attached to the memorandum of May 27. The proposed letter would request the Reserve Bank to review the matter and furnish answers to the questions to the extent practicable.

In presenting the matter, Mr. Solomon commented that in conversation Mr. Schremp had indicated that he also wished to obtain answers to certain questions from State Street Bank and Trust Company. Mr. Solomon explained that it would be difficult to get such answers because the Reserve Bank and the member bank were potential opposing litigants; the insurers for State Street Bank and the Reserve Bank in this case would have to decide which company would bear the loss for the missing securities.

In a discussion following Mr. Solomon's comments, Mr. O'Connell suggested, for reasons that he outlined, that the letter to the Reserve Bank state clearly that the Bank was to answer only those questions on which it had information on hand, without calling upon the member bank or Brink's.

There being general agreement with this line of reasoning, the letter was approved unanimously for transmittal in the form attached as Item No. 2. A copy of a memorandum dated April 28, 1964, from Mr. Solomon to Mr. Schremp is attached as Item No. 3.

5/28/64

-4-

Questionnaire on external crimes against banking institutions  
(Item No. 4). There had been distributed a memorandum dated May 28, 1964, from the Division of Examinations discussing a proposed questionnaire, for use in the examination of banks, that would provide certain information on crimes against banking institutions.

The memorandum pointed out that earlier this year the Legal and Monetary Affairs Subcommittee of the House Committee on Government Operations submitted to the Congress a report on crimes against banking institutions. The report contained recommendations to the Federal bank supervisory agencies and the Federal Home Loan Bank Board to combat the rise in such crimes. The memorandum stated that it appeared desirable to the staffs of the Federal Deposit Insurance Corporation and the Federal Reserve that steps be taken to implement some of the recommendations contained in the Subcommittee report. In this connection, it was believed desirable to place the external control program on a more formal basis. In this way controls and security against external crimes should be strengthened and valuable information about trends might be developed. The questionnaire would provide bank supervisors with information so that results might be tabulated, thus making it possible to determine the degree of acceptance of the program by bankers and the steps being taken to improve security and controls against external crimes.

There was also attached to the memorandum of May 28 a draft of letter to the Comptroller of the Currency explaining the proposal and

5/28/64

-5-

inviting the cooperation of his Office in the program. The memorandum noted that the Federal Deposit Insurance Corporation planned to send a similar letter.

At the Board's request, Mr. Solomon commented in supplementation of the information presented in the memorandum of May 28.

In the discussion that followed, Governor Daane raised a question whether the proposed questionnaire had been discussed with the American Bankers Association. Mr. Solomon replied that the questionnaire drew upon a memorandum prepared by the Association on the subject of external crimes against banks.

Governor Robertson indicated that he was in favor of the questionnaire and that its use by Reserve Bank examiners should be instituted without undue delay.

At the conclusion of the discussion, it was understood that if the Comptroller of the Currency should submit suggestions they would be considered before the questionnaire was transmitted to the Reserve Banks with instructions for its use. The letter to the Comptroller was then approved unanimously, which action contemplated use by Federal Reserve examiners of the questionnaire in the form presented at this meeting unless the Comptroller suggested within a reasonable time modifications that seemed to merit consideration. A copy of the letter sent to the Comptroller is attached as Item No. 4.

All members of the staff except Mr. Sherman then withdrew from the meeting.

5/28/64

-6-

Report on meeting of Group of 10 deputies. Governor Daane reported on the recent Paris meeting of the deputies of the Group of 10, relating to further work on the assignment to study the outlook for the functioning of the international monetary system and its probable future needs for liquidity.

The meeting then adjourned.

Secretary's Notes: 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:

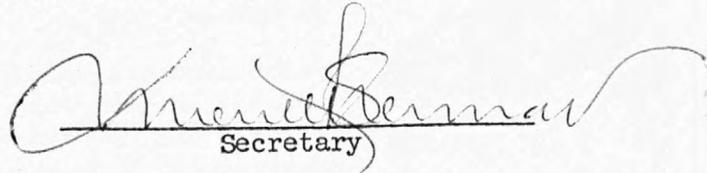
Permission to work additional period  
before beginning maternity leave

Nancy H. Teeters, Economist (half-time basis), Division of Research and Statistics, granted permission to work through June 12, 1964, before beginning maternity leave.

Change in official headquarters

Roger A. Haskell, Assistant Federal Reserve Examiner, Division of Examinations, from Washington, D. C., to Seattle, Washington, effective immediately.

Governor Shepardson today noted on behalf of the Board a memorandum from the Division of Examinations advising that Elmer W. Lyster, Federal Reserve Examiner in that Division, had filed application for retirement, effective at the close of business May 31, 1964.

  
Secretary

1905

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

Item No. 1  
5/28/64



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

May 28, 1964.

Board of Directors,  
Peoples Union Bank and Trust  
Company,  
McKeesport, Pennsylvania.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Peoples Union Bank and Trust Company, McKeesport, Pennsylvania, of a branch on Liberty Way in the vicinity of the intersection of Liberty Way and Owens Street, Liberty Borough, Allegheny County, Pennsylvania, 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.)

1906

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

Item No. 2  
5/28/64



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

May 28, 1964.

Mr. George H. Ellis, President,  
Federal Reserve Bank of Boston,  
Boston, Massachusetts 02106.

Dear Mr. Ellis:

For your information there is attached a copy of a memorandum dated May 14, 1964, and attachment from Mr. Frederic Solomon, Director of the Board's Division of Examinations, to Mr. Robert A. Schremp, who is on assignment to the House Banking and Currency Committee from the General Accounting Office. There is also attached a copy of a memorandum from Mr. Schremp to Mr. Solomon, dated May 20, requesting further information regarding the disappearance of the securities in your District, and a copy of Mr. Solomon's memorandum of today's date in reply to Mr. Schremp.

It will be appreciated if you will review this matter and, to the extent practicable, supply answers to the questions raised by Mr. Schremp. It is assumed, of course, that you will avoid seeking any information from Brinks or the member bank that might conflict with those institutions' possible claims in the matter or with any responsibilities they might have to their insurers.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

Enclosures

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEMItem No. 3  
5/28/64

May 28, 1964.

TO: Mr. Robert A. Schremp

FROM: Frederic Solomon

Your memorandum of May 20, 1964, states several questions regarding the occurrence in the Boston Federal Reserve District in which a member bank reported the disappearance of certain securities. In the course of conversation you have indicated that you would like to have the views of the Federal Reserve Bank of Boston regarding those questions.

The Federal Reserve Bank of Boston is being asked to give its views on the questions and you will be advised in due course.

1908

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 4  
5/28/64ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

May 28, 1964.



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

Dear Mr. Saxon:

As you know, in February of this year the Committee on Government Operations of the House of Representatives submitted to the Congress a report on "Crimes Against Banking Institutions." This Committee Report contained eight recommendations addressed to the Federal bank supervisory agencies and the Federal Home Loan Bank Board.

As part of the continuing program of improving bank supervision, the Federal Reserve System and the Federal Deposit Insurance Corporation have developed the enclosed questionnaire on Security and Controls Against External Crimes. This questionnaire, which would be completed by the examiner at the examination of each bank, will assist in determining the degree to which commercial banks have inaugurated policies designed to protect them from external crimes. The questions have been specifically designed so that we may tabulate results to determine trends.

The Board would be happy to have the Office of the Comptroller of the Currency participate in the use of this questionnaire. Some modifications could, of course, be made if it seems appropriate. We would appreciate hearing from you in the near future as we hope to put this program into effect as soon as practicable.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

Enclosure.