

Minutes for September 24, 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

M

Gov. Mills

[Signature]

Gov. Robertson

[Signature]

Gov. Balderston

CB

Gov. Shepardson

[Signature]

Gov. Mitchell

[Signature]

Gov. Daane

[Signature]

Minutes of the Board of Governors of the Federal Reserve System on Thursday, September 24, 1964. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary
 Miss Carmichael, Assistant Secretary
 Mr. Fauver, Assistant to the Board
 Mr. Hackley, General Counsel
 Mr. Davis, Acting Director, Division of Data Processing
 Mr. Hexter, Assistant General Counsel
 Mr. Shay, Assistant General Counsel
 Mr. Holland, Associate Director, Division of Research and Statistics
 Mr. Conkling, Assistant Director, Division of Bank Operations
 Mr. Leavitt, Assistant Director, Division of Examinations
 Mr. Langham, Assistant Director, Division of Data Processing
 Mr. McClintock, Supervisory Review Examiner, Division of Examinations
 Mr. Sundberg, Review Examiner, Division of Examinations

Discount rates. The establishment without change by the Federal Reserve Bank of Minneapolis on September 23, 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.

Report on competitive factors (Pottsville-New Philadelphia, Pennsylvania). There had been distributed a draft of report to the Federal Deposit Insurance Corporation on the competitive factors

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involved in the proposed merger of Silver Creek State Bank, New Philadelphia, Pennsylvania, into Union Bank and Trust Company, Pottsville, Pennsylvania. The conclusion in the report read as follows:

Consummation of the proposed merger of Union Bank and Trust Company, Pottsville, and Silver Creek State Bank, New Philadelphia, would eliminate only nominal competition existing between the two banks and would not have adverse competitive effects on other banks operating in the area.

The report was approved unanimously for transmittal to the Corporation.

Report on competitive factors (Boise-Twin Falls, Idaho). There had been distributed a draft of report to the Comptroller of the Currency on the competitive factors involved in the proposed merger of First Security Bank of Twin Falls, Twin Falls, Idaho, into First Security Bank of Idaho, National Association, Boise, Idaho. During discussion relating to the facts surrounding the proposed merger a change in the wording of the conclusion was agreed upon.

The report was then approved unanimously for transmittal to the Comptroller in a form in which the conclusion read as follows:

First Security Bank of Idaho, National Association, Boise, a subsidiary of First Security Corporation, Salt Lake City, Utah, a registered bank holding company, and First Security Bank of Twin Falls have been very closely associated in ownership, management, and operations since the organization of First Security Bank of Twin Falls in 1959 by the principal officers of First Security Bank of Idaho, National Association, following denial of an application by the latter bank to establish a branch in Twin Falls. The bank proposed to be acquired was created de novo, albeit indirectly, by the applicant bank and so the merger would not result in the permanent elimination from the market of a previously independent bank; therefore, while consummation of the proposal would make permanent the existing alliance between the two banks, it would not, under the circumstances, have adverse competitive effects.

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Messrs. Shay, McClintock, and Sundberg then withdrew from the meeting.

Request for call report data. There had been distributed a memorandum from Messrs. Langham and Holland dated September 18, 1964, regarding a request from a group of academicians at the University of Illinois (Professors Donald R. Hodgman, Robert W. Gillespie, and Thomas A. Yancey) for cooperation in a study of commercial bank behavior that had been undertaken with support from the National Science Foundation and the Graduate College of the University of Illinois. The project would involve qualified access to call report data reported by member banks in Illinois for the period December 1959-June 1963. Attached to the memorandum was a statement from the Hodgman group describing the proposed study.

The Divisions of Research and Statistics and Data Processing recommended that the proposal as outlined be approved for the following reasons: (1) It was believed that the successful completion of the project would be of particular interest to the Board and its staff, the study being one that the staff would have liked to undertake if resources permitted; (2) the study was under the direction of men of recognized competence who had already devoted many months to planning and programming activities necessary to insure the completion of the project, which was amply supported by well-known institutions; (3) the data processing specifications had been designed to assure no disclosure of individual bank data; (4) participation by members of the Board's staff had been and would continue to be limited to planning, advice, and criticism; and

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(5) the computer time required at the Board to complete the study would be moderate (estimated at 15 hours).

During discussion reference was made to the steps that had been taken to insure confidentiality of individual bank data. In this connection, Governor Daane suggested that it might be appropriate at some time to look into the whole question of nondisclosure of such data. He sometimes wondered if the Board might not be going too far in its insistence upon confidentiality of individual bank figures in studies such as this.

Governor Mitchell expressed a similar view, noting, however, that it was often possible to generalize data in such a way as to prevent disclosure of individual bank data and still produce significant results.

Mr. Holland observed that procedures used to protect individual bank data sometimes resulted in users reaching misleading conclusions. However, there was some evidence of reluctance on the part of banks to furnish certain types of data, which, if disclosed, might have harmful effects on their own operations.

At the conclusion of the discussion the request of the University of Illinois professors for the assistance outlined in the September 18 memorandum was approved unanimously.

Messrs. Davis, Holland, and Langham then withdrew from the meeting.

Change in control of banks (Item No. 1). Mr. Leavitt stated that subsequent to Mr. Solomon's report to the Board on September 15,

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1964, members of the staff of the Board and the Federal Deposit Insurance Corporation had been conferring further with respect to the procedure for reporting changes in control of bank management pursuant to provisions of H. R. 12267 (Public Law 88-593), which had been approved by the President on September 12, 1964. On the basis of the conferences, the conclusion had been reached that information regarding such changes should be exchanged at the regional level by Federal bank supervisory agencies. This would mean that, upon receipt of a report on bank stock involving either changes in outstanding voting stock or loans, a Reserve Bank would notify the appropriate Supervising Examiner of the Federal Deposit Insurance Corporation, the Regional Comptroller of the Currency, and the State Banking Commissioner of the change. It was contemplated that a similar procedure would be followed by representatives of the Federal Deposit Insurance Corporation and the Comptroller of the Currency. It was likely that the procedure to be followed at the regional level would be outlined in a letter from Chairman Barr of the Corporation to the Board and the Comptroller, and upon receipt of such a letter appropriate advice could be sent to the Reserve Bank Presidents.

Governor Robertson indicated that he would favor the proposed exchange of information in the field, but he thought that the Reserve Banks should be notified by the Board of this procedure without delay. He saw no need for waiting until a letter was received from Chairman Barr.

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After discussion it was understood that a letter would be sent at this time to the Reserve Bank Presidents outlining the procedure to be followed at the regional level and requesting that the Reserve Banks send to the Board a copy of each report relating to management control received directly by them and of all reports submitted to them by the local representatives of either the Federal Deposit Insurance Corporation or the Comptroller of the Currency. A copy of the letter sent pursuant to this action is attached as Item No. 1. In accordance with the understanding, a copy of the letter was transmitted to the Chairman of the Federal Deposit Insurance Corporation and to the Comptroller of the Currency.

The meeting then adjourned.

Secretary's Notes: Pursuant to the authorization at the Board meeting on August 19, 1964, a letter was sent today to the Presidents of all Federal Reserve Banks regarding a quarterly survey of bank lending practices to be conducted on an experimental basis. A copy of the letter is attached as Item No. 2.

Governor Shepardson today approved on behalf of the Board memoranda recommending the following actions relating to the Board's staff:

Salary increases, effective September 27, 1964

| <u>Name and title</u> | <u>Division</u> | <u>Basic annual salary</u> | |
|---|--------------------------------|----------------------------|-----------|
| | | <u>From</u> | <u>To</u> |
| | <u>Office of the Secretary</u> | | |
| Frances R. Williams, Senior Records Clerk (change in title from Records Clerk) | | \$5,080 | \$5,495 |

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Salary increases, effective September 27, 1964 (continued)

| <u>Name and title</u> | <u>Division</u> | <u>Basic annual salary</u> | |
|---|---------------------------------|----------------------------|-----------|
| | | <u>From</u> | <u>To</u> |
| | <u>Legal</u> | | |
| Janet Hart, Senior Attorney | | \$12,495 | \$12,915 |
| | <u>Research and Statistics</u> | | |
| Jo Ann C. Corrado, Secretary (change in title from Clerk-Stenographer) | | 4,630 | 5,000 |
| Jeannette R. DeLawter, Secretary | | 5,330 | 5,495 |
| Mary Elizabeth Mehall, Statistical Clerk | | 4,630 | 4,780 |
| Wilellyn Morelle, Economist | | 9,830 | 10,125 |
| Stephana Prager, Statistical Clerk | | 4,780 | 4,930 |
| Natalie C. Strader, Survey Statistician (Economics) | | 8,200 | 8,445 |
| Gretchen Walrath, Clerk-Stenographer | | 4,005 | 4,140 |
| Catherine Zambri, Clerk-Stenographer | | 4,480 | 4,630 |
| | <u>Bank Operations</u> | | |
| Raymond J. Collier, Assistant to the Director | | 15,150 | 15,640 |
| E. Ralph Massey, Assistant to the Director | | 15,150 | 15,640 |
| | <u>Examinations</u> | | |
| Jack M. Egertson, Supervisory Review Examiner | | 14,660 | 15,150 |
| | <u>Personnel Administration</u> | | |
| Lois A. Chandler, Personnel Clerk | | 4,630 | 4,780 |
| Christine Mason, Clerk-Stenographer | | 4,480 | 4,630 |
| | <u>Administrative Services</u> | | |
| Quincy W. Barnes, Operator (Xerox-Mimeograph) | | 4,638 | 4,888 |
| Vera V. Dulin, Supervisor, Cafeteria | | 5,230 | 5,380 |
| | <u>Data Processing</u> | | |
| Charla Jo Hall, Key Punch Operator | | 4,005 | 4,140 |
| Ann R. Walka, Digital Computer Programmer | | 6,250 | 7,220 |

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Transfers

Peggy Jo Powles, from the position of Stenographer in the Division of Examinations to the position of Secretary in the Office of the Secretary, with an increase in basic annual salary from \$4,930 to \$5,330, effective upon assuming her new duties.

Maureen E. Giordano, from the position of Clerk-Stenographer in the Division of Personnel Administration to the position of Stenographer in the Division of Research and Statistics, with no change in basic annual salary at the rate of \$4,005, effective September 27, 1964.

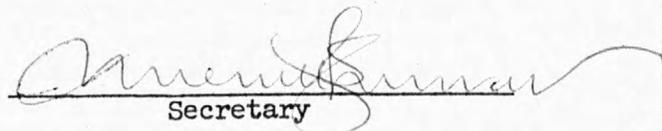
Sally L. Hayes, from the position of Clerk-Stenographer in the Division of Personnel Administration to the position of Secretary in the Division of Research and Statistics, with an increase in basic annual salary from \$4,630 to \$5,000, effective September 27, 1964.

Lois A. Chandler, from the position of Personnel Clerk in the Division of Personnel Administration to the position of Clerk in the Division of Administrative Services, with no change in basic annual salary at the rate of \$4,780, effective September 27, 1964.

Acceptance of resignations

Harriet D. Berger, Secretary, Division of International Finance, effective at the close of business September 30, 1964.

Thomas H. Hickman, Guard, Division of Administrative Services, effective September 14, 1964.


Secretary

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Item No. 1

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S-1931

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

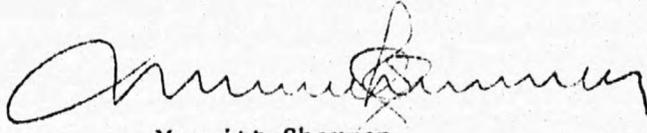
September 25, 1964.

Dear Sir:

The recently enacted Public Law 88-593 requires that Federal supervisory authorities be informed of changes in the control of management of insured banks. The Board's statement of September 18, 1964, regarding reports to be made under this law states that reports by State member banks involving changes in control of management shall be made to its Federal Reserve Bank and that reports concerning loans by any insured bank on the stock of a State member bank shall be submitted to the Federal Reserve Bank of the State member bank on the stock of which the loan was made.

When reports on bank stock involving either changes in outstanding voting stock or loans are received by the Federal Reserve Banks, one copy of each such report shall be forwarded promptly to the appropriate Supervising Examiner of the FDIC, the Regional Comptroller of the Currency, and the State Banking Commissioner. The Reserve Banks shall forward promptly to the Director of the Board's Division of Examinations a copy of all reports received directly by them and also a copy of any report submitted to them by the local representative of either the FDIC or the Comptroller of the Currency.

Very truly yours,



Merritt Sherman,
Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

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

Item No. 2
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ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 24, 1964.



Dear Sir:

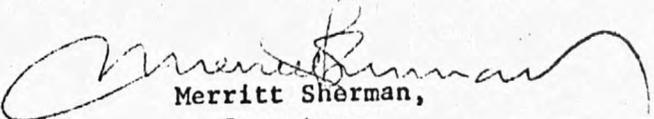
The Board has authorized a survey of bank lending practices to be conducted on an experimental basis for a period of about one year. This survey is to be made quarterly at banks now reporting in the Quarterly Survey of Interest Rates on Loans to Businesses; if this proves successful, an experimental extension of coverage to smaller banks is contemplated.

The purpose of this survey is to obtain, through a relatively simple questionnaire to be filled out by a senior loan officer or other senior official thoroughly familiar with the bank's lending policies, information on changes over the preceding three months in the terms and conditions for lending to commercial and industrial businesses and finance companies. A small supply of the reporting form (Budget Bureau No. 55-R213) is enclosed, together with a draft of a letter that might be used in approaching the banks concerned. A larger supply is being mailed under separate cover.

The completed reporting form for each respondent should be forwarded to the Board's Data Processing Division for keypunching and tabulation. Prior to transmittal, each report should be checked carefully for completeness, consistency, and reasonableness, and any ambiguities clarified through discussion with the respondent. Summary statistics will be made available to the Reserve Bank for their use and for distribution to respondents.

The initial survey in this series is to be conducted as of September 30, 1964, and the completed forms should reach the Board's Data Processing Division by October 9. In subsequent surveys, the questionnaire should be completed as of the last day of the quarterly interest rate survey reporting period (December 15, March 15, and June 15) and the completed forms should be mailed to reach the Board by the 25th of the month.

Very truly yours,


Merritt Sherman,
Secretary.

Enclosures.

TO THE PRESIDENTS OF ALL
FEDERAL RESERVE BANKS

Suggested Draft of Letter from Reserve Bank
to banks to be asked to participate
in New Survey of Bank Lending Practices

The Federal Reserve System is undertaking an experimental survey to obtain information on changes in bank practices regarding the terms and conditions of lending to commercial and industrial businesses and finance companies. This survey is to be conducted quarterly for a period of about one year at banks that are presently represented in the Quarterly Survey of Interest Rates on Loans to Businesses. As a respondent in this survey, we are asking your cooperation in supplying this supplemental information.

As you will note, the reporting form (copies enclosed) is relatively simple and should require only a few minutes to complete. Information regarding the practices of individual banks will be treated in a confidential manner; results will, however, be made available to respondents and others in the form of broad aggregates of banks. It is believed that the information to be collected will not only be of value to the System in carrying out its monetary policy responsibilities but that it also will be of considerable interest to the respondent banks.

The questionnaire should be completed by the senior loan officer of your bank or by another senior official thoroughly familiar with the bank's current lending policies. To insure consistency of reporting, it would be desirable that the same individual be designated to fill out each successive report.

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Two copies of the form are enclosed, one to be returned to the Reserve Bank and one for your file. We are asking that the first report in this series reflect conditions as of the end of September and that it be completed and returned to us by October 5. Subsequent reports should be completed as of the end of the quarterly interest rate survey reporting period (December 15, March 15, and June 15) and mailed to us by the 18th of the month.

Enclosures.

(Board of Governors of the
Federal Reserve System,
September 24, 1964)