

Minutes for September 4, 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	<u>(M)</u>
Gov. Mills	<u>[Signature]</u>
Gov. Robertson	<u>[Signature]</u>
Gov. Balderston	<u>[Signature]</u>
Gov. Shepardson	<u>[Signature]</u>
Gov. Mitchell	<u>[Signature]</u>
Gov. Daane	<u>[Signature]</u>

Minutes of the Board of Governors of the Federal Reserve System  
on Friday, September 4, 1964. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Mills, Acting Chairman  
Mr. Robertson  
Mr. Shepardson  
Mr. Mitchell

Mr. Kenyon, Assistant Secretary  
Mr. Broida, Assistant Secretary  
Mr. Young, Adviser to the Board and Director,  
Division of International Finance  
Mr. Noyes, Adviser to the Board  
Mr. Molony, Assistant to the Board  
Mr. Cardon, Legislative Counsel  
Mr. Fauver, Assistant to the Board  
Mr. Hackley, General Counsel  
Mr. Brill, Director, Division of Research and  
Statistics  
Mr. Solomon, Director, Division of Examinations  
Mr. Hexter, Assistant General Counsel  
Mr. Shay, Assistant General Counsel  
Mr. Furth, Adviser, Division of International  
Finance  
Mr. Conkling, Assistant Director, Division of  
Bank Operations  
Mr. Leavitt, Assistant Director, Division of  
Examinations  
Mr. Smith, Assistant Director, Division of  
Examinations  
Mr. Sanders, Attorney, Legal Division  
Mr. Egertson, Supervisory Review Examiner,  
Division of Examinations

Discount rates. The establishment without change by the Federal Reserve Banks of New York, Philadelphia, St. Louis, and San Francisco on September 3, 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.

Regulation of trading in bank securities. Governor Robertson reported having been advised by Governor Balderston that pursuant to the

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understanding at yesterday's Board meeting the latter had gotten in touch with Chairman Barr of the Federal Deposit Insurance Corporation for clarification of an indication that the Corporation was considering deferring the issuance of regulations governing trading in bank securities of nonmember insured banks and in the meantime exempting from registration requirements the securities of any such bank that desired to list its shares for trading on a securities exchange. As a result of the conversation, Chairman Barr had indicated that the Corporation would not issue a statement of procedural intent at this time. However, Chairman Barr stated that his staff was concerned about certain aspects of the proposed sections of the tentative version of Regulation F, Securities of Member State Banks, that the Board had approved on September 2, 1964, for publication in the Federal Register for comments. Therefore, Mr. Barr asked if there could be a delay in publication for one week (until Thursday, September 10), during which time the staffs of the Board and the Corporation could get together and discuss the points of concern.

Accordingly, Governor Robertson continued, Governor Balderston had instructed the Board's staff to withhold release of the aforementioned sections of the proposed Regulation F until the request of Chairman Barr could be considered by the Board. Governor Robertson went on to say that he also had talked with Chairman Barr. It was his (Governor Robertson's) recommendation that the Board accede to Chairman Barr's request, to which he added that it had been stated by Mr. Barr that if the proposed interagency

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staff discussions took place and the Board nevertheless decided to publish the proposed sections of Regulation F for comment as originally drafted, the Federal Deposit Insurance Corporation would not issue any statement in opposition. Governor Robertson noted that there had now been distributed to the Board members copies of a communication received this morning from Chairman Barr outlining some of the points involved.

Further comments indicated that the crux of the matter was that the staff of the Corporation was now thinking in terms of deferring the issuance of proposed regulations until various points could be studied at some length and the regulations could be issued in about their prospective final form. On the other hand, the Board's view had been to publish proposed regulations promptly in order to stimulate the thinking of interested parties and elicit comments, on the basis of which the Board could consider what changes were warranted in the draft regulations. Governor Robertson mentioned that it might be well for the Board's release announcing its proposed regulations to emphasize that this was the approach being followed. He also said that while he would not favor undue delay, he felt that in the interest of interagency relations the modest delay proposed by Chairman Barr would be warranted. He suggested that if such a delay was agreed upon, it be with the understanding that regardless of how the interagency staff discussions proceeded, the proposed Board regulations would be released on Thursday, September 10.

After discussion, during which Messrs. Hexter and Sanders expressed doubt that too much progress could be made within the time stipulated in

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resolving fundamental problems arising out of the difference of approach referred to by Governor Robertson but an indication was given that every reasonable effort should be made, it was agreed that Governor Robertson would advise Chairman Barr that the Board had acceded to his request for a delay until next Thursday in order that the proposed interagency staff discussions might take place.

Circulated 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 Central Trust Company, Cincinnati, Ohio, approving an extension of time to establish a branch at Northland and Waycross Roads, Village of Forest Park.	1
Letter to the Federal Deposit Insurance Corporation indicating that the Board would have no comments to add to its previous report on the competitive factors involved in the application of The Manhattan Savings Bank, New York, New York, for consent to merge with The Bowery Savings Bank, also of New York.	2

Report on competitive factors (Erie-Corry, Pennsylvania). There had been distributed a draft of report to the Comptroller of the Currency on the competitive factors involved in the proposed merger of The Citizens National Bank of Corry, Corry, Pennsylvania, into The Marine National Bank of Erie, Erie, Pennsylvania.

After discussion, during which a change in the wording of the draft conclusion was agreed upon, a report containing the following conclusion was approved unanimously for transmittal to the Comptroller:

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There is little indication of significant competition, existing or potential, between The Marine National Bank of Erie and The Citizens National Bank of Corry. Consummation of the proposed merger will likely have adverse competitive effects on the remaining small bank in Corry.

Report on enrolled bill H. R. 12267 (Item No. 3). There had been distributed a draft of letter to the Bureau of the Budget reporting on enrolled bill H. R. 12267, to provide for notice of change in control of management of insured banks, and for other purposes. The draft letter would state that the Board recommended approval by the President.

After discussion the letter was approved unanimously. A copy is attached as Item No. 3.

Messrs. Shay and Egertson then withdrew from the meeting and Messrs. Axilrod, Chief, Government Finance Section; Keir, Chief, Capital Markets Section; and Bernard, Economist, Division of Research and Statistics, entered the room.

Issuance of unsecured notes. Pursuant to the understanding at yesterday's Board meeting, there had been distributed a draft prepared by the staff of a possible Board statement on the issuance by banks of unsecured notes. At this meeting there was distributed an alternative draft of statement prepared by Governor Mitchell.

A general preference was expressed for the draft prepared by Governor Mitchell. Certain suggestions for minor changes were then agreed upon or referred to the staff for implementation. It was under-  
stood that a revised draft statement reflecting these suggestions would

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be distributed to the Board members and to the Reserve Bank Presidents, and that the next step would be to discuss the subject with the Presidents following the meeting of the Federal Open Market Committee on Tuesday, September 8.

Commercial bank reports on foreign lending. Mr. Young noted that the interest equalization tax bill had been signed into law yesterday. The legislation provided, among other things, for mandatory reports by all commercial banks on certain foreign loans and commitments. These reports were to be collected by the Federal Reserve Banks of the respective districts for forwarding to the Treasury. In order for this procedure to be followed, it would be necessary for each Reserve Bank President to provide written notice to the Secretary of the Treasury of the persons designated to have access to the reports. Draft documents pertinent to the implementation of this procedure had been forwarded to the Board's staff by the Treasury staff and had been discussed. The Treasury now proposed to supply on the morning of Tuesday, September 8, an envelope addressed to each Reserve Bank President containing various explanatory documents, including a form of notification to be sent to all commercial banks and a form of suggested letter to be sent by each Reserve Bank President to the Secretary of the Treasury. A similar envelope would be furnished to each Board member for his information.

It was agreed that there should be explanation and discussion of the matter when the Board met with the Reserve Bank Presidents following the meeting of the Federal Open Market Committee on Tuesday, September 8.

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Mr. Young noted that the Board would also want to send shortly to the Secretary of the Treasury a letter constituting written notice of Board personnel who would be entitled to have access to the commercial bank reports filed with the Treasury. He added that the Reserve Bank Presidents would be asked to file with the Board as a matter of information copies of the letters that they sent to the Secretary of the Treasury listing persons at the respective Banks who were designated to have access to such reports.

Messrs. Hackley, Solomon, Hexter, Conkling, Leavitt, Smith, and Sanders then withdrew from the meeting and Messrs. Koch, Associate Director, Division of Research and Statistics, and Eckert, Chief, Banking Section in that Division, entered the room.

Money market review. Mr. Axilrod commented on developments in the Government securities market, with emphasis on holdings by dealers of bonds acquired in the recent advance refunding; Mr. Eckert discussed bank credit, reserves, and the money supply; and Mr. Furth reviewed foreign exchange developments. Tables were distributed giving perspective on movements during the calendar year to date in money market factors and bank reserve utilization.

The following then entered the room: Messrs. Sammons, Irvine, Katz, Reynolds, Wood, Dahl, Hayes, Maroni, and Mills of the Division of International Finance; Messrs. Garfield, Dembitz, Altmann, Fisher, Gramley, Osborne, Sigel, Weiner, and Wernick of the Division of Research and Statistics.

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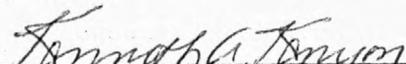
Economic review. The Division of International Finance summarized selected international financial developments, following which the Division of Research and Statistics reviewed domestic business and financial developments.

The meeting then adjourned.

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

Letter to the Federal Reserve Bank of Richmond (attached Item No. 4) approving the designation of five employees as special assistant examiners.

Memorandum from the Division of Research and Statistics recommending the appointment of Martha Seger as Economist in that Division, with basic annual salary at the rate of \$11,315, effective the date of entrance upon duty.

  
Assistant Secretary

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

Item No. 1  
9/4/64

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

September 4, 1964.

Board of Directors,  
The Central Trust Company,  
Cincinnati, Ohio.

Gentlemen:

The Board of Governors of the Federal Reserve System has approved an extension until March 1, 1965, of the time within which The Central Trust Company may establish a branch at the southeast corner of Northland and Waycross Roads, village of Forest Park, Ohio. The establishment of this branch was authorized in a letter dated August 29, 1962.

The Board trusts that steps toward establishment of this branch will be taken as soon as possible.

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. 2  
9/4/64

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

September 4, 1964.

Federal Deposit Insurance Corporation,  
Washington, D. C. 20429

Gentlemen:

This is in reply to Mr. DeHority's letter of August 25, 1964, transmitting to the Board three copies of a supplement to the application of The Manhattan Savings Bank, New York, New York, for consent of the Federal Deposit Insurance Corporation to merge with The Bowery Savings Bank, New York, New York.

The supplementary information has been reviewed and the Board has concluded that it has no additional comments to add to its report on the competitive factors involved in the proposed merger which was forwarded to you on July 10, 1964.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,  
Assistant Secretary.





BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON

Item No. 3  
9/4/64

A. L. MILLS, JR.  
MEMBER OF THE BOARD

September 4, 1964.

Mr. Phillip S. Hughes,  
Assistant Director for  
Legislative Reference,  
Bureau of the Budget,  
Washington, D. C. 20503

Dear Mr. Hughes:

In response to your communication of September 3, 1964,  
the Board recommends that the President approve the enrolled bill,  
H. R. 12267, "To provide for notice of change in control of manage-  
ment of insured banks, and for other purposes."

Sincerely yours,

(Signed) A. L. Mills, Jr.

A. L. Mills, Jr.,  
Acting Chairman.

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

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Item No. 4  
9/4/64



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

September 4, 1964.

CONFIDENTIAL (FR)

Mr. John L. Nosker, Vice President,  
Federal Reserve Bank of Richmond,  
Richmond, Virginia. 23213

Dear Mr. Nosker:

In accordance with the request contained in your letter of September 1, 1964, the Board approves the designation of the following employees as special assistant examiners for the Federal Reserve Bank of Richmond for the purpose of participating in examinations of State member banks except those listed opposite their names.

W. Filmore Forrest, Jr.	The Bank of Virginia, Richmond, Virginia.
Fenton L. Marsh	The Bank of Virginia, Richmond, Virginia.
Sommerville Wickham, Jr.	Southern Bank and Trust Company, Richmond, Virginia.
Dennis R. Shupe	State-Planters Bank of Commerce and Trusts, Richmond, Virginia.
Thomas R. Barrett	Anson Bank and Trust Company, Wadesboro, North Carolina.

The authorizations heretofore given your Bank to designate these individuals as special assistant examiners are hereby canceled.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,  
Assistant Secretary.