

FORTY-NINTH

Annual Report

OF THE
BOARD OF GOVERNORS
of the Federal Reserve System



COVERING OPERATIONS FOR THE YEAR

1962

Letter of Transmittal

**BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM,
*Washington, March 6, 1963.***

THE SPEAKER OF THE HOUSE OF REPRESENTATIVES.

Pursuant to the requirements of Section 10 of the Federal Reserve Act, as amended, I have the honor to submit the Forty-ninth Annual Report of the Board of Governors of the Federal Reserve System. This report covers operations for the year 1962.

Yours respectfully,

WM. MCC. MARTIN, JR., *Chairman.*

Contents



	Page
DIGEST OF PRINCIPAL FEDERAL RESERVE POLICY ACTIONS, 1962	6
MONETARY POLICY	8
Operations in Government securities	8
Foreign exchange operations	10
Other actions	12
FLOWS OF FINANCING	13
Consumers	14
Business finance	17
State and local governments	19
Federal Government	20
Savings institutions	21
Commercial banks	21
Balance of market forces	29
INTERNATIONAL PAYMENTS PROBLEM	31
Balance of payments	32
Exchange markets	36
Foreign currency operations	39
RECORD OF POLICY ACTIONS—FEDERAL OPEN MARKET COMMITTEE	45
RECORD OF POLICY ACTIONS—BOARD OF GOVERNORS	111
BANK SUPERVISION BY THE FEDERAL RESERVE SYSTEM	122
Examination of Federal Reserve Banks	122
Examination of member banks	122
Federal Reserve membership	123
Bank mergers	124
Bank holding companies	125
Banking Markets Unit	125
Trust powers of national banks	126
Foreign branches of member banks	126

	Page
Bank Supervision by the Federal Reserve System—Cont.	
Acceptance powers of member banks	127
Foreign banking and financing corporations	127
Bank Examination School	129
LEGISLATION ENACTED	129
Exemption of interest on foreign time deposits	129
Powers of foreign branches of national banks	130
Authority over trust powers of national banks	130
Authority for Federal Reserve branch bank buildings	130
Extension of authority of Federal Reserve Banks to purchase Government obligations	130
Extension of Defense Production Act of 1950	131
Bank Service Corporation Act	131
Real estate and construction loans by national banks	131
PROPOSED AMENDMENTS TO THE BANK HOLDING COMPANY ACT	131
LITIGATION	133
The Continental Bank and Trust Company, Salt Lake City, Utah	133
Whitney Holding Corporation, New Orleans, Louisiana	134
First Oklahoma Bancorporation, Oklahoma City, Oklahoma	135
Northwest Bancorporation, Minneapolis, Minnesota	135
RESERVE BANK OPERATIONS	135
Earning and expenses	135
Holdings of loans and securities	137
Volume of operations	138
Loan guarantees for defense production	138
Foreign and international accounts	139
Bank premises	140
BOARD OF GOVERNORS—INCOME AND EXPENSES	140
TABLES:	
1. Statement of Condition of All Federal Reserve Banks Combined (in detail), Dec. 31, 1962	144
2. Statement of Condition of Each Federal Reserve Bank, Dec. 31, 1962 and 1961	146

	Page
TABLES—Cont.	
3. Federal Reserve Holdings of U.S. Government Securities, Dec. 31, 1960-62	150
4. Federal Reserve Bank Holdings of Special Short-Term Treasury Certificates Purchased Directly from the United States, 1953-62	151
5. Open Market Transactions of the Federal Reserve System during 1962	152
6. Bank Premises of Federal Reserve Banks and Branches, Dec. 31, 1962	153
7. Earnings and Expenses of Federal Reserve Banks during 1962	154
8. Earnings and Expenses of Federal Reserve Banks, 1914-62	156
9. Number and Salaries of Officers and Employees of Federal Reserve Banks, Dec. 31, 1962	158
10. Volume of Operations in Principal Departments of Federal Reserve Banks, 1959-62	158
11. Federal Reserve Bank Discount Rates, Dec. 31, 1962	159
12. Maximum Interest Rates Payable on Time and Savings Deposits	159
13. Margin Requirements	160
14. Fees and Rates under Regulation V on Loans Guaranteed Pursuant to Defense Production Act of 1950, Dec. 31, 1962	160
15. Member Bank Reserve Requirements	161
16. Member Bank Reserves, Federal Reserve Bank Credit, and Related Items, End of Year 1918-62 and End of Month 1962	162
17. Principal Assets and Liabilities, and Number of Commercial and Mutual Savings Banks, by Class of Bank, Dec. 28, 1962 and Dec. 30, 1961	164
18. Member Bank Income, Expenses, and Dividends, by Class of Bank, 1962 and 1961	165
19. Changes in Number of Banking Offices in the United States during 1962	166
20. Number of Banking Offices on and not on Federal Reserve Par List, Dec. 31, 1962	167

	Page
TABLES—Cont.	
21. Description of Each Merger, Consolidation, Acquisition of Assets or Assumption of Liabilities Approved by the Board of Governors during 1962	169
FEDERAL RESERVE DIRECTORIES AND MEETINGS:	
Board of Governors of the Federal Reserve System	202
Federal Open Market Committee	204
Federal Advisory Council	205
Federal Reserve Banks and Branches	206
<hr/>	
MAP OF FEDERAL RESERVE DISTRICTS	228
INDEX	229

Annual Report of The Board of Governors of The Federal Reserve System



THE year 1962 was one of further increase in domestic economic activity, record expansion in private borrowing, and another large deficit in the U.S. balance of payments. Monetary and credit policy was expansive throughout the year, although subject to constraints imposed by the balance of payments deficit and the importance of avoiding disruptive movements of short-term funds.

With credit readily available there was a record volume of borrowing by the nonfinancial sectors. Funds raised totaled \$58 billion, \$12 billion more than in 1961. Most of the increase represented private demands. Saving in financial form increased, and holdings of liquid assets rose faster than gross national product—an unusual development for a period of high-level economic activity.

For the year as a whole gross national product in constant dollars was up more than 5 per cent from 1961, and industrial production was up nearly 8 per cent. Nevertheless, utilization of resources continued below desired levels, with unemployment averaging 5.6 per cent of the civilian labor force. Competition among suppliers—both domestic and foreign—was keen, and average wholesale prices remained at the level prevailing since early 1959.

During the year gains in economic activity slowed. Industrial production, nonagricultural employment, and the rate of unemployment showed no improvement after mid-1962, but gross national product, personal income, and retail sales rose further. At the end of the year industrial production was only 3.5 per cent above its level in December 1961. Nonfarm employment was up 2 per cent, and the unemployment rate was a little lower; growth in the labor force was relatively small.

ANNUAL REPORT OF BOARD OF GOVERNORS

Sluggish growth during the year contributed to, and to some extent reflected, swings in expectations. Moderate optimism about economic prospects began to wane following negotiations on wages and prices in the steel industry in March and April. In May and June stock market prices, which had been tending downward since December 1961, broke sharply. The break was a factor during the summer in causing widespread business expectations of an early recession. These expectations, together with concern about the slow rate of growth and the higher unemployment rates of recent years, focused public attention on proposals for tax reduction and reform.

In late October the Cuban crisis confronted the world with immediate threat of nuclear war. Early withdrawal of Soviet missiles from Cuba lessened the severe strain in the international situation. The absence at that time of serious disturbances in foreign exchange markets provided welcome evidence that cooperative defenses against speculative capital movements had been strengthened. At home, resolution of the crisis apparently had a firming effect on consumer purchases, and business expectations of imminent recession faded. By the year-end stock market prices had recovered about half of their decline in the first half of the year.

The slowdown in the rate of economic expansion during the year was attributable in part to a sharp decline in inventory accumulation. In late 1961 and early 1962 the rate of inventory investment was high, reflecting heavy purchases of steel as a hedge against the possibility of a strike at midyear. Following agreement on a labor-management contract in the steel industry in late March, steel users made efforts to reduce their excess inventories.

Incentives for other inventory investment were weaker than in earlier postwar expansions. Supplies of materials were large; there was a greater margin of unutilized industrial capacity; industrial prices were stable; and inventory management had improved. Late in the year total net inventory accumulation was

FEDERAL RESERVE SYSTEM

very small, even though the working down of steel stocks was at a slower pace.

Business outlays for fixed capital were 9 per cent larger than in 1961, but the rise in outlays slowed markedly during the year. At the year-end, such spending—after allowance for price changes—had still not advanced above the record level reached in early 1957.

After faltering early in 1962, residential construction activity recovered. Housing starts in the fourth quarter were at an annual rate of more than 1.5 million units, considerably above the rate in late 1961. For the year as a whole, the number of units started was exceeded only by the number in 1959. Compared with earlier postwar expansions, housing starts had risen less sharply but were holding up longer.

Disposable personal income and consumer purchases of goods and services rose slowly during the year, and consumers spent about the same proportion of their income as in 1961. Spending for nondurable goods and services continued to rise fairly steadily. Purchases of durable goods fluctuated during the first 3 quarters around the advanced levels of late 1961, but expanded in the fourth quarter as sales of new autos rose sharply to near-record levels.

Government purchases of goods and services were an expansive force throughout 1962. State and local government spending maintained its steady upward trend, and Federal purchases also rose further. The increase in Federal outlays during 1961 and 1962 was larger and more sustained than at any other time since the Korean War.

Consumer prices drifted up further during the year but declined very slightly in December. Average wholesale prices of industrial commodities continued unchanged at about the level prevailing since early 1959. Stability in prices of industrial products over this period reflected various influences: ample manpower and industrial capacity, gains in productivity, and strong competitive pressures from abroad. In manufacturing, labor costs per unit of output have changed little in recent years.

ANNUAL REPORT OF BOARD OF GOVERNORS

In 1962, wage increases in manufacturing, including fringe benefits, were no larger than the rise in output per manhour.

Corporate profits were about unchanged at the improved fourth-quarter 1961 level until late in 1962 when they rose somewhat. Depreciation allowances continued to expand, and internal funds—the sum of retained earnings and depreciation charges—were above the 1961 total. In order to stimulate domestic investment, the Treasury liberalized depreciation schedules, and Congress enacted an investment tax credit program.

With more internal funds available, and with capital investment programs comparatively moderate, corporations reduced their demands on long-term credit markets by almost one-fifth from 1961. But they increased their borrowing in short-term markets. Consumers expanded their instalment debt, and expansion in home and other mortgage borrowing was the largest on record. Bond offerings of State and local governments were in about the same record volume in 1962 as they had been the preceding year. The net issuance of U.S. Government debt was also roughly unchanged.

The increase in borrowing was financed in large part from an increase in saving. Expansion in time and savings deposits at commercial banks was particularly large, in part because banks were permitted—effective January 1—to pay higher rates of interest. Deposits at mutual savings banks, share capital of savings and loan associations, and life insurance and pension fund reserves also showed large gains. However, direct purchases of corporate stock and State and local government obligations declined during the year.

The privately held money supply showed little change on balance during the first 3 quarters of 1962, then rose at a seasonally adjusted annual rate of more than 8 per cent in the fourth quarter. For the year as a whole it rose by 1.5 per cent. On the other hand, a broader measure of liquidity—holdings of all types of liquid assets by the public—rose substantially during the year.

FEDERAL RESERVE SYSTEM

With the Federal Reserve making reserves readily available, commercial banks increased their outstanding loans and investments by a record \$19 billion during the year, a gain of 8.5 per cent. The increase in loans amounted to \$14 billion. Their holdings of State and local government securities also increased, but holdings of U. S. Government securities declined slightly.

With funds ample to meet increased demands, long-term interest rates generally declined and at the year-end were below a year earlier. Short-term interest rates, however, fluctuated within a narrow range and at the year-end were above their late 1961 level. Treasury and Federal Reserve actions helped to keep short-term rates up, in order to restrain outflows of interest-sensitive, short-term funds to other countries.

Progress toward equilibrium in external receipts and payments was limited. Exports reached a new high in the second quarter but then declined and in the second half were about the same as a year earlier. Merchandise imports rose about as rapidly as gross national product from late 1961 to late 1962. Despite an increase in investment income receipts, net exports of goods and services were smaller in 1962 than in 1961. Recorded net outflows of private U.S. capital declined from about \$4 billion in 1960 and 1961 to about \$3 billion in 1962.

The payments deficit was \$2.2 billion compared with \$2.4 billion in 1961. It would have been much larger except for sizable debt prepayments from European countries and some U. S. Treasury borrowing from Italy and Switzerland late in the year. U. S. official reserves of gold and convertible foreign currencies declined by \$900 million, somewhat more than in 1961 but less than in each of the 3 years before 1961.

During the year the Federal Reserve System entered into a number of arrangements with central banks abroad allowing it to obtain foreign currencies. Foreign currencies drawn under these arrangements were used to moderate exchange-rate fluctuations and, on several occasions, to reduce or postpone foreign purchases of gold.

DIGEST OF PRINCIPAL FEDERAL

<i>Period</i>	<i>Action</i>
January- February	Reduced System holdings of U. S. Government securities by about \$500 million through net sales and redemptions. Member bank borrowings from the Reserve Banks averaged less than \$100 million.
February	Authorized open market transactions in foreign currencies.
March- mid-June	Increased System holdings of U. S. Government securities by about \$1.3 billion, of which half represented purchases of securities with maturities of more than 1 year. Member bank borrowings from Reserve Banks continued to average less than \$100 million.
Mid-June- late October	Increased System holdings of U. S. Government securities by about \$200 million with net sales and redemptions of Treasury bills of about \$700 million being more than offset by purchases of coupon issues, of which two-thirds were issues maturing in more than 1 year. Member bank borrowings from Reserve Banks averaged less than \$100 million.
July	Reduced margin requirements on loans for purchasing or carrying listed securities from 70 to 50 per cent of market value of securities.
October	Reduced reserve requirements against time deposits from 5 to 4 per cent, effective October 25 for reserve city banks and November 1 for other member banks, thereby releasing about \$780 million of reserves.
Late October- December	Increased System holdings of U. S. Government securities by about \$1.0 billion, with more than half of the net increase in issues maturing in more than 1 year. Member bank borrowing from the Reserve Banks rose gradually over period, but only to an average of about \$200 million.

RESERVE POLICY ACTIONS, 1962

Purpose of action

- To permit further bank credit and monetary expansion by absorbing only part of seasonal inflow of reserve funds, mainly from post-holiday return of currency from circulation, while minimizing downward pressures on short-term interest rates.
- To moderate and offset short-term pressures on the dollar in the foreign exchange market.
- To promote further bank credit and monetary expansion while avoiding sustained downward pressures on short-term interest rates.

- To permit moderate increase in bank credit and money supply while avoiding redundant bank reserves that would encourage capital outflows, taking into account gradual improvement in domestic economy and possibilities for further advance, while recognizing the bank credit growth of past year and continuing adverse balance of payments.

- To take into account the recent sharp reduction in stock market credit and the abatement in speculative psychology in the stock market.

- To help meet seasonal needs for reserves, while minimizing downward pressures on short-term interest rates, and to provide for the longer-term growth in bank deposits needed to facilitate the expansion in economic activity and trade.

- To help further in meeting seasonal needs for reserve funds while encouraging moderate further increase in bank credit and the money supply and avoiding money market conditions unduly favorable to capital outflows internationally. In mid-December open market operations were modified to provide a somewhat firmer tone in money markets and to offset the anticipated seasonal easing in Treasury bill rates.

ANNUAL REPORT OF BOARD OF GOVERNORS

MONETARY POLICY

Federal Reserve actions in 1962 continued to encourage bank credit and monetary expansion. The System supplied reserves to commercial banks in appreciable volume, and bank loans, investments, and deposits rose sharply.

Throughout the year the Federal Reserve faced two problems. One was the slackening in the pace of expansion in the domestic economy; the other, the continuing large deficit in the nation's balance of international payments. In coping with these problems, the System undertook to provide reserves to the banks in sufficient volume to facilitate a strengthening of forces of domestic expansion but to do so in ways that would minimize downward pressures on short-term interest rates, thereby keeping these rates in closer competitive alignment with short-term rates in major foreign money markets. The System aimed also at avoiding so great an expansion in bank credit as might undermine stability of the price level.

Operations in Government securities. During 1962 the Federal Reserve continued to use open market operations in U.S. Government securities as the principal means by which it influenced the course of bank credit and money expansion and conditions in the money and capital markets. As shown in the record of the Federal Open Market Committee, open market policy remained stimulative throughout the year, but at times the degree of stimulus was lessened slightly because of concern about the persistence and severity of the balance of payments problem.¹ No substantial reduction in the degree of stimulus was undertaken, however, because the Committee thought that further expansion in bank reserves, bank credit, and money was necessary to encourage domestic economic growth in view of the continuing underutilization of manpower and machines, and that such expansion could be fostered in the absence of general inflationary pressures in the economy.

No alteration in the expansive posture of monetary policy was made by the Federal Open Market Committee through mid-June

¹ See pp. 45 ff. of this REPORT.

FEDERAL RESERVE SYSTEM

of 1962. Slight changes in emphasis developed, however, in recognition of the lull in economic activity early in the year and the shift from hesitation to modest further advance in the spring. Steady conditions in money markets were the primary aim of policy during periods of Treasury financing and at the time of the break in stock prices in late May and early June.

In mid-June the Committee sought to lessen slightly the existing degree of monetary stimulation. The main reason for this minor modification in policy was to avoid redundant bank reserves that would tend to encourage an outflow of short-term funds from the United States. In addition, it was thought that a policy of monetary ease if pursued too long and too vigorously would stimulate unwise speculation and financial excesses. Note was taken of financial developments associated with the sharp decline in stock prices. Finally, the Committee believed that financial resources were readily available to permit further advance in domestic economic activity, an advance that had been continuing on a gradual basis thus far in 1962.

From mid-June to mid-December 1962, monetary policy again was unchanged except for minor, temporary shifts in emphasis. For example, following the Cuban crisis in October, as in May following the stock market break, the Committee focused its operations on achieving a steady influence in financial markets.

Throughout the last half of the year there was growing awareness of the lack of satisfactory progress in balancing the nation's international accounts and of the sharp expansion in bank reserves, bank credit, and money that was developing in an atmosphere of somewhat more optimism about domestic economic prospects. Reflecting these developments, in mid-December, the Committee by a 7 to 5 vote adopted a policy that was slightly less stimulative, yet still directed toward expansion since the level of economic activity prevailing at the time was still unsatisfactory, substantial amounts of physical resources continued idle, and general inflationary pressures remained absent.

The moderate character of the changes in monetary policy in 1962 reflected the opposing pull of domestic and international

ANNUAL REPORT OF BOARD OF GOVERNORS

economic considerations. Although there was a greater than usual diversity of views among members of the Federal Open Market Committee regarding policy, the differences in their views were typically quite narrow. The Committee was in general agreement about the seriousness of both the balance of payments problem and the lack of vigorous growth in the domestic economy. As a result, it generally also agreed on the broad range of relative monetary ease to be sought.

During 1962 the Federal Reserve continued to conduct its open market operations throughout the maturity range of U. S. Government securities in order to help minimize downward pressures on short-term interest rates while at the same time seeking to encourage sufficient bank credit and monetary expansion to stimulate domestic economic activity. Inasmuch as its purchases of short-term issues were about equal to sales and redemptions, nearly all of the \$1.9 billion increase in System holdings of Government securities represented net purchases of issues maturing in more than a year; about four-fifths of these had maturities of 1 to 5 years. In 1961 the System had purchased on balance \$2.6 billion of securities with maturities of more than a year.

The Treasury also purchased a moderate amount of longer-term Government securities for its agency and trust accounts in 1962. During much of the year the Treasury helped to maintain upward pressures on short-term interest rates by raising most of the cash it needed through the sale of Treasury bills. Over the year the amount of bills outstanding increased by about \$5 billion. The net increase in the total debt maturing within a year, however, was only \$1.4 billion, because of debt lengthening through advance and regular refundings, particularly in the latter part of the year.

Foreign exchange operations. After prolonged study and discussion of the role of the dollar in the international payments system, the Federal Open Market Committee, in early 1962, decided to undertake open market transactions in foreign currencies. This decision was based on three considerations:

FEDERAL RESERVE SYSTEM

1. The importance to the United States and the rest of the world of an efficient and orderly world payments system, which made it imperative for the Federal Reserve—as the central bank of the world's leading industrial and financial power—to take an active part in international efforts to maintain and improve this system.

2. The need to supplement the relatively small resources which the Treasury Stabilization Fund had available and had been using to defend the dollar from speculative attack in the foreign exchange markets since early 1961.

3. A realization that today's world payments system calls not only for multilateral cooperation through the International Monetary Fund and other international institutions but also for continuing bilateral cooperation among the monetary authorities of the leading trading nations.

The Committee recognized that official intervention could be no substitute for basic action to eliminate the U.S. payments deficit. But restoration of payments equilibrium was likely to take time; and in the interim, it was important to minimize any danger that political and economic disturbances might unsettle foreign exchange markets and generate speculative pressures. As the operations of the Treasury Stabilization Fund during 1961 had demonstrated, timely official intervention could do much to moderate such pressures.

The main focus of System foreign currency operations in 1962 was the negotiation of reciprocal credit, or swap, arrangements with central banks in nine major countries and with the Bank for International Settlements. Under the arrangements consummated by the end of the year, the System was in a position to acquire on call as much as \$900 million of convertible foreign currencies for dollars.

During the year some \$660 million of foreign currencies were drawn under these arrangements, partly on a pilot basis to test their technical provisions. On December 31, outstanding drawings totaled \$265 million, with the remaining reciprocal credit

ANNUAL REPORT OF BOARD OF GOVERNORS

facilities continuing on a standby basis. At the year-end System holdings of foreign currencies were equivalent to \$81 million.

Other actions. With reserve funds readily available, member banks had little need to borrow from the Federal Reserve System in 1962. Daily average borrowings amounted to slightly more than \$100 million, only little higher than a year earlier.

The rate charged by Federal Reserve Banks for member bank borrowing remained at 3 per cent throughout the year. This rate has been in effect since the late summer of 1960. The Federal funds rate, the interest rate on excess reserve balances lent among member banks, generally fluctuated between 2.75 per cent and the discount rate. Late in the year the Federal funds rate moved toward the upper part of this range.

There were two changes in 1962 affecting bank reserve requirements. In late October and early November the Board lowered from 5 to 4 per cent the reserves against savings and time deposits that member banks are required to maintain. This action reduced total required reserves of member banks by about \$780 million. The Board took this action mainly to assist in supplying the banking system's heavy seasonal needs for reserves in the closing months of the year and to supply these reserves in a way that minimized downward pressures on short-term market rates of interest. In addition, it considered that the reserves so supplied would help to provide for the longer-term growth in bank deposits needed to facilitate the expansion of economic activity and trade.

A second change, in July, was structural in nature and involved the abolition of the central reserve city classification of banks in New York City and Chicago as required by law. This reclassification resulted in no change in the volume of required reserves, however, because the requirement for central reserve city banks had been reduced to that of banks in reserve cities in December 1960. Since July there have been but two classes of member banks for reserve requirement purposes, reserve city banks with a reserve requirement against demand deposits of

FEDERAL RESERVE SYSTEM

16½ per cent and country banks with a requirement of 12 per cent.

The Board of Governors also took one margin requirement action in 1962. In July it reduced from 70 to 50 per cent the equity required on credit used for purchasing and carrying stock market securities. This action followed a decline in stock market credit outstanding from \$5.6 billion at the beginning of the year to \$4.9 billion at the end of June. Most of this decline accompanied the sharp stock market break in late May and June.

Effective January 1, 1962, maximum permissible rates of interest payable by member banks of the Federal Reserve System and by other insured banks on savings deposits and on time deposits and certificates in the longer maturity ranges were raised. These actions had been authorized late in 1961 by the Board of Governors and by the directors of the Federal Deposit Insurance Corporation and were described in last year's ANNUAL REPORT, pages 9 and 101-04.

FLOWS OF FINANCING

Continued ease in monetary conditions, large inflows of funds to commercial banks and other savings institutions, and rather heavy credit demands stand out as major features of financial markets in 1962.

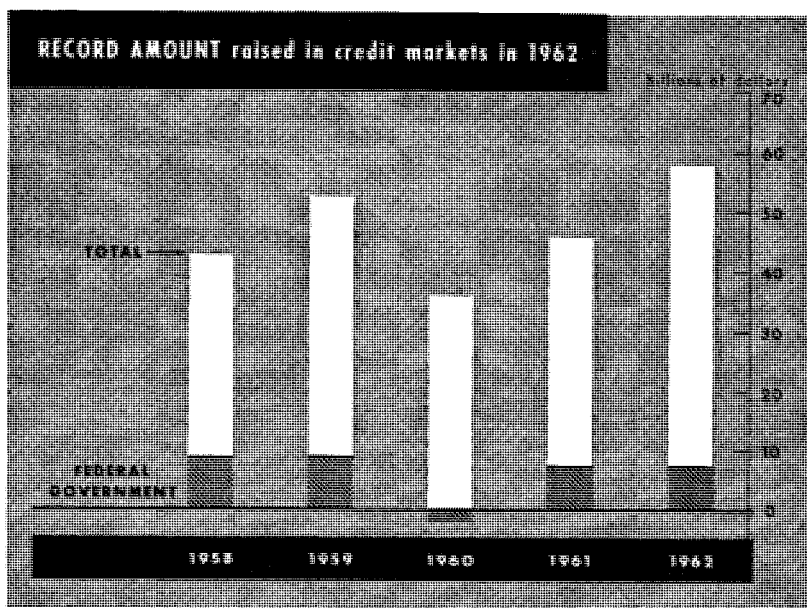
About \$58 billion, net, was raised in credit markets in 1962. This was more than in any previous postwar year and exceeded by \$5 billion the comparable figure for 1959, when the total was the second highest for any year. Private demands were particularly large. With bank reserves readily available because of monetary policy actions and with consumer financial saving in substantial volume, the supply of funds available to potential borrowers was ample. In consequence, credit conditions eased as long-term interest rates declined, lending terms became more liberal, and credit was more readily available.

Individuals, who generally supply the bulk of funds entering credit markets, placed a large portion of their saving in highly liquid claims on savings institutions, such as time and savings

ANNUAL REPORT OF BOARD OF GOVERNORS

deposits of banks and shares in savings and loan associations. Businesses also supplied somewhat more funds to credit markets in 1962 than in the year before.

Commercial banks and other savings institutions channeled their large inflows of funds more to long- than to short-term sectors of the credit market. Under these conditions demands for long-term financing—particularly by borrowers on mortgages and by State and local governments—were satisfied at reduced



NOTE.—Flow of funds data; figures for 1962 are preliminary. Represents net funds raised by nonfinancial sectors of the economy.

interest rates. Funds were also in ample supply to meet expanded short- and intermediate-term credit demands of businesses and consumers. Short-term market rates advanced slightly, however.

Capital flows between the United States and foreign countries are discussed beginning on page 31 of this REPORT.

Consumers. Consumers acquired an estimated \$41 billion of financial assets in 1962, about one-fifth more than in 1961.

FEDERAL RESERVE SYSTEM

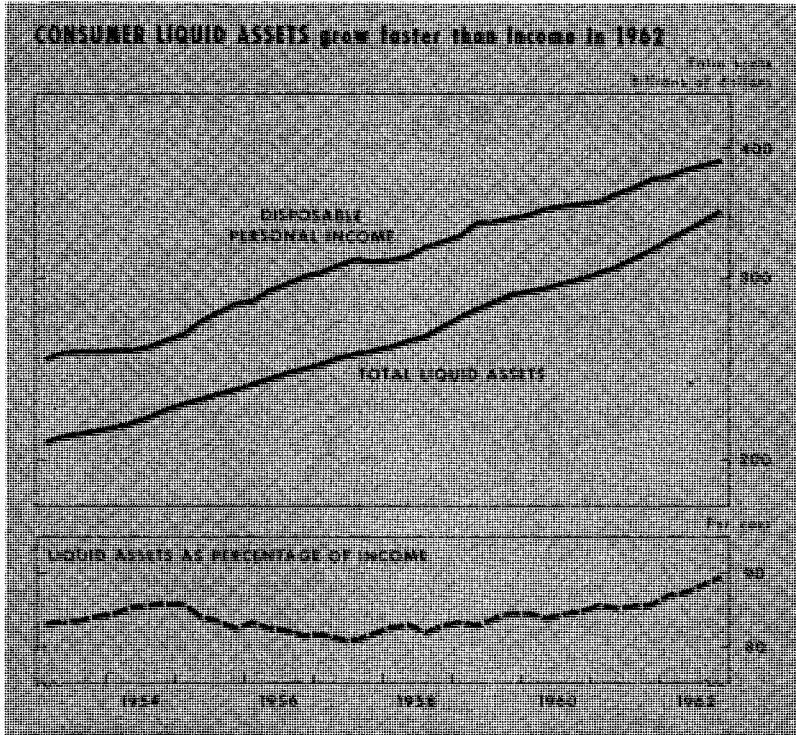
In order to finance increased spending on homes and durable goods, consumers also expanded their borrowing. Despite the rise in their borrowing, consumers as a group continued to be large net lenders to other sectors of the economy.

Financial assets and liquidity. Practically all of the increase in financial assets acquired by consumers during 1962 involved greater inflows of funds to commercial banks and savings institutions. The largest relative increase over 1961 was in the flow of saving into time and savings deposits at commercial banks. Responding quickly to increases early in the year in interest rates paid on these deposits, consumers more than doubled the flow of funds into these accounts in the first quarter of 1962 compared with the fourth quarter of 1961 after allowance for seasonal variation. This pace was not maintained, but the growth in consumer time and savings deposits at commercial banks over the full year was about \$12 billion, or some \$5 billion more than the previous annual high in 1961. Consumers also built up their demand deposits at a faster rate than in 1961.

Despite the spurt in deposits at commercial banks, the flow of consumer saving into savings and loan associations and into savings banks increased. Net acquisitions of savings at these institutions rose to a new high for the third consecutive year, although the rate of gain declined a little.

With the large expansion in claims on commercial banks and other savings institutions, consumer liquidity, as indicated by the ratio of liquid assets to income, rose to about 89 per cent of disposable personal income, at an annual rate, in the fourth quarter of 1962, as compared with 86 per cent in the last quarter of 1961. This ratio has been rising fairly steadily since the previous cyclical peak in economic activity was reached in mid-1960. In contrast, during the two previous economic cycles, consumer liquidity had risen in downturns but declined in the expansionary phases of cycles. The recent behavior is explained in part by continuation of ease in bank reserve availability for a longer period,

ANNUAL REPORT OF BOARD OF GOVERNORS



NOTE.—Dept. of Commerce data for income and flow of funds data for liquid assets, both seasonally adjusted. Liquid assets represent currency, demand deposits, savings deposits and shares, and U.S. Govt. securities. Figures for 1962 are preliminary.

favorable yields on liquid assets, and the moderateness of the rise in consumer spending.

Consumer net purchases of securities were comparatively small in 1962, as they had been in 1961. In contrast with the higher returns offered on deposits at financial institutions, particularly commercial banks, yields on most types of credit market instruments either changed little or declined during 1962. The yield on equities rose, however. Nevertheless, consumers in 1962 had less incentive to invest in securities, especially in view of economic uncertainties during much of the year.

FEDERAL RESERVE SYSTEM

There was a marked shift by consumers away from municipal bonds. Consumers' net purchases of corporate stocks were also lower, reflecting partly a decline in net new stock issues and partly a decline in net purchases of mutual fund shares. Larger purchases of corporate bonds in part offset these smaller purchases of municipals and stocks. Meanwhile, consumer purchases of U.S. Government securities were light, as in 1961.

Borrowing. Increased financing through short- and intermediate-term consumer credit contributed to the advance in consumer borrowing. Such credit outstanding rose by \$5.8 billion in 1962, about 3½ times as much as in the preceding year but still less than in 1955 or in 1959.

Automobile credit accounted for nearly half of the net increase in instalment credit outstanding. Instalment credit terms changed little on balance during 1962, although there was some increased lending on 36-month paper. Extensions rose to a new record high, as did repayments. Throughout the year repayments continued to account for about 13 per cent of disposable personal income, the same as in 1961.

With mortgage funds abundant and with interest rates and credit conditions easing, consumer borrowing on new and used homes continued at the high rate reached in late 1961, so that indebtedness rose by a record amount for 1962 as a whole. In fact, consumer mortgage borrowing rose more than did purchases of new homes. This suggests not only that downpayments on new houses were lowered but also that trading in existing houses was active and that trades could be readily financed.

Business finance. Funds available to nonfinancial corporations from retained earnings and depreciation allowances reached a new peak in 1962. Corporate profits before taxes, at a record \$51 billion, were above their previous peak of almost \$48 billion in 1959. With a continued rise in dividend payments, however, retained earnings were somewhat below the 1959 level, although a fifth larger than in 1961. Depreciation allowances continued to rise.

Outlays on plant, equipment, and inventories rose slightly

ANNUAL REPORT OF BOARD OF GOVERNORS

more than did the amount of internal funds available. Despite the rise in tangible investment, demands of corporations on long-term capital markets dropped off markedly in 1962. Gross corporate bond and stock sales in 1962 were almost \$11 billion or about one-fifth smaller than in 1961, with offerings of companies in all major types of activity down. Stocks accounted for more than four-fifths of the decline in security sales. The volume of both publicly offered and privately placed bonds was only moderately smaller than in 1961.

The decline in equity financing during 1962 was partly a reaction to the large volume of stock sold in 1961, but it also resulted from unfavorable market conditions generated by the sharp drop in common stock prices that occurred in the spring. Equity financing during the second half of the year was especially light. Open-end investment companies also sold fewer shares.

During 1962 corporations placed increasing emphasis on borrowing in short-term markets to meet their needs for external funds. Businesses borrowed more from banks than in 1961, with borrowing demand strongest in the second half of the year. Finance companies and other businesses also sold a large volume of open market paper.

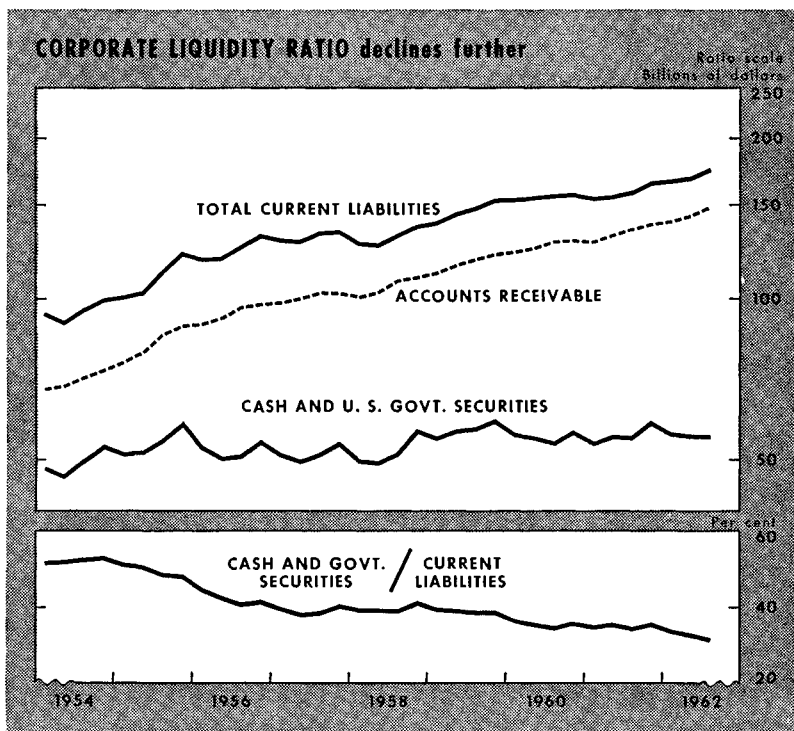
Demand for business loans at banks in the second half of the year can be explained only in part by the course of economic activity or inventory stocking. The early changeover to new automobile models and the unexpectedly large sales of new autos in the fourth quarter may have entailed an unusually large demand for loans. In addition, some corporations may have substituted bank credit for capital market financing because they found more favorable terms at banks or because they expected a further decline in longer-term market rates of interest.

As a result of the increased use of bank credit and other short-term borrowing, corporate liquidity—as measured by the ratio of cash and U.S. Government security holdings to current liabilities—declined to a new low in 1962. Nevertheless, holdings of liquid assets expanded more in 1962 than in 1961. The increase in holdings of commercial bank time deposits was es-

FEDERAL RESERVE SYSTEM

pecially large, as yields were favorable and as banks continued to offer marketable time certificates of deposit.

Corporations also continued to use available funds to finance their customers and to invest in short-term securities other than



NOTE.—Securities and Exchange Commission estimates.

U.S. Governments. Such developments in previous years have contributed to the downward trend of this liquidity ratio since 1955.

State and local governments. State and local governments issued about the same amount of long-term bonds to raise new capital in 1962 as in 1961, when issues were a record \$8.5 billion. Meanwhile, their expenditures for construction and other purposes rose moderately.

ANNUAL REPORT OF BOARD OF GOVERNORS

The cost of market financing for State and local governments declined more during 1962 than the cost of other types of financing. Most of the decline occurred early in the year, when commercial banks sharply stepped up their acquisitions of municipal bonds. An unusually large portion of total offerings took place in the first half of the year.

Federal Government. While State and local governments are generally net borrowers in credit markets, the Federal Government's position in relation to the credit market varies from year to year in line with fluctuations in its cash budget and in its cash balance. The cash budget is influenced mainly by tax receipts and expenditures, but it also reflects Governmental lending activities. Variations in the cash balance depend on the timing of cash borrowing operations as well as on temporary variations in expenditures and receipts.

In the calendar year 1962 the Federal Government had a cash deficit of about \$5.5 billion, which was about \$1 billion less than the previous year's deficit. Cash spending was higher than in 1961, but this was more than offset by larger cash receipts, reflecting the continued growth of personal and corporate incomes. For the first half of the year the cash surplus was \$3.5 billion. Economic expansion was less than anticipated, however, and as a result revenues lagged, and the cash deficit in the last 6 months of the year amounted to about \$9.0 billion. There is normally a substantial deficit in the second half of each calendar year, but this was the largest half-year total since 1958.

The Treasury borrowed \$6.5 billion on balance during the year. This not only financed the deficit but also added almost \$1 billion to the Treasury's cash balance. Borrowing operations were timed to take advantage of favorable market conditions and to help maintain interest rates at levels that would not aggravate short-term capital outflows from this country.

While issuing short-term securities to fend off downward rate pressures in that area of the market, the Treasury also issued longer-term securities in regular and advance refundings in order to achieve a better balanced debt structure. Outstanding Treas-

FEDERAL RESERVE SYSTEM

ury bills held by the public rose by more than \$5 billion, but the increase in total marketable securities maturing within 1 year was less than \$1 billion because of a decline in the outstanding amount of coupon issues maturing within 1 year.

Debt outstanding in the 1-5 year category declined, but the amount maturing in over 5 years rose sharply. This resulted mainly from lengthening of the debt through regular and advance refundings. On balance the average maturity of the marketable public debt lengthened from 4 years 7 months at the end of December 1961 to 4 years 11 months at the end of calendar year 1962.

Savings institutions. Net increases in both deposits at mutual savings banks and share capital at savings and loan associations reached new highs in 1962. This reflected in part some upward adjustment in interest rates paid to savers by these institutions to meet the higher interest rates paid by commercial banks.

The increase in share capital of savings and loan associations during 1962 was about \$9.5 billion, 9 per cent more than in 1961. This year-to-year gain, however, was somewhat smaller than in some other recent years. Mutual savings banks' deposits rose by more than \$3 billion, about 60 per cent over the increase in 1961. These two types of institutions specialize in mortgage investments, and the continued large supply of funds contributed to ease in mortgage markets.

Continuing the steady upward trend of past years, the flow of saving to life insurance companies and pension funds increased further in 1962. The bulk of these funds, as usual, were invested in corporate securities. However, life insurance companies increased their holdings of mortgages more than in 1961. They also purchased a small amount of U.S. Government securities, in contrast to net sales in nearly all recent years.

Commercial banks. Outstanding loans and investments of commercial banks increased by an estimated \$19 billion in 1962, a record for the postwar period. The composition of bank credit varied from earlier years, partly because the structure of demand for funds was somewhat different but more importantly because

ANNUAL REPORT OF BOARD OF GOVERNORS

banks adapted their investments to the changing composition of their liabilities.

Demand deposits increased by less than in 1961, but net inflows to time and savings deposits were well above previous record amounts. With interest rates on such deposits raised, banks put more emphasis on longer-term, higher-yielding investments than they had in other recent years, thereby contributing to the downward interest-rate pressures in long-term sectors of the market.

Time and savings deposits. About \$15 billion, net, flowed into time and savings deposits of commercial banks during 1962. This represents an increase of more than 18 per cent, the highest for any postwar year. During 1961 these deposits had increased by about 13 per cent.

Time and savings deposits responded quickly to the higher interest rates offered by commercial banks early in 1962, and in the first quarter the annual rate of increase accelerated to 25 per cent. After the first quarter the rate of increase slowed and returned to a rate that was just slightly above that of the preceding year, although there was a more rapid rise toward the year-end. In view of these developments, the rapid first-quarter increase to a large extent may have represented a restructuring of existing consumer and business asset holdings in reaction to the higher interest rates that commercial banks were permitted to offer.

Sources of time deposit rise. Because shifts by the public of the assets they hold influence the over-all availability of credit—including credit available from banks, from other financial institutions, and from the public directly—it is important to determine the source of increase in time deposits. Although it is difficult to come to firm conclusions on the basis of existing data, the broad outline of developments can be seen.

For example, the distribution of the increase in time and savings deposits between passbook savings and other time deposits provides a basis for analyzing the source of net inflows. Passbook savings are held primarily by individuals, while other time de-

FEDERAL RESERVE SYSTEM

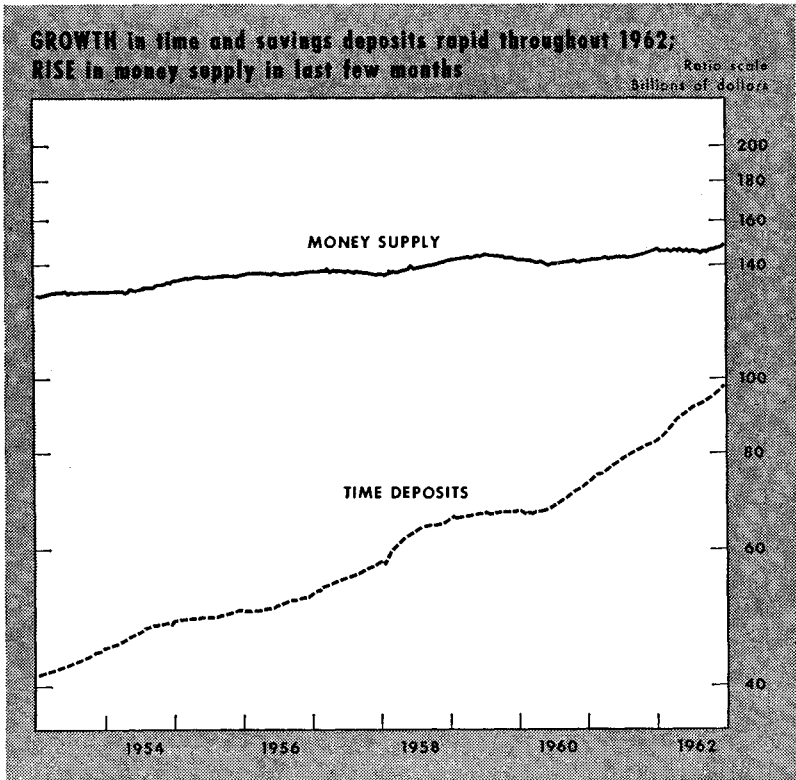
posits include holdings of businesses, individual investors, State and local governments, and foreign banks and official institutions. A part of the greater increase in time and savings accounts during the first quarter of 1962 represented additional passbook savings. Net inflows of such funds remained high throughout the year, although tapering off from first-quarter rates.

Passbook savings compete rather directly with deposits in mutual savings banks and with shares in savings and loan associations. But only a small part of the increase in passbook savings accounts either in the first quarter or subsequently seemed to represent funds diverted from, or that would otherwise have gone into, these institutions. As noted earlier, funds continued to flow into these institutions in large volume during 1962. To the extent that individuals diverted saving from one asset to another, it would appear to have been more a movement away from marketable securities and also perhaps from demand deposits.

Most of the increased inflow to time and savings deposits in the first quarter was accounted for by a turnaround in other time deposit accounts of individuals, partnerships, and corporations. These accounts increased sharply in the first quarter of 1962, after declining in the fourth quarter of 1961. Some of the increase may have represented funds of individuals, but business funds constituted a substantial, if not the major, portion of the rise. Such funds might otherwise have been left in demand accounts or invested in short-term market instruments. There were, apparently, large declines in corporate demand deposit holdings in both the first and second quarters of the year, after allowance for seasonal variation. In the meantime corporate acquisitions of Federal obligations were moderate.

After the first quarter of the year, the net flow of funds into other time deposits was sharply curtailed. In late October and November there was a relatively large increase in time deposits of foreign governments and official institutions. This was in response to congressional action, effective October 15, which exempted such deposits from regulation as to maximum interest

ANNUAL REPORT OF BOARD OF GOVERNORS



NOTE.—Semimonthly averages of daily figures, seasonally adjusted. Money supply is currency and demand deposits. Currency represents holdings outside the Treasury, Federal Reserve, and commercial banks. Demand deposits are those other than domestic commercial interbank and U.S. Govt., less cash items in process of collection and F.R. float; foreign demand balances at F.R. Banks are included. Time deposits represent time and savings deposits other than domestic interbank and U.S. Govt. at all commercial banks.

rate for a period of 3 years. In consequence, some banks raised interest rates paid, but rates were apparently raised mainly on deposits maturing within 3 months, to make deposits competitive with 3-month Treasury bills.

On balance, this review of developments suggests that there may have been some diversion of funds to time and savings deposits from marketable securities and from demand deposits,

FEDERAL RESERVE SYSTEM

particularly in the early part of the year by businesses and individual holders having larger balances than currently needed. There may also have been some small diversion to commercial banks of funds that would otherwise have gone into savings and loan associations. Such shifts as did occur, however, were within the context of an enlarged flow of financial saving, especially from consumers.

Demand deposits and money supply. A continued but comparatively moderate rise in demand deposits held by private sectors of the economy accompanied their strong preference for time and savings deposits during 1962. Privately held demand deposits and currency in circulation together—the two components of the active money supply—increased by about 1.5 per cent over the year. This is about the same as the average annual rate of increase for the past 10 years.

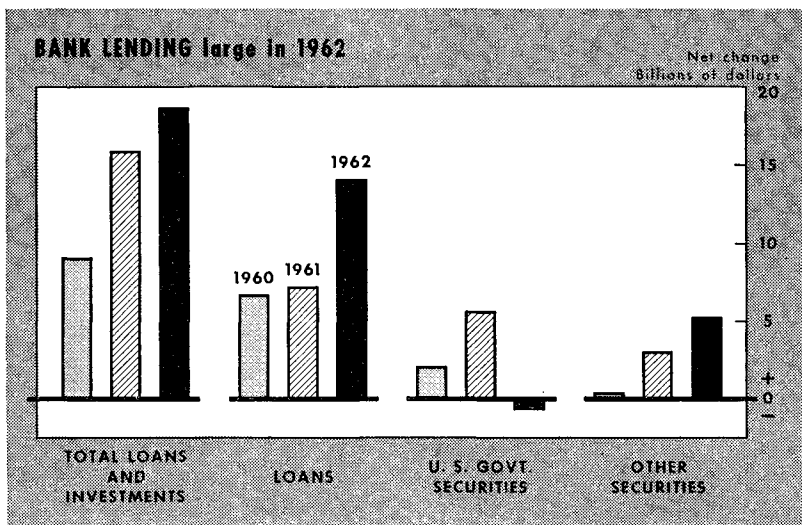
The increase in the money supply was concentrated in the last few months of the year. Earlier, the money supply had declined slightly. This was associated in part with the strong rise in time and savings deposits early in the year and also with a larger than usual build-up in U.S. Government deposits, which reached a peak in early summer. Government deposits generally remained high until early fall, when they were drawn down to lower levels. This decline in Government deposits, together with strengthened demand for bank loans, contributed to the money supply growth over the last few months of the year.

With growth in demand deposits moderate, and with preferences for other liquid assets strong, existing demand deposits were used more intensively to support growth in income and transactions in the economy. The turnover of money at 343 centers, other than New York, rose. In the last quarter of 1962 it averaged about 8 per cent higher than a year earlier.

Loans and investments. The bulk of the record net increase in bank credit during 1962 was in loans. Holdings of non-U.S. Government securities, principally State and local government issues, rose by \$5 billion, an unusually large amount. Holdings of U.S. Government securities, on the other hand, declined

ANNUAL REPORT OF BOARD OF GOVERNORS

slightly on balance. This contrasts sharply with 1958 and 1961, when a rapid expansion of total bank credit represented in large part a growth in holdings of U.S. Government securities. In those years demand for bank loans was not so strong, and banks were in the process of rebuilding liquidity.



NOTE.—Based on data for all commercial banks for Dec. 31. Figures for 1962 estimated. Interbank loans excluded.

As noted earlier, there was a rather large net increase in business loans at banks during 1962. Consumer loans of banks increased moderately and, after allowance for seasonal variation, rather steadily throughout the year. Loans for purchasing or carrying securities also rose over the year. Advances were large in early 1962 in connection with Treasury financing operations and in December when dealers held unusually large inventories of U.S. Government securities.

Banks were particularly active in the mortgage area, as they expanded higher-yielding long-term investments in line with the accelerated inflow of interest-bearing time and savings deposits. Real estate loans increased on balance by considerably more

FEDERAL RESERVE SYSTEM

than in any other postwar year, with loans on commercial and industrial properties showing the largest relative increase. The record amount of State and local government securities purchased by banks was another indication of the greater emphasis they placed on longer-term investments in 1962.

Banks also showed a preference for longer-term U.S. Government securities in their transactions. They were generally net sellers of securities maturing within a year, but they added to their holdings of longer-term issues through participation in Treasury financings and through market purchases. Passage of time, however, brought some existing holdings of U.S. Government securities into the "within 1 year" category, which in part offset the effect on short-term holdings of market sales and redemptions.

Reserve availability. The ability of banks to expand credit and deposits was sustained by the continued availability of reserves. The total reserves of banks actually declined. But if adjustment is made for reserves released by the reduction in time deposit reserve requirements, total reserves adjusted of member banks rose by about \$700 million during 1962. This was more than the rise in adjusted reserves in other recent years, although less than in 1958 or 1961. The greater increase in time deposits, for which much lower reserves are required than for demand deposits, contributed to the growth in bank credit during 1962.

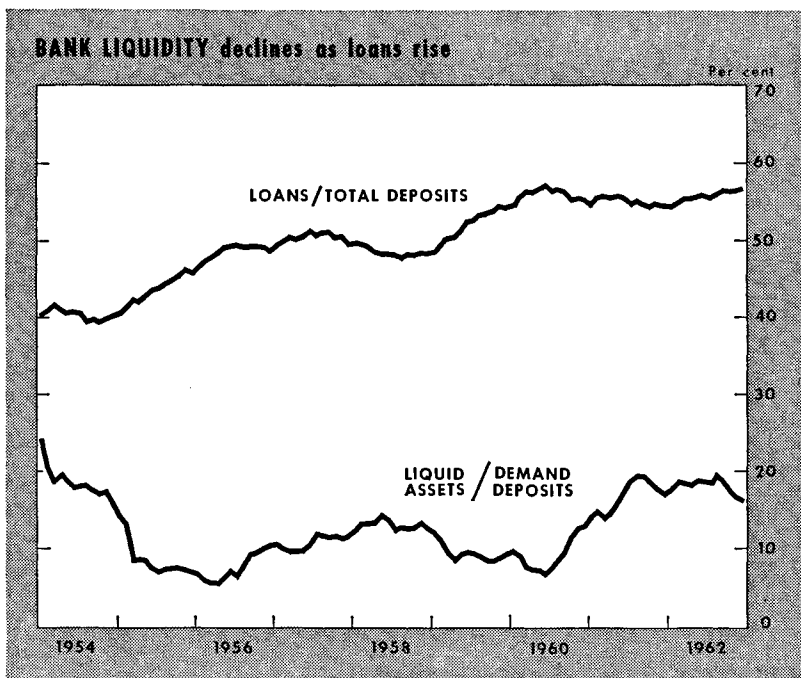
Excess reserves of member banks fluctuated during the year but changed little on balance. Meanwhile their borrowings from Federal Reserve Banks stayed near minimal levels for much of the time, although these rose in midsummer and again late in the year. As a result, their net free reserves—excess reserves less borrowings from Federal Reserve Banks—fluctuated between \$370 million and \$470 million on a monthly average basis after the early part of the year and then declined some in December. Bank borrowings have been less than excess reserves during the whole course of economic expansion since the early 1961 cyclical trough.

The discount rate, which is the cost of reserves borrowed from

ANNUAL REPORT OF BOARD OF GOVERNORS

Federal Reserve Banks, was unchanged at 3 per cent during 1962, but the cost of borrowing reserve funds through the Federal funds market rose. Early in the year the Federal funds rate had generally remained below the discount rate, as it was for most of the time in the last part of 1960 and in 1961. In the latter part of 1962, however, it was frequently at or near the discount rate, as demand for reserve funds rose relative to the supply of excess reserves that commercial banks were willing to lend, mainly to other banks.

Liquidity. With the supply of their reserves generally ample to meet expanded demands for bank credit, commercial banks' liquidity position remained fairly comfortable through 1962. The



NOTE.—Loans exclude interbank loans. Liquid assets include U.S. Govt. securities maturing within a year and free reserves (excess reserves less borrowings from F.R. Banks). Deposits are net of cash items in process of collection. Credit and deposit data are for all commercial banks; free reserves, member only.

FEDERAL RESERVE SYSTEM

ratio of loans to deposits rose, but at the year-end it was still somewhat below the peak reached in mid-1960.

The ratio of bank holdings of liquid assets—short-term U. S. Government securities together with net free reserves—to demand deposits is another indicator of their liquidity position, and it remained comparatively high during the year. The ratio fell, however, in the last few months, partly because of the spurt in loan demand and partly because banks continued to lengthen maturities of security holdings.

Banks' needs for liquid assets were influenced by the growth and changing pattern of their time and savings deposit liabilities as well as by growth in demand deposits. A part of the increase in time and savings deposits represented potentially volatile funds from businesses and large investors, and uncertainties about future movements of such funds added to the basic need for short-term assets.

In general, banks did not have enough of a surplus in liquidity, in view of credit demand, to bring about a decline in lending rates on short-term business loans. Lending rates on longer-term loans, however, were apparently reduced somewhat.

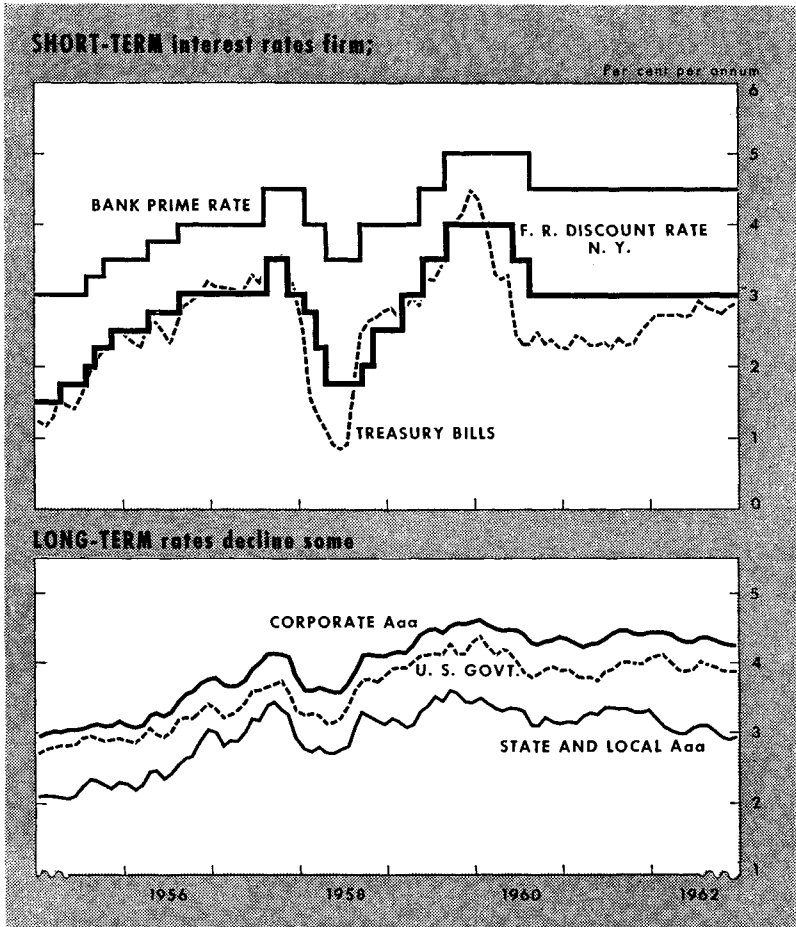
Balance of market forces. The balancing of supplies with demands for funds during 1962 entailed a decline in long-term interest rates. The heavy inflow of saving to long-term sectors of the market exerted downward pressures on the cost of funds there. The largest decline was in yields on State and local government securities, which responded to the sharp increase in commercial bank demands, especially in the early part of the year. Interest rates on mortgages were also under downward pressure, and other mortgage terms and conditions eased.

Rates on intermediate- and long-term U.S. Government issues also declined. Yields on high-grade corporate bonds declined to some extent in sympathy with reductions in other long-term rates, as investors switched among securities in response to emergent yield differentials. They declined also because of the reduction in corporate demands for new long-term funds.

Yields on equities rose considerably in the spring of 1962,

ANNUAL REPORT OF BOARD OF GOVERNORS

when there was a sharp break in stock prices, but later drifted downwards. At the year-end these yields were still above 1961 levels but about the same as they had been in 1959 and 1960.



NOTE.—Monthly averages. Treasury bills, market yields on 3-month bills. Corporate and State and local Govt. bonds, Moody's Investors Service. U.S. Govt. bonds, issues maturing or callable in 10 years or more. Bank prime rate, rate charged by large banks on short-term loans to business borrowers of the highest credit standing.

FEDERAL RESERVE SYSTEM

The general downward movement of long-term bond yields contrasts with a small advance in short-term rates. To some extent, this narrowing of yield spreads is explained by the large inflow of saving to long-term markets and by the reduced liquidity preference of banks as they sought higher earnings. In addition, new Treasury issues of bills at times served to offset downward pressures on short-term rates. And Federal Reserve operations to supply the bank reserves necessary for economic expansion were conducted in such a way as to minimize downward pressures on short-term interest rates.

The decline in long-term rates occurred while economic activity was still advancing—which was unusual in postwar experience. With employment at unsatisfactory levels in 1962, however, these lower long-term rates provided one incentive for further domestic spending. Continued stability of short-term market rates, on the other hand, helped to restrain outflows of interest-sensitive short-term capital from this country. At the same time, bank and other short-term credit was available in ample supply to meet domestic short-term financing demands.

INTERNATIONAL PAYMENTS PROBLEM

The U.S. deficit in international transactions in 1962 was the fifth in a series of large deficits. Last year's deficit was smaller than those of preceding years, and underlying competitive forces were still moving in a favorable direction. But the improvement during the year was less than had been hoped for, and the disparity between receipts and payments remained a matter of serious concern.

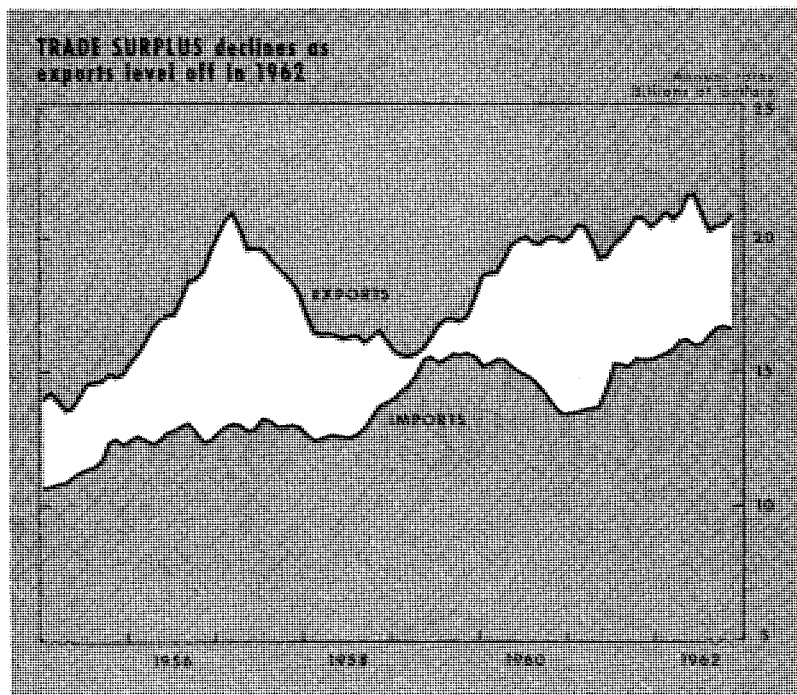
Nevertheless, the world payments system demonstrated a high degree of resilience, as cooperative international arrangements were extended and strengthened. The Federal Reserve System joined with the U.S. Treasury and foreign monetary authorities in operations to minimize disturbances in exchange markets and to make the existing international payments system more flexible and viable.

ANNUAL REPORT OF BOARD OF GOVERNORS

Balance of payments. The U.S. gold stock declined by another \$0.9 billion in 1962, and there was an increase in liquid liabilities to foreign countries and international institutions of \$1.3 billion. The deficit was thus \$2.2 billion, only slightly smaller than in 1961 though much less than in the years 1958-60.

Two special factors played important roles in reducing the 1962 payments deficit. First, as in 1961, foreign governments made prepayments of \$0.7 billion on long-term debts to the United States. Second, in contrast to previous years, the U.S. Government increased its medium-term liabilities to foreign authorities by a substantial amount.

During the year the balance of payments underwent impor-



NOTE.—Three-month weighted moving averages of Bureau of the Census seasonally adjusted data. Exports exclude shipments under military aid programs.

FEDERAL RESERVE SYSTEM

tant transitory changes associated with the Canadian exchange crisis, which culminated at midyear. From changes in Canadian reserves, it seems reasonable to infer that the U.S. payments position was improved by between \$0.5 billion and \$1 billion in the first half of the year and adversely affected to a similar extent in the second half.

The net recorded outflow of private funds into short-term foreign currency assets remained small in 1962, but there were apparently also continuing outflows of kinds that are not covered by the existing reporting system.

Goods, services, and U.S. Government economic aid. Transactions on current account and for economic aid—for goods and services, donations, and U.S. Government grants and loans less normal repayments—gave rise to nearly equal U.S. payments to and receipts from the rest of the world in 1962. This had also been true in the second half of 1961, following the recovery in our imports after the 1960-61 recession. In that period such payments to the rest of the world had exceeded receipts by \$0.4 billion, seasonally adjusted annual rate. In 1962 the excess of such payments was even smaller, according to preliminary estimates. In comparison with the full year 1961, however, the balance worsened by about \$1 billion.

Both imports and exports were larger in 1962 than in the second half of 1961. Despite a drop in export sales to Japan, and despite some falling off in exports to Europe after midyear, the merchandise trade surplus was only moderately lower—an estimated \$4.4 billion as compared with an annual rate of \$4.7 billion in the earlier period.

U.S. Government nonmilitary grants and loans, less normal repayments received, were about \$3.7 billion, little changed from the advanced level to which they had risen in the course of the two preceding years. For investment income, travel, transportation, and other nonmilitary services, the surplus of U.S. receipts over payments increased considerably. There was also a rise in military sales of goods and services, while gross U.S. military expenditures remained near \$3 billion.

ANNUAL REPORT OF BOARD OF GOVERNORS

Private capital movements. Despite the continuing ready availability of credit from banks and other sources and the large flow of domestic saving in 1962, the net outflow of loan and investment funds to the rest of the world was not so large as in 1961. In particular, the recorded outflow of short-term U.S. capital was sharply reduced, from \$1.5 billion in 1961 to less than half as much in 1962 according to preliminary estimates. In both years some additional outflow was probably included in the "errors and omissions" item in the balance of payments accounts.

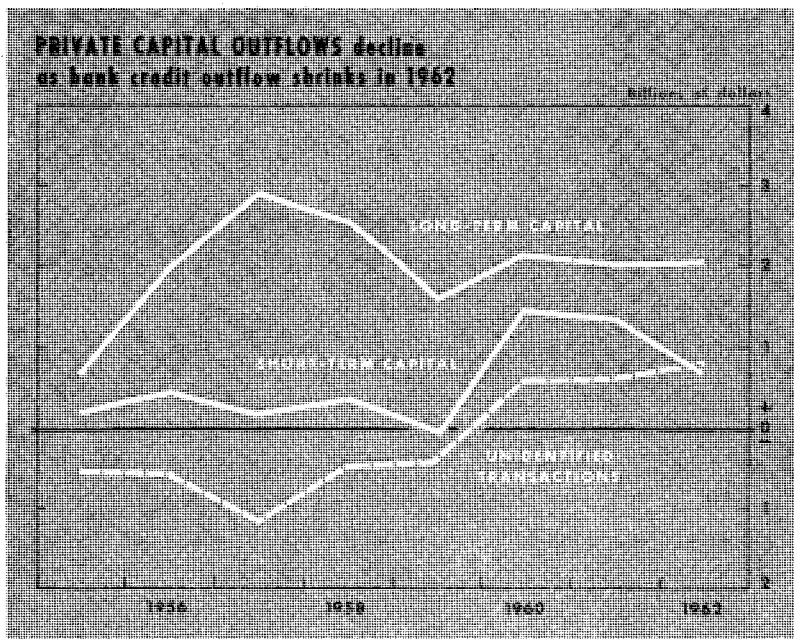
The slowing of the short-term capital outflow was most noticeable in bank loans and acceptance credits. Whereas in 1961 extensions of short-term bank credit to foreigners exceeded repayments by \$0.9 billion, in 1962 the net outflow was only \$0.3 billion. Much of this change was connected with the improvement in Japan's international payments position. As its imports declined and exports rose, Japan no longer found it necessary to obtain additional short-term credit abroad to balance its accounts. Outstanding U.S. short-term bank credit to Japan had risen by \$500 million in 1960 and \$600 million in 1961, and it rose by \$200 million more in the first quarter of 1962. The outstanding volume then stabilized.

Outflows of private U.S. long-term investment and loan funds in 1962 are estimated to have been nearly equal to the \$2.5 billion recorded for 1961. Movements of direct investment capital to affiliated companies abroad were apparently a little below the 1961 outflow, and purchases of outstanding securities were also smaller, but there was a sharp increase in new foreign security issues in the U.S. capital market primarily by Canadian, European, and Japanese borrowers.

Inflows to the United States of foreign long-term capital and commercial credits were much smaller than in 1961, when they had amounted on balance to \$0.6 billion. Net purchases of U.S. common stocks by foreigners averaged \$30 million a month through May. But in the rest of the year there were small net sales.

In summary, the net outflow of private capital that is counted

FEDERAL RESERVE SYSTEM



NOTE.—Dept. of Commerce data. Long- and short-term capital outflows are net of recorded inflows of foreign private capital other than into liquid assets in the United States. Data for 1962 are partly estimated by Federal Reserve.

as contributing to the over-all deficit in the U.S. balance of payments was about \$2.8 billion, as against \$3.3 billion in 1961.

Increases in U.S. liquid liabilities are counted not as reducing the deficit in the U.S. balance of payments but as a means of financing the deficit. Liquid liabilities to private foreigners other than commercial banks continued to increase moderately in 1962. Also, international development lending institutions added to their reserves held in liquid and nonliquid U.S. Government securities and as time deposits in the United States.

Liquid liabilities to foreign commercial banks decreased by \$0.2 billion during 1962. They had risen \$0.6 billion during the preceding year as German banks placed funds in the Euro-dollar market in response to special incentives provided by the German monetary authorities.

ANNUAL REPORT OF BOARD OF GOVERNORS

Official settlements. In 1962, as in 1961, \$0.9 billion of the payments deficit was financed by a decline in the U.S. gold stock. Of the remaining \$1.3 billion, \$1.1 billion was reflected in increases in U.S. liquid liabilities to foreign central banks and governments and to the International Monetary Fund, compared with \$0.5 billion in 1961.

The United Kingdom and other countries used a substantial amount of dollars in 1962 to repay drawings they had previously obtained from the International Monetary Fund. Such repayments raised U.S. liabilities to the Fund by \$0.6 billion and brought the Fund's holdings of dollars close to 75 per cent of the U.S. quota in the Fund.

Partly because dollars were paid to the Fund—and also because of other official transactions that included prepayments of debt to the U.S. Government, borrowings of foreign currencies by the U.S. Treasury, and commitments of foreign funds for military purchases in the United States—the increase in U.S. liquid liabilities to foreign central banks and governments in 1962 was limited. Liabilities to Canada and Japan increased, while the total to other countries declined.

Exchange markets. The dollar's rate of exchange against leading foreign currencies during 1962 continued to reflect the substantial external deficit of the United States and the corresponding surpluses of a number of Western European countries, particularly France. Throughout the year the French franc and also the Italian lira remained very close to their respective ceilings against the dollar.

Rates on other leading European currencies were generally below their ceilings, reflecting the closer balance in the external accounts of European countries other than France. Spot and forward rates for these currencies were affected from time to time during the year by flows of bank funds between European domestic markets and the Euro-dollar market. In addition to window-dressing transfers, such flows reflected fluctuations in internal credit conditions and changing yields in the Euro-dollar market.

FEDERAL RESERVE SYSTEM

The recorded net movement of U.S. private funds into short-term foreign currency investments remained small in 1962. The flows that occurred were mainly to Canada and the United Kingdom. The smallness of the net flow to Britain reflected the narrowing spread between money market rates in London and New York—following successive reductions in the Bank of England's discount rate—together with a roughly offsetting discount on forward sterling during most of the year. At the end of October this discount narrowed, and the covered flow of funds into sterling rose sharply for a brief period.

In the second half of the year, a moderate amount of U.S. corporate funds was invested in short-term assets denominated in Canadian dollars. This movement stemmed from the sharp rise in Canadian short-term interest rates as a result of the Canadian stabilization program. Yields on Canadian money market paper were significantly higher than yields on U.S. paper, even after allowance for the cost of exchange cover.

Capital flows of a speculative nature were associated mainly with three developments—the worldwide break in stock market prices in late May, speculation against the Canadian dollar in the first half of 1962, and the Cuban crisis in October.

The widespread decline in stock prices in late May generated a fairly heavy flow of funds into Switzerland as investors sought the haven of Swiss francs or of gold and gold shares bought through that currency. Although their official dollar holdings rose substantially as a result of this inflow, the Swiss authorities refrained from buying gold from the U.S. Treasury during this period of uncertainty, as such purchases might have had a particularly disturbing impact on confidence at this juncture. The dollar holdings of the Swiss authorities were reduced in part by forward sales of Swiss francs by the U.S. Treasury, which provided forward cover for investments in U.S. Treasury bills by the Swiss Confederation. In July their remaining uncovered dollar holdings were further reduced when the Federal Reserve utilized \$100 million of Swiss francs, acquired under swap arrangements with the Swiss National Bank and with the Bank for

ANNUAL REPORT OF BOARD OF GOVERNORS

International Settlements, to purchase dollars from the Swiss National Bank.

The most striking development in foreign exchange markets during 1962 was the speculative attack on the new par value of the Canadian dollar. During the first 4 months of 1962, the Canadian authorities maintained the value of the Canadian dollar just above \$0.95 in the face of a growing belief in exchange markets that this rate was going to be lowered in the near future. As a substantial volume of adverse leads and lags in commercial payments accumulated, the Canadian authorities were forced to supply large amounts of U.S. dollars to the market to support the exchange rate. On May 2, with the approval of the International Monetary Fund, the Canadian Government established a new par value of \$0.925 for its dollar, nearly 3 cents below the rate in the first 4 months of the year and 9 cents below the rate prevailing a year earlier.

Nevertheless, the market feared a further devaluation. Speculative pressures intensified, accelerating the drain on Canadian reserves. Confronted with this situation, the Canadian Government undertook a decisive program to defend the new par value without resort to exchange or capital controls (although import surcharges, announced as temporary, were imposed). This program was reinforced by large-scale international assistance; altogether, the IMF, the U.S. Export-Import Bank, the Federal Reserve System, and the Bank of England made more than \$1 billion available to Canada.

These measures turned the tide of speculative sentiment. Gradually, and then in increasing volume, the leads and lags in commercial payments were unwound and short- and long-term funds began to flow back into Canada. During the second half of the year Canadian reserves rose more than they had earlier declined, and the arrangements between the Bank of Canada and the Federal Reserve, and between the Bank of Canada and the Bank of England, were put on a standby basis.

International financial cooperation received a further major test with the outbreak of the Cuban crisis. This development caused some continental banks to take short positions in the

FEDERAL RESERVE SYSTEM

Euro-dollar market, and it also led to a renewed flow of funds to Switzerland. Although the Federal Reserve System sold about \$10 million of Swiss francs for its own account, the Swiss authorities were forced to absorb about \$50 million through exchange market intervention. Cooperative arrangements between the U.S. and Swiss monetary authorities, however, prevented these accruals from causing additional sales of U.S. gold.

Considering its gravity, the Cuban crisis generated a remarkably small volume of speculative flows. This may have reflected in part the realization that no country was likely to be a safe haven for funds in the event of a nuclear war. But the absence of massive capital flows also seemed to indicate a growing appreciation of the impressive resources that can be mobilized by national monetary authorities and the IMF in coordinated defense of a currency coming under speculative attack.

Leading central banks and treasuries continued their cooperative intervention in the London gold market throughout the year to prevent any sharp run-up in the price of gold during periods of uncertainty such as were associated with the stock market declines in late May and the Cuban crisis in October. Speculative buying in the London market shrank substantially in the closing weeks of the year, and the gold price fell well below its October peak.

Foreign currency operations. Against the background of a continuing large deficit in the U.S. balance of payments and the possibility that sudden changes in payments flows might disrupt exchange markets, the Federal Open Market Committee on February 13, 1962, authorized the Federal Reserve Bank of New York to undertake transactions in foreign currencies for System Account.² The Committee expressed its specific aims as follows:

1. To offset or compensate, when appropriate, the effects on U.S. gold reserves or dollar liabilities of disequilibrating fluctua-

² For the text of the authorization and for changes in it, see record of policy actions of the Federal Open Market Committee on pp. 45-109 of this REPORT, particularly pp. 57-61 and 103-04.

ANNUAL REPORT OF BOARD OF GOVERNORS

tions in the international flow of payments to or from the United States and especially those that are deemed to reflect temporary forces or transitional market unsettlement.

2. To temper and smooth out abrupt changes in spot exchange rates and moderate forward premiums and discounts judged to be disequilibrating.

3. To supplement international exchange arrangements such as those made through the International Monetary Fund.

4. In the long run, to provide a means whereby reciprocal holdings of foreign currencies may contribute to meeting needs for international liquidity as required in terms of an expanding world economy.

At its February 13 meeting, the Committee approved a general authorization for System foreign currency operations; designated a senior officer of the Federal Reserve Bank of New York to be Special Manager of the Open Market Account for foreign currency operations; and approved a set of guidelines under which transactions might be executed by the Special Manager under the Committee's continuing supervision.³ On the same day the Board of Governors authorized the opening and maintenance of accounts with the central banks of a number of leading industrial countries.

The National Advisory Council on International Monetary and Financial Problems on February 28 approved the System's decision to enter the foreign currency field. Pursuant to this action, information on System operations, as well as those conducted by the Treasury, has been supplied to the Council on a regular basis.

From the beginning, System foreign currency operations have been closely coordinated with Treasury operations at all levels of policy determination and execution. In particular, the two agencies established a procedure for a daily review and discussion of market developments and official operations. Coordinated action has been greatly facilitated by the fact that the

³ See pp. 61-63; also pp. 103-04.

FEDERAL RESERVE SYSTEM

Federal Reserve Bank of New York acts as agent for both the System and the Treasury in their respective foreign exchange operations.

Operations in foreign currencies have necessarily been conducted in close collaboration with foreign central banks. Because the Federal Reserve Bank of New York had for many years acted as their agent in the New York exchange market, a close working relationship with foreign central banks existed even before the U.S. Treasury began foreign exchange operations in March 1961. During 1962, the Federal Reserve System endeavored to extend its cooperative relations with the central banks of leading industrial countries. Its officials attended monthly meetings of the Bank for International Settlements in Basle and participated in U.S. delegations to meetings of committees and working parties of the Organization for Economic Cooperation and Development in Paris.

At the time of its decision to undertake foreign currency operations, the System already owned nominal balances with central banks in Canada, Britain, and France. Additional balances were placed in February with central banks in Germany, Switzerland, the Netherlands, and Italy through the purchase of modest amounts of marks, Swiss francs, guilders, and lire from the U.S. Stabilization Fund. Foreign currencies acquired from the Stabilization Fund during the year amounted to the equivalent of \$33.5 million.

Most of the foreign currencies acquired by the System during 1962 were obtained through drawings under reciprocal credit, or swap, facilities arranged with nine foreign central banks and with the Bank for International Settlements. Under each such arrangement, the System can acquire on call up to a specified amount of a foreign currency in exchange for a corresponding dollar credit in favor of the other party. Each party is protected against loss should there be a devaluation or revaluation of the other's currency while a drawing is outstanding. Both parties receive the same rate of interest on invested balances; foreign owned balances have generally been invested in special U.S.

ANNUAL REPORT OF BOARD OF GOVERNORS

Treasury certificates, and Federal Reserve balances have been placed in interest-earning deposits abroad. As occasion arises, either party may use its balances for transactions in the exchange market or with foreign central banks. Swap arrangements are generally for 3- or 6-month periods but are renewable upon mutual agreement; during 1962, all arrangements were renewed at maturity.

In entering into swap arrangements, the Federal Reserve has had three needs in view. First, in the short run, swap arrangements can provide the System with foreign exchange that can be sold in the market to counter speculative attacks on the dollar or to cushion market disturbances that threaten to become disorderly.

Second, swap arrangements can provide the Federal Reserve with resources for avoiding a bunching of U.S. gold losses that may result when foreign central banks rapidly accumulate dollars in excess of the amounts they wish to hold during a period of uncertainty—especially if these accumulations are likely to be reversed in a foreseeable period. Swap arrangements, however, are not designed to avoid gold losses resulting from a persistent payments deficit.

Third, when the U.S. balance of payments has returned to equilibrium, swap arrangements with foreign central banks may be mutually advantageous as a supplement to outright foreign currency holdings in furthering a longer-run increase in world liquidity, should this be needed to accommodate future expansion of the volume of world trade and finance.

The 10 swap agreements entered into during 1962 put the System in a position to draw on call up to \$900 million of foreign currencies. The details of these various agreements and of the drawings made under them are summarized in the accompanying table.

Drawings and repayments under these agreements followed a varied pattern. The first agreements were those with the Bank of France and the Bank of England. The System promptly drew \$50 million under each of these agreements in order to test com-

FEDERAL RESERVE SYSTEM

FEDERAL RESERVE RECIPROCAL CURRENCY AGREEMENTS, 1962

(In millions of dollars)

Other party to agreement	Date (of original agreement)	Total facility	Drawings	
			During year ¹	Out-standing at end of year
Bank of France	Mar. 1	50	50	.....
Bank of England	May 31	50	50	.....
Netherlands Bank	June 14	50	20	10
National Bank of Belgium	June 20	50	50	50
Bank of Canada	June 26	250	250	.....
Bank for International Settlements ²	July 16	100	80	55
Swiss National Bank	July 16	100	50	50
German Federal Bank	Aug. 2	50	.....	.....
Bank of Italy	Oct. 18	³ 150	50	50
Austrian National Bank	Oct. 25	50	50	50
Total		900	650	265

¹ Excluding renewals.

² Allows the System to draw Swiss francs.

³ Increased from \$50 million on Dec. 6.

munications, investment procedures, and other operational arrangements. In the absence of any immediate need to use the balances acquired under these drawings, these two agreements were subsequently placed on a standby basis.

No drawings were made under the \$50 million arrangement with the German Federal Bank. This agreement was maintained on a standby basis from its inception in early August.

The System entered into a \$250 million swap arrangement with the Bank of Canada on June 26, 1962, as part of a broad program to bolster Canada's official reserve position following the massive speculative attack on the Canadian dollar's new parity. Had this speculative attack forced a further Canadian devaluation, there might also have been serious speculative pressures on the U.S. dollar. As the Canadian dollar strengthened during the second half of the year, Canadian reserves rose

ANNUAL REPORT OF BOARD OF GOVERNORS

sharply and the Bank of Canada repaid, in three instalments, its \$250 million drawing, putting the arrangement on a standby basis at the end of the year.

The Federal Reserve drew on all six of the remaining agreements during 1962 in order to reduce or postpone U.S. gold sales to foreign central banks and support the dollar in the exchange market. Total drawings during the year under these six arrangements amounted to \$300 million, of which \$265 million were outstanding at the end of the year.

On December 31 the System owned foreign currency balances of \$81 million, of which \$51 million were in the particular currencies in which it had outstanding swap drawings. The amounts held in various currencies at the end of the year are shown in the accompanying tabulation.

<i>Currency</i>	<i>In millions of dollars</i>
Pound sterling .....	.3
German mark	27.0
Swiss franc	4.0
Netherlands guilder	10.7
Italian lira .....	.5
French franc .....	.6
Belgian franc	35.6
Canadian dollar	2.1
All currencies	80.8

FEDERAL RESERVE SYSTEM
RECORD OF POLICY ACTIONS
FEDERAL OPEN MARKET COMMITTEE

The record of policy actions of the Federal Open Market Committee is presented in the ANNUAL REPORT of the Board of Governors pursuant to the requirements of Section 10 of the Federal Reserve Act. That section provides that the Board shall keep a complete record of the actions taken by the Board and by the Federal Open Market Committee on all questions of policy relating to open market operations, that it shall record therein the votes taken in connection with the determination of open market policies and the reasons underlying each such action, and that it shall include in its ANNUAL REPORT to the Congress a full account of such actions.

In the pages that follow, there are entries with respect to the policy actions taken at the 19 meetings of the Federal Open Market Committee during the calendar year 1962, including the votes on the policy decisions made at those meetings as well as a resume of the basis for the decisions, as reflected by the minutes of the Committee.

It will be noted from the record of policy actions that in some cases the decisions were by unanimous vote, and that in other cases dissents were recorded. Further, as this record indicates, the fact that a decision in favor of a general policy was by a large majority, or even that it was by unanimous vote, does not necessarily mean that all members of the Committee were equally agreed as to the reasons for the particular decision or as to the precise operations in the open market that were called for to implement the general policy.

As explained in the record of policy actions, in 1962 the Federal Reserve System entered into a program of foreign currency operations, in which connection the Federal Open Market Committee issued certain authorizations, guidelines, and directives.

Both the Manager of the System Open Market Account and the Special Manager of the Account for foreign currency opera-

ANNUAL REPORT OF BOARD OF GOVERNORS

tions attend the meetings of the Committee and obtain guidance for the conduct of their operations.

The policy directives of the Federal Open Market Committee are issued to the Federal Reserve Bank of New York as the Bank selected by the Committee to execute transactions for the System Open Market Account. During the year 1962 the Bank operated in the area of domestic open market operations under two separate directives from the Open Market Committee—a continuing authority directive and a current economic policy directive, this separation of directives having been decided upon by the Committee at its meeting on December 19, 1961, for reasons set forth on pages 91-94 of the Board's ANNUAL REPORT for 1961. At the beginning of the 1962 calendar year, the continuing authority directive was in the form set forth in the policy record entry for the meeting on January 9, 1962. This directive was changed only once during the year, as described in the policy record entry for the meeting on March 6, 1962. On the other hand, the current economic policy directive was changed frequently during the course of the year, as shown in the respective policy record entries. The current economic policy directive that was in effect at the beginning of 1962 instructed the Federal Reserve Bank of New York as follows:

It is the current policy of the Committee to permit further bank credit and monetary expansion so as to promote fuller utilization of the economy's resources, together with money market conditions consistent with the needs of both an expanding domestic economy and this country's international balance of payments problem.

To implement this policy, operations for the System Open Market Account shall be conducted with a view to providing reserves for bank credit and monetary expansion (with allowance for the wide seasonal movements customary at this time of the year), but with a somewhat slower rate of increase in total reserves than during recent months. Operations shall place emphasis on continuance of the 3-month Treasury bill rate at close to the top of the range recently prevailing. No overt actions shall be taken to reduce unduly the supply of reserves or to bring about a rise in interest rates.

FEDERAL RESERVE SYSTEM

January 9, 1962

Authority to effect transactions in System Account.

The domestic economic situation, as it appeared from national and regional reports at this first meeting of the Federal Open Market Committee in 1962, continued to be characterized by growth in output and spending, stability in average prices, and a reduced but still relatively high level of unemployment. There was a continuing sizable deficit in the U.S. balance of payments.

Domestically, preliminary data indicated that the industrial production index for December would show a further 1 or 2 point rise to 115-116 per cent of its 1957 average. While total construction activity dipped in December from its sharply advanced November rate, it remained at a high level and, within the total, private residential construction continued to rise. Retail sales had moved up vigorously in October and November, and department store sales in December were at record levels. Automobile sales, however, declined from their high November levels. Incomplete evidence on price developments in December suggested continued stability in the averages. It appeared that the seasonally adjusted unemployment rate in December remained at about the level of 6.1 per cent to which it had dropped in November from the rates near 7 per cent that had persisted through most of 1961.

Bank credit increased sharply in December, with the rise in loans close to or above the record increase of December 1960. At year-end the money supply (conventionally defined to include currency in circulation and privately held demand deposits) was 3 per cent larger than at the beginning of the year and had shown an annual rate of increase of over 6 per cent since August. Incomplete figures for the week ended January 3 showed a rather large decline in loans and investments at city banks, and it was not clear at the time of the meeting whether the sharp December expansion was a transitory development or was indicative of a longer-run tendency. Short-term money market rates

ANNUAL REPORT OF BOARD OF GOVERNORS

rose somewhat to their highest levels since mid-1960, while long-term bond yields remained fairly steady after their advances of November and early December.

Shortly before this meeting the Treasury had announced plans to raise between \$1.5 billion and \$1.75 billion in new cash during the month of January, partly by offering \$2 billion in 1-year bills to replace \$1.5 billion in such bills maturing during the month, and partly by a supplementary cash financing the terms of which were to be announced later.

With respect to the U.S. balance of payments, what evidence there was of developments in December indicated continued deterioration in this country's position. Although December balance of payments figures had usually shown some improvement because of year-end debt payments by foreign countries to the U.S. Treasury, preliminary and fragmentary figures for December 1961 indicated a deficit of about the same magnitude as in the two preceding months. The net decline in the gold stock in the fourth quarter, although only about half that in the last quarter of 1960, exceeded the total for the first 9 months of 1961.

It was the judgment of the Committee that both the economic situation and the desirability of maintaining an "even keel" in the money market during the period of the Treasury financing warranted making no change for the coming 2 weeks in the basic policy that had been decided upon at the previous meeting of the Committee (December 19, 1961). Accordingly, the following current economic policy directive was issued to the Federal Reserve Bank of New York:

It is the current policy of the Committee to permit further bank credit and monetary expansion so as to promote fuller utilization of the economy's resources, together with monetary conditions consistent with the needs of an expanding domestic economy, taking into account this country's adverse balance of payments as well as the Treasury financing calendar.

To implement this policy, operations for the System Open Market Account during the next 2 weeks shall be conducted with a view to main-

FEDERAL RESERVE SYSTEM

taining current money market conditions, without action to alter the level of interest rates.

Votes for this action: Messrs. Martin, Balderston, Irons, King, Mills, Mitchell, Robertson, Shepardson, Swan, Wayne, Fulton, and Treiber. Votes against this action: None.

No change was made in the continuing directive, first adopted at the meeting on December 19, 1961, when new procedures calling for separate continuing and current economic policy directives were instituted. The continuing directive, which remained in effect, read as follows:

1. The Federal Open Market Committee authorizes and directs the Federal Reserve Bank of New York, to the extent necessary to carry out the current economic policy directive adopted at the most recent meeting of the Committee:

(a) To buy or sell U.S. Government securities in the open market for the System Open Market Account at market prices and, for such Account, to exchange maturing U.S. Government securities with the Treasury or allow them to mature without replacement; provided that the aggregate amount of such securities held in such Account (including forward commitments, but not including such special short-term certificates of indebtedness as may be purchased from the Treasury under paragraph 2 hereof) shall not be increased or decreased by more than \$1 billion during any period between meetings of the Committee;

(b) To buy or sell prime bankers' acceptances in the open market for the account of the Federal Reserve Bank of New York at market discount rates; provided that the aggregate amount of bankers' acceptances held at any one time shall not exceed \$75 million or 10 per cent of the total of bankers' acceptances outstanding as shown in the most recent acceptance survey conducted by the Federal Reserve Bank of New York;

(c) To buy U.S. Government securities with maturities of 24 months or less at the time of purchase, and prime bankers' acceptances, from nonbank dealers for the account of the Federal Reserve Bank of New York under agreements for repurchase of such securities or acceptances in 15 calendar days or less, at rates not less than (a) the discount rate of the Federal Reserve Bank of New York at the time such agreement is entered into, or (b) the average issuing rate on the most recent issue of 3-month Treasury bills, whichever is the lower.

ANNUAL REPORT OF BOARD OF GOVERNORS

2. The Federal Open Market Committee authorizes and directs the Federal Reserve Bank of New York to purchase directly from the Treasury for the account of the Federal Reserve Bank of New York (with discretion, in cases where it seems desirable, to issue participations to one or more Federal Reserve Banks) such amounts of special short-term certificates of indebtedness as may be necessary from time to time for the temporary accommodation of the Treasury; provided that the total amount of such certificates held at any one time by the Federal Reserve Banks shall not exceed \$500 million.

January 23, 1962

1. Authority to effect transactions in System Account.

Available evidence indicated little change in the basic economic situation in the 2-week period since the previous meeting of the Committee. While the demand for bank loans appeared to have moderated somewhat following the large increase in December, an expansion in domestic activity evidently was continuing, with prices generally stable. There appeared to be enough unused capacity to accommodate a further increase in production without creating strong pressures on resources or prices.

In the period since the previous meeting, and particularly in the past week, there had inadvertently been a somewhat greater degree of monetary ease than was contemplated by the Committee, as indicated by some downward drift in Treasury bill rates from the levels reached early in the month, lower Federal funds rates, and a relatively large volume of free reserves. This situation had resulted mainly from unexpectedly high levels of Federal Reserve float and a greater than seasonal decline in required reserves.

An announcement was expected on February 1 of the terms of a Treasury financing to be carried out later in the month, and the Committee considered it desirable to maintain steady money market conditions during the financing. There was some senti-

FEDERAL RESERVE SYSTEM

ment at the meeting for moving toward a moderately less easy monetary policy in the period before the financing, in view of the continued expansion of the domestic economy and the persisting deficit in the U.S. balance of international payments. An opposing view was also expressed, however, reflecting a judgment that current domestic developments made any firming actions less appropriate than they might have appeared earlier. On balance, the Committee favored no change in the basic monetary policy that had been in effect for the past several weeks, and the following current economic policy directive was issued to the Federal Reserve Bank of New York:

It continues to be the current policy of the Committee to permit further bank credit and monetary expansion so as to promote fuller utilization of the economy's resources, together with monetary conditions consistent with the needs of an expanding domestic economy, taking into account this country's adverse balance of payments as well as the Treasury financing calendar.

To implement this policy, operations for the System Open Market Account during the next 3 weeks shall be conducted with a view to maintaining a supply of reserves adequate for further credit expansion, while minimizing downward pressures on short-term interest rates. In view of the imminence of Treasury financing, emphasis shall be placed on maintaining a steady money market.

Votes for this action: Messrs. Martin, Hayes, Balderston, Irons, King, Mills, Mitchell, Robertson, Shepardson, Swan, Wayne, and Fulton. Votes against this action: None.

2. Authority for program of System foreign currency operations.

At this meeting the Federal Open Market Committee approved a motion that the Committee go on record as favoring in principle the initiation on an experimental basis of a program of System foreign currency operations; that representatives of the Committee be authorized to explore with the U.S. Treasury, on behalf of the Committee, needed guidelines for actual operations, drawing on the experience of the Treasury Stabilization Fund, and to develop plans for effective working relations in the foreign exchange field between the Federal Reserve and the

ANNUAL REPORT OF BOARD OF GOVERNORS

Treasury; and that Chairman Martin be authorized to refer to this development in his testimony before the Joint Economic Committee scheduled for January 30, 1962.

Votes for this motion: Messrs. Martin, Hayes, Balderston, Irons, King, Mills, Shepardson, Swan, Wayne, and Fulton.
Votes against this motion: Messrs. Mitchell and Robertson.

(Note: See Record of Policy Actions taken by the Committee on February 13, 1962, for entry covering the action of the Committee instituting the program of foreign currency operations through the approval of certain authorizations, guidelines, and directives.)

February 13, 1962

1. Authority to effect transactions in System Account.

Reports at this meeting suggested that, while the prospects for continued economic expansion remained good, there had been some recent hesitation in the forward movement of the economy. Retail trade figures showed slight declines from the advanced November level in both December and January after adjustment for usual seasonal changes, and preliminary indications were that the industrial production index for January would be not above—possibly below—the December figure. In surveys of consumer buying intentions the demand for automobiles appeared stronger than a year earlier, but this was counterbalanced by apparent weakness in demand for household durable goods. A slight further reduction in the unemployment rate was attributed to lack of growth in the labor force rather than to strength in employment. Prices continued stable.

Total loans and investments of commercial banks had declined about the usual seasonal amounts in recent weeks, after the large December increase. On balance, during the past 2 or 3 months bank credit continued to show a moderate expansion, when allowance was made for the wide seasonal movements occurring around the turn of the year. The most striking develop-

FEDERAL RESERVE SYSTEM

ment in banking since the year-end was a sharp increase in time deposits, accompanied by a smaller but substantial decline in demand deposits, after seasonal adjustment. In the last half of January the conventionally defined money supply was about \$1 billion less than in the second half of December on a seasonally adjusted daily average basis, and about 2.5 per cent larger than in the comparable period of the preceding year. The total of the money supply and time deposits at commercial banks, however, was about 7 per cent above a year earlier.

Interest rates for the most part remained firm. Treasury bill rates declined less than seasonally after rising more than seasonally in December, yields on medium- and long-term U. S. Government securities generally maintained the higher levels reached in December or early January, and high-grade corporate bond yields continued to show little change. Yields on State and local government bonds declined sharply, however, apparently partly as a result of heightened bank interest in longer-term tax-exempt issues as a medium for investment of their growing time deposits. Yields on long-term U.S. Government bonds exceeded those on high-grade municipals by the largest margin in many years.

In the money market, Federal Reserve float declined from the high levels that had been partly responsible for an unanticipated degree of market ease prior to the January 23 meeting of the Committee. Open market operations since then had been directed mainly at maintaining steady conditions while the Treasury completed its scheduled refunding. There were reports at this meeting that the Treasury might engage in an advance refunding operation shortly.

With respect to the international accounts, incomplete data indicated that net transfers of gold and dollars to foreigners declined sharply in January and early February from the average fourth-quarter rate. The accounts still showed an adverse balance, however, and remained a source of serious concern. Net gold sales to foreigners evidently were continuing to run in the neighborhood of \$100 million per month.

After considering these domestic and international develop-

ANNUAL REPORT OF BOARD OF GOVERNORS

ments, the Committee concluded that it would be appropriate to continue its recent credit policy for the coming 3 weeks. On the one hand, domestic developments did not appear to be of such nature as to require a shift toward greater ease. On the other hand, the apparent pause in the forward progress of the economy militated against a move toward lesser ease such as might have otherwise been indicated on the basis of balance of payments considerations. The possibility of a Treasury advance refunding also was a factor in favor of holding the posture of monetary policy unchanged. Accordingly, the Committee issued the following current economic policy directive to the Federal Reserve Bank of New York:

It continues to be the current policy of the Committee to permit further bank credit and monetary expansion so as to promote fuller utilization of the economy's resources, together with monetary conditions consistent with the needs of an expanding domestic economy, taking into account this country's adverse balance of payments as well as a possible Treasury financing.

To implement this policy, operations for the System Open Market Account during the next 3 weeks shall be conducted with a view to maintaining a supply of reserves adequate for further credit expansion, while minimizing downward pressures on short-term interest rates. In view of the possibility of a Treasury financing, emphasis shall be placed on maintaining a steady money market.

Votes for this action: Messrs. Martin, Balderston, Irons, King, Mills, Mitchell, Robertson, Shepardson, Swan, Wayne, Fulton, and Treiber. Votes against this action: None.

2. Authority for program of System foreign currency operations.

Since March 1961 the U.S. Treasury, through its Stabilization Fund and with the Federal Reserve Bank of New York acting as agent, had been conducting foreign exchange operations as part of a cooperative effort by treasuries and central banks on both sides of the Atlantic to create a first line of defense against disorderly speculation in the foreign exchange markets. For several months prior to this meeting the Federal Open Market Committee had been studying the question of the desir-

FEDERAL RESERVE SYSTEM

ability of instituting a program of Federal Reserve operations in foreign currencies, which would be supplemental to and in collaboration with the activities of the Treasury. At the Committee meeting on January 23, 1962, a motion had been approved (with Messrs. Mitchell and Robertson dissenting) favoring in principle the initiation of such a program on an experimental basis. That motion also authorized representatives of the Committee to consult with the Treasury for the purpose of exploring guidelines for such operations, in light of the recent Treasury experience, and developing plans for effective working relations in this field between the Treasury and the Federal Reserve. The results of the discussions that had been authorized were reported at this meeting. Accordingly, after further deliberation the Committee approved, effective immediately, an authorization regarding open market transactions in foreign currencies, a statement of guidelines for System foreign currency operations, and a continuing authority directive on System foreign currency operations. The authorization, the guidelines, and the continuing authority directive, in the form in which they were adopted by the Committee, are shown at the conclusion of this policy record entry. As to each of the items, the vote of the Committee was as follows:

Votes for the action: Messrs. Martin, Balderston, Irons, King, Mills, Mitchell, Robertson, Shepardson, Swan, Wayne, Fulton, and Treiber. Votes against the action: None.

Although Messrs. Mitchell and Robertson had dissented at the meeting on January 23, 1962, from the motion approving in principle the initiation of a program of System foreign currency operations, they voted affirmatively on the actions taken at this meeting. Their affirmative votes were on the ground that the actions taken by the Committee at this meeting involved merely the implementation of a basic decision that had already been made by a majority of the Committee.

Mr. Mitchell's dissent at the January 23 meeting from the motion favoring in principle the initiation of a program of Sys-

ANNUAL REPORT OF BOARD OF GOVERNORS

tem foreign currency operations had been based on his belief that the institution of any such program by the System should be preceded by analysis by outside experts, public discussion, and legislative clarification of the System's statutory authority to acquire, hold, and sell foreign currency assets.

Mr. Robertson's dissent had been based on both legal and economic considerations. He regarded the legality of the proposed operations in foreign currencies as questionable, inasmuch as the Federal Reserve Act provided no general and positive authorization therefor. He felt that an incidental power—such as the power to maintain foreign accounts—should not be relied upon as an authorization to exercise the broad policy functions contemplated by this proposal. Furthermore, he believed the operations would be inconsistent with the express intent of Congress to confer upon the Treasury's Exchange Stabilization Fund a limited authority for operations to stabilize the exchange value of the dollar. Over and above such questions as to authority, Mr. Robertson thought it would be unwise for two separate agencies of the U.S. Government to be engaged in buying and selling foreign exchange, and he felt that the balance of considerations clearly favored any such operations being conducted by the Treasury.

Mr. Robertson also believed that a number of practical economic factors argued against instituting Federal Reserve operations in foreign currencies. Acquisitions by the United States of foreign exchange in such operations would be matched by an increase in foreign claims on the dollar. With the U.S. balance of payments currently in deficit, and with foreign recipients of increased dollar claims already taking a portion of such increases in gold, actions that would add to such dollar claims would run the risk of aggravating rather than minimizing the drains on U.S. gold reserves. In the foreign exchange markets themselves, he felt that any continual central bank intervention could have damaging influences upon private market processes, perhaps stimulating new phases of speculative activities and doing more to reduce confidence in the dollar than the reverse. He believed

FEDERAL RESERVE SYSTEM

that the best defense of the dollar consisted of continuance of Treasury maintenance of a fixed buying and selling price for gold, accompanied, if necessary, by action by the Exchange Stabilization Fund (augmented, if desirable, by congressional appropriation) on any occasions of dangerously disorderly foreign exchange markets, and undergirded by sound policies designed to eliminate unsustainable deficits in the U.S. balance of payments.

The majority of the Open Market Committee favored initiation of an experimental program of System foreign currency operations on the ground that such operations held the promise of being useful in accomplishing the basic purposes and specific aims set forth in the Authorization of the Committee, as cited hereinafter. As to the question of legal authority, the majority noted an opinion of the Committee's General Counsel, which had been concurred in by the General Counsel of the Treasury and the Attorney General of the United States, that the Federal Reserve Banks were authorized under existing law to engage in open market transactions in foreign exchange subject to the direction and regulation of the Federal Open Market Committee and, for this purpose, to open and maintain accounts with foreign banks subject to the consent and under regulations of the Board of Governors of the Federal Reserve System.

The documents hereinbefore referred to as having been approved by the Federal Open Market Committee at this meeting were as follows:

AUTHORIZATION REGARDING OPEN MARKET TRANSACTIONS IN FOREIGN CURRENCIES

Pursuant to Section 12A of the Federal Reserve Act and in accordance with Section 214.5 of Regulation N (as amended) of the Board of Governors of the Federal Reserve System, the Federal Open Market Committee takes the following action governing open market operations incident to the opening and maintenance by the Federal Reserve Bank of New York (hereafter sometimes referred to as the New York Bank) of accounts with foreign central banks.

ANNUAL REPORT OF BOARD OF GOVERNORS

I. Role of Federal Reserve Bank of New York

The New York Bank shall execute all transactions pursuant to this authorization (hereafter sometimes referred to as transactions in foreign currencies) for the System Open Market Account, as defined in the Regulation of the Federal Open Market Committee.

II. Basic Purposes of Operations

The basic purposes of System operations in and holdings of foreign currencies are:

- (1) To help safeguard the value of the dollar in international exchange markets;
- (2) To aid in making the existing system of international payments more efficient and in avoiding disorderly conditions in exchange markets;
- (3) To further monetary cooperation with central banks of other countries maintaining convertible currencies, with the International Monetary Fund, and with other international payments institutions;
- (4) Together with these banks and institutions, to help moderate temporary imbalances in international payments that may adversely affect monetary reserve positions; and
- (5) In the long run, to make possible growth in the liquid assets available to international money markets in accordance with the needs of an expanding world economy.

III. Specific Aims of Operations

Within the basic purposes set forth in Section II, the transactions shall be conducted with a view to the following specific aims:

- (1) To offset or compensate, when appropriate, the effects on U.S. gold reserves or dollar liabilities of those fluctuations in the international flow of payments to or from the United States that are deemed to reflect temporary disequilibrating forces or transitional market unsettlement;
- (2) To temper and smooth out abrupt changes in spot exchange rates and moderate forward premiums and discounts judged to be disequilibrating;
- (3) To supplement international exchange arrangements such as those made through the International Monetary Fund; and
- (4) In the long run, to provide a means whereby reciprocal holdings of foreign currencies may contribute to meeting needs for international liquidity as required in terms of an expanding world economy.

FEDERAL RESERVE SYSTEM

IV. Arrangements with Foreign Central Banks

In making operating arrangements with foreign central banks on System holdings of foreign currencies, the New York Bank shall not commit itself to maintain any specific balance, unless authorized by the Federal Open Market Committee.

The Bank shall instruct foreign central banks regarding the investment of such holdings in excess of minimum working balances in accordance with Section 14(e) of the Federal Reserve Act.

The Bank shall consult with foreign central banks on coordination of exchange operations.

Any agreements or understandings concerning the administration of the accounts maintained by the New York Bank with the central banks designated by the Board of Governors under Section 214.5 of Regulation N (as amended) are to be referred for review and approval to the Committee, subject to the provision of Section VIII, paragraph 1, below.

V. Authorized Currencies

The New York Bank is authorized to conduct transactions for System Account in such currencies and within the limits that the Federal Open Market Committee may from time to time specify.

VI. Methods of Acquiring and Selling Foreign Currencies

The New York Bank is authorized to purchase and sell foreign currencies in the form of cable transfers through spot or forward transactions on the open market at home and abroad, including transactions with the Stabilization Fund of the Secretary of the Treasury established by Section 10 of the Gold Reserve Act of 1934 and with foreign monetary authorities.

Unless the Bank is otherwise authorized, all transactions shall be at prevailing market rates.

VII. Participation of Federal Reserve Banks

All Federal Reserve Banks shall participate in the foreign currency operations for System Account in accordance with paragraph 3 G (1) of the Board of Governors' Statement of Procedure with Respect to Foreign Relationships of Federal Reserve Banks dated January 1, 1944.

VIII. Administrative Procedures

The Federal Open Market Committee authorizes a Subcommittee consisting of the Chairman and the Vice Chairman of the Committee and the Vice Chairman of the Board of Governors (or in the absence of the Chairman or of the Vice Chairman of the Board of Governors the mem-

ANNUAL REPORT OF BOARD OF GOVERNORS

bers of the Board designated by the Chairman as alternates, and in the absence of the Vice Chairman of the Committee his alternate) to give instructions to the Special Manager, within the guidelines issued by the Committee, in cases in which it is necessary to reach a decision on operations before the Committee can be consulted.

All actions authorized under the preceding paragraph shall be promptly reported to the Committee.

The Committee authorizes the Chairman, and in his absence the Vice Chairman of the Committee, and in the absence of both, the Vice Chairman of the Board of Governors:

- (1) With the approval of the Committee, to enter into any needed agreement or understanding with the Secretary of the Treasury about the division of responsibility for foreign currency operations between the System and the Secretary;
- (2) To keep the Secretary of the Treasury fully advised concerning System foreign currency operations, and to consult with the Secretary on such policy matters as may relate to the Secretary's responsibilities;
- (3) From time to time, to transmit appropriate reports and information to the National Advisory Council on International Monetary and Financial Problems.

IX. Special Manager of the System Open Market Account

A Special Manager of the Open Market Account for foreign currency operations shall be selected in accordance with the established procedures of the Federal Open Market Committee for the selection of the Manager of the System Open Market Account.

The Special Manager shall direct that all transactions in foreign currencies and the amounts of all holdings in each authorized foreign currency be reported daily to designated staff officials of the Committee, and shall regularly consult with the designated staff officials of the Committee on current tendencies in the flow of international payments and on current developments in foreign exchange markets.

The Special Manager and the designated staff officials of the Committee shall arrange for the prompt transmittal to the Committee of all statistical and other information relating to the transactions in and the amounts of holdings of foreign currencies for review by the Committee as to conformity with its instructions.

The Special Manager shall include in his reports to the Committee a statement of bank balances and investments payable in foreign currencies, a statement of net profit or loss on transactions to date, and a summary of outstanding unmatured contracts in foreign currencies.

FEDERAL RESERVE SYSTEM

X. Transmittal of Information to Treasury Department

The staff officials of the Federal Open Market Committee shall transmit all pertinent information on System foreign currency transactions to designated officials of the Treasury Department.

XI. Amendment of Authorization

The Federal Open Market Committee may at any time amend or rescind this authorization.

GUIDELINES FOR SYSTEM FOREIGN CURRENCY OPERATIONS

1. Holdings of Foreign Currencies

Until otherwise authorized, the System will limit its holdings of foreign currencies to that amount necessary to enable its operations to exert a market influence. Holdings of larger amounts will be authorized only when the U.S. balance of international payments attains a sufficient surplus to permit the ready accumulation of holdings of major convertible currencies.

Holdings of a currency shall generally be kept sufficient to meet forward contracts in that currency (exclusive of contracts made under parallel arrangements with foreign monetary authorities which provide their own cover) expected to mature in the following 3-week period.

Foreign currency holdings above a certain minimum shall be invested as far as practicable in conformity with Section 14(e) of the Federal Reserve Act.

2. Exchange Transactions

System exchange transactions shall mainly be geared to pressures of payments flows so as to cushion or moderate disequilibrating movements of volatile funds and their destabilizing effects on U.S. and foreign official reserves and on exchange markets.

The New York Bank shall, as a usual practice, purchase and sell authorized currencies at prevailing market rates without trying to establish rates that appear to be out of line with underlying market forces.

If market offers to sell or buy intensify as System holdings increase or decline, this shall be regarded as a clear signal for a review of the System's evaluation of international payments flows. This review might suggest a temporary change in System holdings of a particular convertible currency and possibly direct exchange transactions with the foreign central bank involved to be able to accommodate a larger demand or supply.

Starting operations at a time when the United States is not experiencing a net inflow of any eligible foreign currency may require that initial Sys-

ANNUAL REPORT OF BOARD OF GOVERNORS

tem holdings (apart from sums that might be acquired from the Stabilization Fund) be purchased directly from foreign central banks.

It shall be the practice to arrange with foreign central banks for the coordination of foreign currency transactions in order that System transactions do not conflict with those being undertaken by foreign monetary authorities.

3. Transactions in Spot Exchange

The guiding principle for transactions in spot exchange shall be that, in general, market movements in exchange rates, within the limits established in the International Monetary Fund Agreement or by central bank practices, index affirmatively the interaction of underlying economic forces and thus serve as efficient guides to current financial decisions, private and public.

Temporary or transitional fluctuations in payments flows may be cushioned or moderated whenever they occasion market anxieties, or undesirable speculative activity in foreign exchange transactions, or excessive leads and lags in international payments.

Special factors making for exchange market instabilities include (i) responses to short-run increases in international political tension, (ii) differences in phasing of international economic activity that give rise to unusually large interest-rate differentials between major markets, or (iii) market rumors of a character likely to stimulate speculative transactions.

Whenever exchange market instability threatens to produce disorderly conditions, System transactions are appropriate if the Special Manager, in consultation with the Federal Open Market Committee, or in an emergency with the members of the Committee designated for that purpose, reaches a judgment that they may help to re-establish supply and demand balance at a level more consistent with the prevailing flow of underlying payments. Whenever supply or demand persists in influencing exchange rates in one direction, System transactions should be modified, curtailed, or eventually discontinued pending a re-assessment by the Committee of supply and demand forces.

4. Transactions in Forward Exchange

Occasion to engage in forward transactions will arise mainly when forward premiums or discounts are inconsistent with interest-rate differentials and are giving rise to a disequilibrating movement of short-term funds, or when it is deemed appropriate to supplement existing market facilities for forward cover as a means of encouraging the retention or accumulation of dollar holdings abroad.

FEDERAL RESERVE SYSTEM

Proposals of the Special Manager to initiate forward operations shall be submitted to the Committee for advance approval.

For such operations, the New York Bank may, where authorized, take over from the Stabilization Fund outstanding contracts for forward sales or purchases of authorized currencies.

5. Exchange Rates

Insofar as practicable, the New York Bank shall purchase a currency through spot transactions at or below its par value, and should lower the rate at which it is prepared to purchase a currency as its holdings of that currency approach the established maximum.

The Bank shall also, where practicable, sell a currency through spot transactions at rates at or above its par value, and should raise the rate at which it is prepared to sell a currency as its holdings of that currency approach zero.

Spot transactions at rates other than those set forth in the preceding paragraphs shall be specially authorized by the members of the Committee designated in Section VIII of the Authorization for Open Market Transactions in Foreign Currencies.

CONTINUING AUTHORITY DIRECTIVE ON SYSTEM FOREIGN CURRENCY OPERATIONS

The Federal Reserve Bank of New York is authorized and directed to purchase and sell through spot transactions any or all of the following currencies in accordance with the Guidelines on System Foreign Currency Operations issued by the Federal Open Market Committee on February 13, 1962:

Pounds sterling
French francs
German marks
Italian lire
Netherlands guilders
Swiss francs

Total foreign currencies held at any one time shall not exceed \$500 million.

March 6, 1962

1. Authority to effect transactions in System Account.

The data on the domestic economy presented at this meeting showed mixed tendencies and suggested in general that the hesi-

ANNUAL REPORT OF BOARD OF GOVERNORS

tation noted at the preceding meeting was continuing. There evidently was some modest improvement in employment in February, and the seasonally adjusted unemployment rate declined to 5.6 per cent from 5.8 per cent in the previous month. Construction activity was off slightly from a January level that had been revised downward since earlier reports. February production figures were available as yet for only a few products, including steel ingots and automobiles, both of which showed declines. It appeared likely, however, that the over-all index of industrial production in February would recover the 1 point loss of January, or at least would not decline. New orders received by manufacturers of durable goods had risen to a new high in January and were appreciably above sales in that month.

Partial figures for banks in leading cities suggested that total bank credit might have increased in February, after adjustment for usual seasonal changes. Time deposits at commercial banks continued to expand rapidly, although the rate of increase probably was not so high as earlier. Demand deposits increased on a seasonally adjusted basis in the first half of the month, but the situation in the second half was still uncertain.

The Treasury extended the maturities of about \$5 billion of its securities in an advance refunding operation during the latter part of February, after refunding some \$11 billion of maturing securities earlier in the month. The security markets also absorbed a substantial volume of new corporate issues and an exceptionally large volume of State and local government issues. Yields on high-grade corporate bonds continued to show little change, and those on long-term municipal bonds firmed at low relative levels in the second half of February after their earlier sharp declines. Long-term Government security yields declined somewhat in the latter part of the month but medium-term yields declined more, with the difference reflecting in part the shift of securities from the medium- to the long-term area in the advance refunding. Treasury bill rates also declined after the middle of February, but later rose somewhat.

Incomplete data on the U.S. international payments situation

FEDERAL RESERVE SYSTEM

suggested a marked improvement in the first 2 months of 1962, with the available figures indicating a deficit close to zero in January and relatively low in February. It was not clear, however, to what extent this improvement was real and to what extent transitory; many of the underlying figures, including those for exports and imports, were not yet available for the months in question. Some of the January improvement was due to a reversal of the earlier recorded outflow reflecting short-term lending, and some to a reversal of the year-end window dressing by foreign banks. It was noted that figures for the first quarter had appeared reassuring in 1961 also, and that there might be seasonal forces favoring the first-quarter picture.

There were no marked differences among Committee members with respect to the type of policy called for by these developments. However, some members while not advocating a substantial shift in policy, were impressed by the probability of continuing deficits in the international accounts and by the underlying elements of strength that they saw in the domestic economy. Therefore, they leaned toward a slightly reduced degree of ease. Others felt that in view of the recent domestic hesitation and the apparent improvement in the international accounts it would be appropriate to increase the degree of ease slightly, with less emphasis on minimizing downward pressures on short-term rates. The majority favored no change in policy, and at the conclusion of its deliberations the Committee voted unanimously to issue the following current economic policy directive to the Federal Reserve Bank of New York:

In view of the continued underutilization of resources, and particularly of the evidence of some hesitation in the pace of business activity, it remains the current policy of the Federal Open Market Committee to promote further expansion of bank credit and the money supply, while giving recognition to the country's adverse balance of payments and the need to maintain a viable international payments system.

To implement this policy, operations for the System Open Market Account during the next 3 weeks shall be conducted with a view to maintaining a supply of reserves adequate for further credit expansion, taking

ANNUAL REPORT OF BOARD OF GOVERNORS

account of the desirability of avoiding undue downward pressures on short-term interest rates.

Votes for this action: Messrs. Martin, Hayes, Balderston, Bryan, Deming, Ellis, Fulton, Mitchell, Robertson, and Shepardson. Votes against this action: None. (Mr. King stated subsequently that if he had been present at the point in the meeting when this action was taken he would have voted in favor of the directive.)

2. Review of continuing authorizations.

This being the first meeting of the Federal Open Market Committee after the election of new members from the Federal Reserve Banks for the year beginning March 1, 1962, the Committee followed its customary practice of reviewing all of its continuing authorizations and directives. Among other actions, it voted unanimously to reaffirm the authorization to the Federal Reserve Bank of New York covering open market transactions in foreign currencies and the continuing authority directive for these operations, both of which were first adopted at the meeting of February 13, 1962, and are quoted in the entry for that date. The Committee also decided to consolidate the substance of its previous continuing authority directive covering operations in U. S. Government securities and bankers' acceptances, first adopted on December 19, 1961, with that of several separate authorizations last reaffirmed on March 7, 1961. The latter included authorizations relating to repurchase agreements in Government securities, transactions in bankers' acceptances, the rate to be charged on special certificates of indebtedness purchased directly from the Treasury, and the effecting of transactions on a cash as well as a regular delivery basis. Accordingly, the following new continuing authority directive was issued to the Federal Reserve Bank of New York:

1. The Federal Open Market Committee authorizes and directs the Federal Reserve Bank of New York, to the extent necessary to carry out the current economic policy directive adopted at the most recent meeting of the Committee:

FEDERAL RESERVE SYSTEM

(a) To buy or sell U.S. Government securities in the open market, from or to Government securities dealers and foreign and international accounts maintained at the Federal Reserve Bank of New York, on a cash, regular, or deferred delivery basis, for the System Open Market Account at market prices and, for such Account, to exchange maturing U.S. Government securities with the Treasury or allow them to mature without replacement; provided that the aggregate amount of such securities held in such Account (including forward commitments, but not including such special short-term certificates of indebtedness as may be purchased from the Treasury under paragraph 2 hereof) shall not be increased or decreased by more than \$1 billion during any period between meetings of the Committee;

(b) To buy or sell prime bankers' acceptances of the kinds designated in the regulation of the Federal Open Market Committee in the open market, from or to acceptance dealers and foreign accounts maintained at the Federal Reserve Bank of New York, on a cash, regular, or deferred delivery basis, for the account of the Federal Reserve Bank of New York at market discount rates; provided that the aggregate amount of bankers' acceptances held at any one time shall not exceed \$75 million or 10 per cent of the total of bankers' acceptances outstanding as shown in the most recent acceptance survey conducted by the Federal Reserve Bank of New York;

(c) To buy U.S. Government securities with maturities of 24 months or less at the time of purchase, and prime bankers' acceptances with maturities of 6 months or less at the time of purchase, from non-bank dealers for the account of the Federal Reserve Bank of New York under agreements for repurchase of such securities or acceptances in 15 calendar days or less, at rates not less than (a) the discount rate of the Federal Reserve Bank of New York at the time such agreement is entered into, or (b) the average issuing rate on the most recent issue of 3-month Treasury bills, whichever is the lower; provided that in the event Government securities covered by any such agreement are not repurchased by the dealer pursuant to the agreement or a renewal thereof, they shall be sold in the market or transferred to the System Open Market Account; and provided further that in the event bankers' acceptances covered by any such agreement are not repurchased by the seller, they shall continue to be held by the Federal Reserve Bank or shall be sold in the open market.

2. The Federal Open Market Committee authorizes and directs the Federal Reserve Bank of New York to purchase directly from the Treasury for the account of the Federal Reserve Bank of New York (with dis-

ANNUAL REPORT OF BOARD OF GOVERNORS

cretion, in cases where it seems desirable, to issue participations to one or more Federal Reserve Banks) such amounts of special short-term certificates of indebtedness as may be necessary from time to time for the temporary accommodation of the Treasury; provided that the rate charged on such certificates shall be a rate $\frac{1}{4}$ of 1 per cent below the discount rate of the Federal Reserve Bank of New York at the time of such purchases; and provided further that the total amount of such certificates held at any one time by the Federal Reserve Banks shall not exceed \$500 million.

Mr. Robertson dissented from the foregoing action for the same reasons that he dissented on December 19, 1961, from the adoption of the continuing authority directive. In substance, he felt that it was an inadequate directive, without sufficient guidance and restrictions. A detailed statement of his views is set forth on pages 93-94 of the ANNUAL REPORT of the Board of Governors for the year 1961.

March 27, 1962

Authority to effect transactions in System Account.

The domestic economic situation continued in February and early March to reflect expansion in over-all activity but at a much slower rate than in the final quarter of 1961. Some key monthly series, including industrial production and nonfarm employment, recovered in February following declines in January, and the unemployment rate declined slightly further. The decline in housing starts continued in February. Preliminary information indicated little change in retail sales, though with some evidence of more than a seasonal rise in department store and automobile sales appearing in the early weeks of March. Gross national product was tentatively estimated at an annual rate of \$548 billion to \$550 billion for the first quarter of 1962, compared with \$542 billion in the fourth quarter of 1961.

The performance of the economy thus far in 1962 appeared sluggish in relation to the high rates of increase that had been projected in late fall and early winter, and in relation to what was needed for satisfactory reduction in levels of unemployment.

FEDERAL RESERVE SYSTEM

To some extent this sluggishness appeared attributable to temporary factors, such as unusually severe weather conditions.

The slower rate of economic expansion had been reflected in credit markets. Bank loan expansion had been large, but not unusually so for the March tax period. Bank investments in U. S. Government securities had declined more than usual for this time of year, but holdings of other securities had increased. While time deposits at banks continued to show sharp gains, demand deposits, seasonally adjusted, appeared to be little changed.

The volume of public offerings of corporate and municipal securities had not been so large during March as in February, but those offered had been generally well received and a larger volume appeared in prospect for April. Prices of common stocks had shown little net change, with trading volume moderate.

Despite the fact that the money market had been relatively firm because of seasonal and liquidity needs, yields on U.S. Government and other fixed-income securities declined. Yields on long-term Treasury bonds dropped below 4 per cent for the first time since November 1961, and average yields on 3-5 year issues were the lowest since May 1961. Treasury bill yields had declined from mid-February levels but remained close to the 1961 highs reached at the end of the year. Rates on Federal funds were generally at or only slightly below 3 per cent. Free reserves had averaged a little lower in March than in February, partly because of a tendency for actual reserve levels to turn out below projections. In addition, intermittent downward pressures on short-term interest rates exercised some restraining influence on System operations to supply reserves.

Preliminary information on the U.S. balance of payments in the first quarter suggested a marked reduction in net payments as compared with the fourth quarter of 1961, but the deficit appeared slightly larger than in the first quarter of 1961. The improvement from the preceding quarter apparently reflected mainly a smaller volume of short-term capital outflows, partly for technical reasons related to year-end window-dressing operations by banks abroad. The trade surplus, judging by the

ANNUAL REPORT OF BOARD OF GOVERNORS

January data (the latest available), was running below both the fourth quarter and the first quarter of 1961.

The outflow of gold approximated \$300 million in the current quarter, although some part of that amount might be viewed as offset by an increase in U.S. holdings of foreign convertible currencies. Reductions in the United Kingdom bank rate suggested a decrease in British interest-rate levels, but it was not clear whether or to what extent funds hitherto attracted to the United Kingdom would flow to New York.

Differences among Committee members with respect to the type of policy called for by these developments were generally small. Most members felt that the balance of payments situation continued to call for a domestic interest-rate structure that would not encourage outflows of funds, and thus were concerned about the declining tendency in interest rates. This tendency, it was noted, might well be accentuated by continuing to provide reserve availability to facilitate expansion in bank credit domestically, which most members also regarded as desirable. Some of the members, having in mind the modest nature of the expansion in domestic activity, were inclined to ease slightly. A few members, in fact, would have preferred taking more decisive easing action, but one member recommended a policy of less ease. The majority, however, concluded that on balance no significant change in policy should be made. The two changes made in the wording of the current economic policy directive were intended to make clear that the general policy in effect in the preceding period and now being continued was designed to effect slightly more expansion in reserve availability than had actually developed. The policy directive issued to the Federal Reserve Bank of New York read as follows:

In view of the modest nature of recent advances in the pace of economic activity and the continued underutilization of resources, it remains the current policy of the Federal Open Market Committee to promote further expansion of bank credit and the money supply, while giving recognition to the country's adverse balance of payments and the need to maintain a viable international payments system.

FEDERAL RESERVE SYSTEM

To implement this policy, operations for the System Open Market Account during the next 3 weeks shall be conducted with a view to maintaining a supply of reserves adequate for further credit and monetary expansion, taking account of the desirability of avoiding sustained downward pressures on short-term interest rates.

Votes for this action: Messrs. Martin, Balderston, Bryan, Ellis, Mitchell, Robertson, Shepardson, Clay, Scanlon, and Treiber. Vote against this action: Mr. Mills.

Mr. Mills dissented on the ground that the long maintained high level of free reserves had forced excessive liquidity into the economy and thereby had laid the foundation for future inflationary difficulties. Moreover, he felt that monetary policy by its declared purpose of holding interest rates on Treasury bills at a level intended to deter transfer of funds abroad had set a floor under bill rates and, in his opinion, had encouraged speculative operations in all maturities of U.S. Government securities. Mr. Mills felt that these and other difficulties could have been avoided by policy objectives geared solely to providing adequate credit availability—an amount that would have resulted in a somewhat firmer interest-rate structure but which still would have permitted sufficient bank credit expansion. He believed that the assumption that there must be close coordination between growth in the money supply and growth in gross national product was erroneous, and monetary policy should pay close attention to encouraging constructive commercial bank lending and investing practices.

April 17, 1962

Authority to effect transactions in System Account.

Information regarding developments in the domestic economy that had become available in the period since the preceding meeting of the Committee provided some definite signs of improvement. However, uncertainties remained about the course of developments in a number of strategic areas, such as resi-

ANNUAL REPORT OF BOARD OF GOVERNORS

dential and other construction, consumer durable goods other than autos, and business investment in new plant and equipment. For residential building, March statistics on the number of housing units started had not yet become available, but starts in February had shown a further decline to a relatively low level.

The Board's industrial production index was reported to have risen 1 point further in March to a new high of 116 per cent of the 1957 average. Nonagricultural employment and the length of the factory workweek also increased in March, and the rate of unemployment edged down from 5.6 per cent to 5.5 per cent of the civilian labor force. The labor force, however, was no higher than a year earlier, and resumption of normal growth in the labor force in the near future might limit declines in unemployment even under conditions of expanding employment. Sales of new autos had picked up considerably in March and early April, and sales at department stores also had risen.

Commodity prices had continued to show little change in the weeks immediately preceding this meeting. Announcement of the recision of the rise in steel prices served to reduce whatever expectations there might otherwise have been of imminent upward general price changes, but the view was expressed that this action might have added to uncertainties of a different sort. Stock market prices had declined in early April, while markets for fixed-income securities had continued strong.

Bank reserves available as backing for private deposit expansion and total bank credit had both increased more than seasonally since the March 27 Committee meeting. Free reserves in the past 3 weeks had averaged moderately higher than in the preceding period, while total reserves and required reserves had increased substantially after a sluggish performance in February and March. Time deposits at banks continued to increase sharply, and available information indicated that savings in other financial institutions had also continued to increase. Demand deposits had moved upward, following several weeks of little change, and the seasonally adjusted money supply was indicated to have risen in the first half of April.

FEDERAL RESERVE SYSTEM

Yields on 3-month Treasury bills continued to fluctuate in a narrow range as increased demands in credit markets and additions to weekly bill offerings counteracted a steady investor demand for short-term securities. Federal funds remained in the 2¾ to 3 per cent range. Yields on longer-term Treasury issues declined further. Despite a large volume of new financing in March and a prospectively larger volume in April, yields on corporate and municipal bonds continued at the low levels reached earlier or declined further. Mortgage rates also drifted down further.

The balance of payments situation in March, and fragmentary indications for early April, suggested little or no improvement. The March deficit was estimated at \$360 million, including net gold sales of \$150 million, and was higher than for January and February combined. The trade surplus in February had been quite large, with exports at a record annual rate of nearly \$22 billion and imports continuing at \$15.75 billion. The rate of outflow of capital remained large in March but was smaller than in the final quarter of 1961. There was in prospect a heavy calendar of foreign security issues in the U.S. market.

The majority of the Committee members agreed, although with some differences of interpretation and emphasis, that no change was indicated at this time in monetary and credit policy or in the wording of the current directive, particularly in view of the imminence of a substantial Treasury financing program. As a result, the Committee issued a current economic policy directive to the Federal Reserve Bank of New York in the same form as the directive issued at the meeting on March 27, 1962.

Votes for this action: Messrs. Martin, Balderston, Bryan, Deming, Ellis, Fulton, King, Mills, Mitchell, Robertson, and Shepardson. Vote against this action: Mr. Hayes.

Mr. Hayes dissented because he felt that the degree of liquidity of the economy, coupled with recent signs of a somewhat improved rate of business expansion, would warrant placing a little more emphasis on the troublesome international aspects of the

ANNUAL REPORT OF BOARD OF GOVERNORS

country's current economic problems. He noted that the country's ability to withstand heavy balance of payments deficits and accompanying gold drains was not unlimited and that he had yet to see any convincing evidence of a real turn in the tide. He expressed particular concern about the volume and breadth of foreign borrowing in the United States, both from banks and through bond offerings. In these circumstances, he felt that the System should edge toward a moderately less easy reserve position, thus encouraging the development of a somewhat higher structure of interest rates, particularly short-term rates.

Another member of the Committee (Mr. Mills) continued of the view he had expressed at previous meetings that a firming of policy was indicated. At the moment, however, he felt that the imminent Treasury financing precluded policy changes such as he had advocated.

May 8, 1962

Authority to effect transactions in System Account.

The economy had continued to register moderate gains in over-all activity, with little change in commodity prices. One factor of significant improvement was a sharp rise in March in the number of new housing units started, following 4 months of decline of much more than seasonal proportions. Another was the expansion of business plans for fixed capital outlays, as reported by a recent survey. This survey indicated a prospective rise in such outlays of 11 per cent for 1962, as compared with a rise of 8 per cent reported by a different survey taken several weeks earlier. Although data had not yet become available for total retail sales and industrial production in April, incomplete weekly and other information suggested moderate further advances. There was no significant change in the rate of unemployment.

FEDERAL RESERVE SYSTEM

Less favorable to economic prospects were the early indications of corporate profits for the first quarter. Although substantially above year-earlier levels, such profits had apparently failed to hold the rise achieved in the fourth quarter of 1961. Also, the volume of new orders received by durable goods producers had declined somewhat further in March from the advanced level reached at the beginning of the year. Stock market prices continued to decline.

Bank reserves available to support private deposit expansion had risen more than seasonally in April. Excess reserves had increased, while the small amount of member bank borrowing had been further reduced. Free reserves averaged moderately higher than in March. Total bank loans and investments rose again in April, with the sharpest increase in bank holdings of securities other than U.S. Governments. Both total and business loans had shown moderate strength.

The seasonally adjusted money supply, which increased somewhat in March, rose substantially further in April. Time and savings deposits at commercial banks had continued to rise, but at a somewhat less rapid pace than in other recent months.

Capital market financing had accelerated in April, and new corporate issues were substantially above the first-quarter average. Municipal issues held at the relatively high first-quarter average. Both corporate and municipal issues were expected to be in smaller volume in May.

Money markets had been generally steady in the 3 weeks preceding the meeting. Federal funds were traded in the $2\frac{1}{2}$ -3 per cent range, with the bulk of the trading at $2\frac{3}{4}$ per cent. Yields on U.S. Government securities had been unusually stable, while yields on corporate and municipal bonds had continued to edge lower.

In the first quarter of 1962, the U.S. balance of payments position was far more favorable than in the preceding quarter (partly reflecting seasonal factors), but less favorable than in the first quarter of 1961. The balance of payments deficit dropped sharply between March and April, but some of the improvement

ANNUAL REPORT OF BOARD OF GOVERNORS

appeared to have been temporary, probably reflecting movements of capital from Canada preceding the abandonment of flexible exchange rates and the establishment on May 2 of a new par value of 92.5 U.S. cents for the Canadian dollar.

Economic expansion in Western Europe was reported as continuing, possibly at an accelerated rate, while conditions elsewhere appeared to have shown little change.

Upon consideration of these mixed developments, it was the majority view that the current posture of monetary policy continued to be appropriate, pending the availability of further information on the strength of the improvement in economic conditions and on the state of business and financial confidence. Accordingly, the Committee re-issued the current policy directive to the Federal Reserve Bank of New York that had been issued at the two preceding meetings of the Committee.

Votes for this action: Messrs. Martin, Balderston, Bryan, Deming, Ellis, Fulton, King, Mitchell, Robertson, Shepardon, and Treiber. Vote against this action: Mr. Mills.

In dissenting from this action, Mr. Mills took the position that a protracted period of credit ease featured by heavy Federal deficit financing through the banking system had developed an increasingly unsatisfactory financial situation that urgently required remedial attention. In his opinion, policy actions were called for that, by moderately reducing the supply of reserves and by simultaneously shifting emphasis away from pegging the level of Treasury bill rates, would facilitate return to a free market concept for the conduct of monetary and credit policy. The kind of policy revision which he visualized would, in Mr. Mills' belief, result in a somewhat firmer interest-rate structure that would serve as an incentive for broader private investment in approaching offerings of new issues of Treasury securities, thereby implying less resort to Federal deficit financing through the banking system, and would also be regarded abroad as a desirable central bank action for countering this nation's balance of payments problems.

FEDERAL RESERVE SYSTEM

May 29, 1962

1. Authority to effect transactions in System Account.

Following improvement in April, some additional gains in economic conditions were indicated for May. The April index of industrial production moved 1 percentage point higher to a record 117 per cent of the 1957 average, and the index for May appeared likely to hold at that level or rise slightly further.

A major exception to the moderately improved performance of the domestic economy was the continued decline in stock market prices. On May 28, the day preceding the meeting of the Committee, stock prices broke sharply and at the close had fallen to a level 24 per cent below the high reached in December 1961. In addition, and almost apart from the stock market decline and its possible ramifications, questions were being raised about the strength of general economic prospects over the months ahead. Certain leading business cycle indicators, including data on profit margins and business purchasing policies, were being interpreted by some analysts as signs that economic expansion would not continue long.

Bank loans rose more than seasonally during May, while investments were little changed. Further increases occurred in real estate and consumer loans, but security loans declined. Loans to construction firms had been moving up briskly since March, paralleling the pick-up in building activity.

Bank reserves required to support private deposits declined considerably more than seasonally in the first 3 weeks of May, in contrast with a larger than seasonal rise in April. Average free reserves, however, continued relatively high and were not significantly different from the April level.

Recent developments in the U.S. balance of payments, although still unsatisfactory, were viewed as mildly encouraging. However, gold and foreign exchange markets, after having been relatively quiet for some time, recently had shown some nervousness with consequent unfavorable effects on the U.S. dollar.

ANNUAL REPORT OF BOARD OF GOVERNORS

Economic activity abroad continued satisfactory in most industrially developed countries and mixed elsewhere.

There was some opinion within the Committee that monetary policy had contributed about as much as it could to domestic economic expansion and that a gradual reorientation of policy toward somewhat less ease would be salutary from the balance of payments standpoint without significantly affecting the domestic use of credit. A view also was expressed, however, that the degree of ease that had prevailed was still needed to facilitate further domestic expansion.

In recognition of the sharp decline in the stock market, there was general agreement that no change of policy should be made at this meeting of the Committee. It was thought desirable, however, to modify the wording of the current policy directive, principally to make clear that the Committee recognized the stock market decline as a factor contributing to its decision to continue policy unchanged at this point. Accordingly, the Committee issued the following current economic policy directive to the Federal Reserve Bank of New York:

In view of the modest nature of recent advances in the pace of economic activity, the continued underutilization of resources, and the uncertainties created by the disturbed conditions in some financial markets, it remains the current policy of the Federal Open Market Committee to promote further expansion of bank credit and the money supply, while giving recognition to the country's adverse balance of payments.

To implement this policy, operations for the System Open Market Account during the next 3 weeks shall be conducted with a view to maintaining a supply of reserves adequate for further credit and monetary expansion, taking account of the desirability of avoiding sustained downward pressures on short-term interest rates.

Votes for this action: Messrs. Martin, Hayes, Balderston, Bryan, Deming, Ellis, Fulton, King, Mills, Mitchell, Robertson, and Shepardson. Votes against this action: None.

2. Authority to purchase and sell foreign currencies.

As originally adopted by the Federal Open Market Committee on February 13, 1962, and reaffirmed on March 6, 1962,

FEDERAL RESERVE SYSTEM

the continuing authority directive to the Federal Reserve Bank of New York with respect to System foreign currency operations did not authorize the purchase and sale of Belgian francs. In view of the prospective execution of a reciprocal currency (swap) agreement between the Federal Reserve and the National Bank of Belgium, in addition to those already entered into by the System with other foreign central banks, the continuing authority directive was amended as follows, effective immediately, to add the Belgian franc to the list of currencies authorized to be purchased and sold:

The Federal Reserve Bank of New York is authorized and directed to purchase and sell through spot transactions any or all of the following currencies in accordance with the Guidelines on System Foreign Currency Operations issued by the Federal Open Market Committee on February 13, 1962:

Pounds sterling
French francs
German marks
Italian lire
Netherlands guilders
Swiss francs
Belgian francs

Total foreign currencies held at any one time shall not exceed \$500 million.

Votes for this action: Messrs. Martin, Hayes, Balderston, Bryan, Deming, Ellis, Fulton, King, Mills, Mitchell, Robertson, and Shepardson. Votes against this action: None.

June 19, 1962

Authority to effect transactions in System Account.

Available economic information confirmed the further moderate gains in activity in May suggested by the incomplete data available at the May 29 meeting. The index of industrial production rose to a record 118 per cent of the 1957 average from 117 per cent in April. Private housing starts also rose further in

ANNUAL REPORT OF BOARD OF GOVERNORS

May, following a sharp advance in April. Nonagricultural employment showed a small additional gain, and the unemployment rate was down slightly.

The sharp stock market break at the end of May was followed by additional declines in the first part of June. Department store and auto sales apparently were affected somewhat unfavorably in early June by the stock market reaction, but it was too early to judge whether economic activity as a whole would be significantly affected.

Total commercial bank credit rose again in May and early June. The demand for business loans, however, continued moderate. Reserve availability appeared ample, and banks continued to seek outlets for their funds among foreign as well as domestic borrowers. Federal funds were traded at 2.75 per cent most of the time, while the 3-month Treasury bill rate ended the 3-week period slightly above 2.70 per cent. Yields on Treasury notes and bonds showed no decisive trend.

The U.S. balance of payments position continued to be unsatisfactory. Although the deficit all but disappeared in May and, according to tentative and partial figures, in the first half of June, much of the improvement appeared to have reflected an inflow of funds traceable to flight from the Canadian currency. While the U.S. gold stock had not suffered any decline for 5 weeks, gold and foreign exchange markets remained nervous, particularly with respect to the dollar.

In view of the continuing concern for the international position of the dollar and the further, even though gradual, improvement in the domestic economy, a majority of the Committee concluded that a time had been reached when a slightly less easy monetary policy was indicated. The substantial degree of liquidity existing in the banking system was noted, and doubt was expressed whether continued additions to reserve availability at more than a moderate rate would induce additional gains for the domestic economy. A minority of the Committee weighed the balance of domestic and foreign considerations somewhat differ-

FEDERAL RESERVE SYSTEM

ently from the majority and were in favor of continuing undiminished the current degree of monetary ease.

Reflecting the majority view that monetary policy should shift toward slightly less ease, the following directive was issued to the Federal Reserve Bank of New York:

It is the current policy of the Federal Open Market Committee to permit the supply of bank credit and money to increase further, but at the same time to avoid redundant bank reserves that would encourage capital outflows internationally. This policy takes into account, on the one hand, the gradualness of recent advance of economic activity, the availability of resources to permit further advance in activity, and the unsettlement of financial markets resulting from the sharp decline in stock prices. On the other hand, it gives recognition to the bank credit expansion over the past year and to the role of capital flows in the country's adverse balance of payments.

To implement this policy, operations for the System Open Market Account during the next 3 weeks shall, to the extent consistent with the behavior of financial markets, be conducted with a view to providing a somewhat smaller rate of reserve expansion in the banking system than in recent months and to fostering a moderately firm tone in money markets.

Votes for this action: Messrs. Martin, Hayes, Balderston, Bryan, Deming, Ellis, Fulton, Mills, and Shepardson. Votes against this action: Messrs. King and Robertson.

Mr. King's dissent was based on the view that recent stock market developments had reduced economic visibility to such an extent that it would be unwise to change policy in the least. He would have preferred to wait until there was a clearer indication of the direction in which the economy might turn.

Mr. Robertson noted that, in view of the labor and material resources still unutilized, greater domestic expansion was needed and could be readily accommodated without inflationary consequences. The recent stock market break, he pointed out, had added a further degree of uncertainty to economic prospects, and in his view the improvement recently achieved in the U.S. balance of payments offered an opportunity for monetary policy to

ANNUAL REPORT OF BOARD OF GOVERNORS

accord a higher priority to domestic goals. In his judgment, this was the wrong time to shift toward a policy calling for any lesser degree of monetary ease.

June 21, 1962

Authority to purchase and sell foreign currencies.

At this meeting, held by telephone, the continuing authority directive to the Federal Reserve Bank of New York with respect to System foreign currency operations, as adopted by the Federal Open Market Committee on February 13, 1962, and amended May 29, 1962, was further amended, effective immediately, to add the Canadian dollar to the list of foreign currencies that the New York Bank was authorized and directed to purchase and sell. This action was taken in view of the imminent prospect of a reciprocal currency (swap) agreement being entered into between the Federal Reserve System and the Bank of Canada as part of a broad package of financial assistance—including assistance from the International Monetary Fund, the Bank of England, and the U.S. Export-Import Bank—designed to reinforce the Canadian Government's efforts to defend the Canadian dollar against a speculative wave that threatened to force the Canadian dollar off its recently established par value. As amended, the continuing authority directive read as follows:

The Federal Reserve Bank of New York is authorized and directed to purchase and sell through spot transactions any or all of the following currencies in accordance with the Guidelines on System Foreign Currency Operations issued by the Federal Open Market Committee on February 13, 1962:

Pounds sterling
French francs
German marks
Italian lire
Netherlands guilders
Swiss francs
Belgian francs
Canadian dollars

FEDERAL RESERVE SYSTEM

Total foreign currencies held at any one time shall not exceed \$500 million.

Votes for this action: Messrs. Martin, Hayes, Balderston, Bryan, Deming, Ellis, Fulton, King, Mills, Robertson, and Shepardson. Votes against this action: None.

July 10, 1962

1. Authority to effect transactions in System Account.

Economic activity, as interpreted in reports at this meeting, appeared to be in a period of hesitation. Although advances had continued in May and early June, they tended to be smaller than in earlier months, and adverse trends were reported for some key series. The unemployment rate, for example, was up slightly in June.

Retail sales, which were off slightly in May, appeared on the basis of weekly data to have declined again in June. Business inventory accumulation continued in April and May, but at sharply reduced rates. On the other hand, a survey conducted in late June indicated that business plans for new plant and equipment outlays this year were still largely unchanged, suggesting that they had not been adversely affected by the decline in stock prices. Construction activity continued to rise in June, with gains widely spread among major types of construction.

A principal feature of financial developments since the June 19 meeting was the less easy tone in the money market. The 3-month Treasury bill rate rose to just under the Reserve Bank discount rate (3 per cent), and Federal funds traded at the discount rate most of the time. Yields also had risen on municipal and corporate bonds as well as on U. S. Government bonds. Member bank borrowing at Federal Reserve Banks increased moderately, and free reserves of member banks were somewhat lower than in the preceding 3 weeks.

Bank credit outstanding increased in June, with the increase centered more in loans than investments; the loan increase was widely distributed among types of loans. Loans to brokers and

ANNUAL REPORT OF BOARD OF GOVERNORS

others against stock market collateral, however, declined considerably. Effective July 10, 1962, margin requirements for stock market credit were reduced from 70 per cent to 50 per cent by the Board of Governors of the Federal Reserve System.

The international financial situation remained unsatisfactory as the dollar weakened further in international exchange, and gold markets became more active. The balance of payments continued its improved position, and transfers to foreigners of gold and other liquid assets in the second quarter were considerably smaller than in the first quarter. To an extent as yet undetermined, however, it appeared that much of the improvement might have been due to the large Canadian reserve losses. With the Canadian position becoming stabilized, some reversal of flows in favor of Canada was expected.

Members of the Committee were in general agreement that domestic economic expansion had lost much of its momentum since spring, and some question was raised as to whether the cyclical upswing, which began in early 1961, might be topping out. At the same time, continuing concern was expressed about the U. S. international financial situation.

Within the Committee, there were some differences of emphasis and interpretation in relating domestic and international developments to current monetary policy. The consensus, however, was for continuation of the degree of ease contemplated by the policy adopted at the June 19 meeting. A minority view placed greater emphasis on the advantages of an easier policy for stimulating the slackened rate of expansion in domestic activity and questioned the usefulness of a less easy policy for dealing with current international financial problems.

In order to make clear that no further reduction from the present degree of ease was intended, the wording of the current policy directive was modified to clarify that intent. Accordingly, the following directive was issued to the Federal Reserve Bank of New York:

It is the current policy of the Federal Open Market Committee to permit the supply of bank credit and money to increase further, but at the

FEDERAL RESERVE SYSTEM

same time to avoid redundant bank reserves that would encourage capital outflows internationally. This policy takes into account, on the one hand, the gradualness of recent advance in economic activity, the availability of resources to permit further advance in activity, and the unsettlement of financial markets. On the other hand, it gives recognition to the bank credit expansion over the past year and to the role of capital flows in the country's adverse balance of payments.

To implement this policy, operations for the System Open Market Account during the next 3 weeks shall, to the extent consistent with the behavior of financial markets, be conducted with a view to providing moderate reserve expansion in the banking system and to fostering a moderately firm tone in money markets.

Votes for this action: Messrs. Martin, Balderston, Bryan, Deming, Ellis, Fulton, King, Mills, Shepardson, and Treiber.

Votes against this action: Messrs. Mitchell and Robertson.

In dissenting from this action, Mr. Mitchell expressed the view that the behavior of the economy indicated sufficient danger of another abortive recovery to call for a more stimulative monetary policy. Since the domestic economic outlook had been worsening and the balance of payments position had been improving, an easier monetary policy seemed to him both desirable and feasible. He did not agree that monetary ease had been pursued so far that it would be useless to expect further easing to do any good. Interest rates did not indicate this to be the case. Moreover, bank credit expansion had not been excessive. Effective credit expansion was, in his judgment, less than shown in the statistics because the change in Regulation Q effective as of the first of this year, permitting higher rates on time and savings deposits, had resulted in shifting some funds to commercial banks from other financial intermediaries.

Mr. Mitchell felt that even the slight move toward lesser ease at the preceding meeting had had unfavorable repercussions on yields. He also doubted that moderately higher short-term rates would in fact significantly improve the balance of payments position. In the circumstances, he favored a policy directed toward increasing free reserves and permitting bill yields to fall—perhaps to 2.5 per cent—which would add to downward pressure on longer-term yields.

ANNUAL REPORT OF BOARD OF GOVERNORS

Mr. Robertson, who dissented for the same reasons he had expressed at the June 19 meeting, stated that he was in full agreement with Mr. Mitchell's position. He felt that the economic information presented to the Committee indicated that the date of such meeting was precisely the wrong time for adopting a less easy monetary policy and that the move should now be reversed.

2. Authority to purchase and sell foreign currencies.

The continuing authority directive to the Federal Reserve Bank of New York with respect to System foreign currency operations, as adopted by the Federal Open Market Committee on February 13, 1962, and most recently amended by the Committee on June 21, 1962, was further amended at this meeting, effective immediately, to increase from \$500 million to \$750 million the maximum amount of foreign currencies authorized to be held at any one time. By this date, reciprocal currency (swap) agreements totaling \$450 million had been entered into by the Federal Reserve System with five foreign central banks—the Bank of France, the Bank of England, the Netherlands Bank, the National Bank of Belgium, and the Bank of Canada; and there was in prospect the execution of similar agreements with the Bank for International Settlements, the Swiss National Bank, and the German Federal Bank that would, if executed, raise the total U.S. dollar equivalent of foreign currencies involved in such agreements to \$700 million. In addition, the System held some \$33.5 million equivalent of foreign currencies acquired from the Treasury Stabilization Fund at the outset of the Federal Reserve program of foreign currency operations.

As amended, the continuing authority directive read as follows:

The Federal Reserve Bank of New York is authorized and directed to purchase and sell through spot transactions any or all of the following currencies in accordance with the Guidelines on System Foreign Currency Operations issued by the Federal Open Market Committee on February 13, 1962:

FEDERAL RESERVE SYSTEM

Pounds sterling
French francs
German marks
Italian lire
Netherlands guilders
Swiss francs
Belgian francs
Canadian dollars

Total foreign currencies held at any one time shall not exceed \$750 million.

Votes for this action: Messrs. Martin, Balderston, Bryan, Deming, Ellis, Fulton, King, Mills, Mitchell, Robertson, Shepardson, and Treiber. Votes against this action: None.

July 31, 1962

Authority to effect transactions in System Account.

Incomplete and scattered data for July suggested mild improvement in the economy, following indications of a slackened pace of expansion in June. The unemployment rate was down slightly, auto and department store sales recovered to about the May levels, and early clues as to the course of industrial production offered hope of some increase. On the other hand, manufacturers' appropriations for fixed capital purposes were indicated to have declined in the second quarter.

In credit and money markets the atmosphere was one of considerable uncertainty. Bank credit, seasonally adjusted, declined substantially in July, partly because Treasury cash financing was much smaller than usual for that month. Security loans for all purposes were sharply lower. Business loan demand showed little change, while bank holdings of real estate loans and of securities other than U.S. Governments continued to increase substantially.

The private money supply, although aided by shifts from Government to private deposits, remained at roughly the level that had been maintained since late 1961. Time and savings deposits (not included in the money supply, as conventionally defined) apparently continued to grow in July, but at a slower pace than

ANNUAL REPORT OF BOARD OF GOVERNORS

earlier in the year. Because of smaller demand deposit growth, reserves required to support private deposits, after moving up during the first 3 weeks of July, turned down again in the latest week. Free reserves had shown large week-to-week fluctuations since the preceding meeting of the Committee but had averaged about \$450 million. Money market conditions, however, had been slightly less easy than might have been expected with that average level of free reserves; Federal funds traded mostly in the $2\frac{3}{4}$ -3 per cent range, while short-term Treasury bills fluctuated within the $2\frac{7}{8}$ -3 per cent range.

The over-all balance of payments deficit for the second quarter turned out to have been larger than estimated earlier. Much of the improvement from the first quarter reflected a temporary capital inflow stemming from deterioration of confidence in the newly established rate for the Canadian dollar. The outlook for the third quarter appeared to be for little or no improvement in the U.S. payments position, partly because it would be adversely affected by the reflow to Canada that was beginning to set in following the provision of special credits to Canada by the International Monetary Fund, the United States, and the United Kingdom. The London market for gold was unusually active, and official support to the market was heavy throughout much of the 3-week period preceding this meeting. On July 23 the President, in the course of a news conference that was telecast to Europe, reaffirmed the intent of the United States not to devalue its dollar. Thereafter, gold and foreign exchange markets were less active, and the position of the U.S. dollar in European centers improved.

A minority of the Committee favored a policy of greater monetary ease as a means of stimulating domestic economic expansion or of helping to stave off possible setback in the economy. However, the majority, after weighing such considerations as the continued evidence of adequate domestic liquidity on one side and the unsatisfactory prospects for the balance of payments on the other, and noting that a Treasury financing was currently in progress, concluded that an "even keel" policy was appropriate

FEDERAL RESERVE SYSTEM

for the forthcoming period. Accordingly, the current policy directive issued to the Federal Reserve Bank of New York was in the same form as the directive issued at the meeting on July 10, 1962.

Votes for this action: Messrs. Martin, Hayes, Balderston, Bryan, Deming, Ellis, Fulton, King, Mills, and Shepardson.
Votes against this action: Messrs. Mitchell and Robertson.

In dissenting, Mr. Robertson expressed the view that greater recognition should be given to the possibility of deteriorating domestic economic activity, and that in present circumstances monetary policy could and should be providing additional stimulus. The accumulation of evidence suggested to him that the recent shift in policy toward less monetary ease was generating contractive reserve pressures. He regarded this as incurring real risks in pursuit of illusory benefits; he had seen no evidence of beneficial effects of higher U.S. money rates upon international gold and dollar flows that would justify the domestic economic hazards entailed, in his view, by such a policy. It seemed to him that a more liberal policy of encouraging further expansion in bank reserves, credit, and money, even if accompanied by easier money market conditions, would better serve the long-run objective of a growing, prosperous, and internationally competitive U.S. economy.

Mr. Mitchell dissented largely on the grounds set forth at the meeting on July 10. The economy was continuing to drift along in lacklustre fashion, and in his view the odds were long and lengthening against a vigorous advance in the last half of the year. He believed that a significant obstacle to further expansion in the domestic economy was a protracted imbalance in the money and capital markets created by the continuing effort to use monetary policy to deal with the balance of payments situation. According to his analysis, debt management and monetary policy had created a highly artificial situation in the money and capital markets by holding up the short-term money rate. This had created expectations that long-term rates would rise, despite a preponderance of historical and analytical evidence that they

ANNUAL REPORT OF BOARD OF GOVERNORS

had passed their sustainable peak. He saw a serious threat to the domestic economy, which he felt should be recognized by supplying reserves somewhat more freely, by making it clear that there was no possibility of a discount rate increase under current conditions, and by being prepared to see the short-term rate decline by as much as half of a percentage point.

August 21, 1962

Authority to effect transactions in System Account.

Domestic economic developments in July, as reviewed by the Committee at this meeting, were more favorable than those in the immediately preceding months, and somewhat more favorable than had been suggested by evidence available at the preceding meeting of the Committee. Available data indicated widespread, if moderate, gains in activity. The industrial production index rose nearly a full point; new orders received by durable goods manufacturers rebounded sharply; and personal income, retail trade, and other important measures showed increases. Scattered figures for early August suggested that the July gains in production and sales were being maintained. On the less favorable side, housing starts failed to reverse the drop of June, and final figures for manufacturers' capital appropriations confirmed the sharp second-quarter curtailment that had been reported earlier. Also, while the seasonally adjusted rate of unemployment dropped slightly further in July to 5.3 per cent of the civilian labor force, the lack of growth in the labor force itself was viewed as a cause for concern.

Business loans at banks had apparently expanded somewhat in recent weeks, but the over-all private demand for bank credit continued to be relatively moderate. Required reserves and the money supply both declined in the first half of August, and there was a marked slowdown in growth of time deposits other than savings accounts. Yields on intermediate- and longer-term Treasury securities, which had risen in late June and early July, had declined substantially in the period since the end of July, and

FEDERAL RESERVE SYSTEM

heightened investor interest was apparent in all instruments from Treasury bills to long-term corporate bonds. One reason for the previous advance in yields had been the widespread belief that an early tax cut and a consequent substantial expansion of Federal debt were distinct possibilities. Correspondingly, a major factor in the decline in yields was the fading of this prospect, particularly after the President's statement on tax policy a week before the meeting. The Treasury was reported to be considering undertaking an advance refunding shortly after Labor Day, in view of the currently favorable market circumstances.

International payments of the United States in July were affected favorably by advance debt repayments on the part of France and Italy, and in July and early August were affected unfavorably by the reflux of funds to Canada. After allowance for these extraordinary factors, it appeared that the deficit in the payments balance was running at a rate smaller than in the third quarter of 1961 but larger than had been expected for the third quarter of 1962. It appeared to be at least as high as the adjusted second-quarter deficit, which also had been in excess of advance estimates. However, the position of the dollar in foreign exchange markets appeared to have improved somewhat, and private demand for gold in the London market evidently had declined.

In sum, recent domestic developments appeared moderately encouraging while those with respect to the balance of payments were disappointing; there continued to be substantial room for improvement on both fronts. A majority of the Committee concluded that, on balance, circumstances warranted a continuation of recent monetary policy. Accordingly, the following current policy directive, which reflected no change from the previous directive except to eliminate references to unsettled behavior in financial markets in view of the steadier performance of those markets, was issued to the Federal Reserve Bank of New York:

It is the current policy of the Federal Open Market Committee to permit the supply of bank credit and money to increase further, but at the same time to avoid redundant bank reserves that would encourage capital

ANNUAL REPORT OF BOARD OF GOVERNORS

outflows internationally. This policy takes into account, on the one hand, the gradualness of recent advance in economic activity and the availability of resources to permit further advance in activity. On the other hand, it gives recognition to the bank credit expansion over the past year and to the role of capital flows in the country's adverse balance of payments.

To implement this policy, operations for the System Open Market Account during the next 3 weeks shall be conducted with a view to providing moderate reserve expansion in the banking system and to fostering a moderately firm tone in money markets.

Votes for this action: Messrs. Martin, Balderston, Bryan, Deming, Fulton, King, Mills, Shepardson, and Treiber. Votes against this action: Messrs. Mitchell and Bopp.

Messrs. Mitchell and Bopp dissented because they would have preferred a directive indicating a greater willingness to encourage monetary expansion, substantially like that adopted at the meeting of May 29, 1962. They thought that monetary policy could make a greater contribution to economic expansion without risking significantly adverse effects on the balance of payments. In their opinion, the virtual elimination of any prospect for a Federal tax cut in 1962 increased the importance of adopting a more stimulative monetary policy. Mr. Mitchell also expressed concern about the lack of growth in the money supply since November 1961 which, he felt, had interfered with economic expansion. In his view there had been no monetary expansion since late 1961. The rise in time deposits and total bank assets that had taken place thus far in 1962 was due to the growth of banks as savings institutions or financial intermediaries and not to monetary creation brought about by Federal Reserve policy. Recent policy, therefore, implicitly denied the need for the money supply to grow with an expanding economy.

September 11, 1962

Authority to effect transactions in System Account.

It appeared that the improved performance of the economy in July was not continuing. Reports to the Committee at this meet-

FEDERAL RESERVE SYSTEM

ing, based partly on preliminary estimates, indicated that industrial production and retail sales had leveled off in August. Also, the seasonally adjusted unemployment rate had risen to 5.8 per cent, although this was reportedly due in part to special or technical influences. Surveys of consumer buying intentions and of business plans for inventory restocking and capital outlays suggested little change or only moderate gains in spending over the coming months.

After contracting in July, bank credit expanded markedly in August and grew slightly further in early September. Nevertheless, private demand deposits declined substantially in August. Treasury balances remained unusually high, and time and savings deposits at commercial banks continued to grow but at their recently reduced pace. The conventionally defined private money supply was at a level about 1 per cent below that at the end of 1961, after allowance for usual seasonal variations.

Long-term security yields were steady in early September, after declining during much of August. An advance refunding operation undertaken by the Treasury was still in progress at the time of the meeting, with early indications that it was being well received.

The international economic scene was reported to have changed little in recent weeks, with the deficit in the U.S. balance of payments about the same in August as in July (after allowing for the sizable foreign debt prepayments in July). Preliminary figures for late August and early September suggested some improvement, but it was too early to tell whether they indicated a trend.

A majority of the Committee concluded that, in view of continued evidence of adequate domestic liquidity and continuing indications of unsatisfactory progress with respect to the balance of payments, monetary policy should remain unchanged for the next 3 weeks. It was recognized that maintenance of the same general atmosphere of credit availability might require somewhat larger amounts of bank reserves than earlier, because of the concentration of money market pressures arising from large

ANNUAL REPORT OF BOARD OF GOVERNORS

dealer financing requirements connected with the Treasury re-funding superimposed upon seasonal needs for funds associated with corporate tax and dividend payments. Because of these developments, it was agreed that the Account Manager would have to give particular emphasis to the tone and feel of the market in managing the System Account. The current policy directive issued to the Federal Reserve Bank of New York was as follows:

It is the current policy of the Federal Open Market Committee to permit the supply of bank credit and money to increase further, but at the same time to avoid redundant bank reserves that would encourage capital outflows internationally. This policy takes into account, on the one hand, the gradualness of recent advance in economic activity and the availability of resources to permit further advance in activity. On the other hand, it gives recognition to the bank credit expansion over the past year and to the role of capital flows in the country's adverse balance of payments.

To implement this policy, operations for the System Open Market Account during the next 3 weeks shall be conducted with a view to providing moderate reserve expansion in the banking system and to fostering a moderately firm tone in money markets.

Votes for this action: Messrs. Martin, Hayes, Balderston, Bryan, Deming, Ellis, Fulton, King, and Shepardson. Votes against this action: Messrs. Mills, Mitchell, and Robertson.

In explaining his dissent, Mr. Mills said that he considered the forestalling of further declines in the money supply to be an overriding necessity. In his view, therefore, a higher level of free reserves should be an objective of System policy. Mr. Mitchell dissented for reasons similar to those he had expressed at recent meetings. Mr. Robertson felt that greater monetary ease at this juncture could stimulate additional employment of resources domestically without prejudicing the international position of the dollar. In the credit field, he believed there was room for more aggressive loan competition among banks, at lower rates of interest. In his view, the ability of the economy to accommodate such additional credit stimulus was demonstrated, in part, by the relative absence of the kinds of credit abuses that could be engendered or remedied by changes in general credit controls. In

FEDERAL RESERVE SYSTEM

the field of public liquidity, he observed there was a clear need for renewed growth in the money supply. Although there had been times this year when the effects of a lagging money supply might have been cushioned by accelerated growth in time deposits and other liquid assets, such growth had since slowed. Furthermore, the channeling of private saving into financial claims, especially short-term Treasury securities, meant that the funds of businesses and consumers were being funneled into something less than the most stimulating channels, and Mr. Robertson felt that the prevailing interest-rate structure—fostered by existing monetary policy—must bear some of the responsibility for such a deflationary orientation of savings flows. He believed that greater monetary stimulation at this time—when there were unutilized human and material resources and when the gold stock was ample to protect against rumor-spawned speculative raids on the dollar—would contribute to a prosperous and more rapidly growing economy that would command renewed and more deeply rooted respect for both this country's economic system and its currency.

October 2, 1962

1. Authority to effect transactions in System Account.

Hesitation in the economy, apparent at the preceding meeting of the Committee, became clearer as final reports of August developments were examined, and the limited information available for September suggested little or no improvement in that month. The economy appeared rather delicately balanced between forces making for mild contraction and those making for further modest expansion. Unemployment, which rose in August to 5.8 per cent of the labor force, continued at that higher rate in September. Business psychology was appraised as not being optimistic; there was renewed weakness of stock market prices, and business fixed capital investment was indicated as lacking in vigor.

Consumer buying also was showing little significant change, with preliminary estimates suggesting a slight decline in total

ANNUAL REPORT OF BOARD OF GOVERNORS

retail sales in September. Industrial commodity prices had not been rising, and wage increases were indicated to have been smaller than in earlier postwar expansions.

In the financial area, total bank credit expansion in August was fairly sizable and business loans showed somewhat more strength. Private demand deposits, which had declined in August, rose somewhat in the first half of September. Time and savings deposits continued to expand.

In capital markets, the volume of new municipal and corporate offerings was relatively light, and yields tended to slide off from summer levels. Yields on Treasury notes and bonds also tended downward, while 3-month bill rates ended the period at about the 2.75 per cent level, little changed from the start of the period. The effective rate on Federal funds continued in the 2.75-3 per cent area.

Improvement in the U.S. balance of payments this year was viewed as likely to be disappointingly small. In the first 3 quarters of the year, the deficit continued uncomfortably large and would have been even larger if substantial debt prepayments had not been received. Moreover, the deficit involved a greater gold loss than in 1961.

Some sentiment expressed during this meeting favored a modification of monetary policy in the direction of additional ease because of concern about the lack of vigor in the domestic economy. However, after taking into account the continuing balance of payments deficit as well as the supply of bank credit already available to meet credit demands, the majority view favored a continuation of current policy for the next 3 weeks. This policy contemplated that reserves needed for seasonal purposes would be supplied freely and that the Account Management, in conducting open market operations, would continue to be guided to a considerable extent by money market developments. The current policy directive issued to the Federal Reserve Bank of New York was in the same form as that issued at the meeting on September 11.

FEDERAL RESERVE SYSTEM

Votes for this action: Messrs. Martin, Hayes, Balderston, Bryan, Deming, Ellis, Fulton, and Shepardson. Votes against this action: Messrs. Mills and Mitchell.

Messrs. Mills and Mitchell concurred in the generally held view regarding the seriousness of the balance of payments problem. However, with the domestic economy operating below desired levels of resource utilization and future trends uncertain, they saw justification in moving toward a somewhat greater degree of monetary ease than was implied in a continuation of current policy, even though this might result in some downward pressure on short-term interest rates.

2. Authority to purchase and sell foreign currencies.

The continuing authority directive to the Federal Reserve Bank of New York with respect to System foreign currency operations, as originally adopted by the Federal Open Market Committee on February 13, 1962, and most recently amended by the Committee on July 10, 1962, was further amended at this meeting, effective immediately, to increase from \$750 million to \$1 billion the maximum amount of foreign currencies authorized to be held at any one time and to add the Austrian schilling to the list of foreign currencies that the New York Bank was authorized and directed to purchase and sell. At this date the Federal Reserve System had reciprocal currency (swap) agreements outstanding in the total amount of \$700 million with the Bank of France, the Bank of England, the Netherlands Bank, the National Bank of Belgium, the Bank of Canada, the Bank for International Settlements, the Swiss National Bank, and the German Federal Bank. In addition, there was in prospect the execution of similar agreements with the Bank of Italy and the Austrian National Bank that, if entered into on the basis contemplated, would increase to \$800 million the total U.S. dollar equivalent of foreign currencies involved in such arrangements. In addition, the System continued to hold a modest quantity of foreign currencies acquired from the Treasury Stabilization Fund

ANNUAL REPORT OF BOARD OF GOVERNORS

at the outset of the Federal Reserve program of foreign currency operations.

As amended, the continuing authority directive read as follows:

The Federal Reserve Bank of New York is authorized and directed to purchase and sell through spot transactions any or all of the following currencies in accordance with the Guidelines on System Foreign Currency Operations issued by the Federal Open Market Committee on February 13, 1962:

Pounds sterling
French francs
German marks
Italian lire
Netherlands guilders
Swiss francs
Belgian francs
Canadian dollars
Austrian schillings

Total foreign currencies held at any one time shall not exceed \$1 billion.

Votes for this action: Messrs. Martin, Hayes, Balderston, Bryan, Deming, Ellis, Fulton, Mills, Mitchell, and Shephardson. Votes against this action: None.

October 23, 1962

Authority to effect transactions in System Account.

During the evening preceding this meeting of the Committee, the President had announced emergency actions to deal with the crisis that had developed due to the build-up of offensive military weapons in Cuba. The crisis had become apparent suddenly, but in the short time available to receive reports it appeared that the reaction in markets was cautious, though nervous, with the result that no waves of selling or buying had developed. In the corporate security market one large financing proceeded as scheduled the morning of the meeting. The Special Manager of the System Open Market Account for foreign currency operations had

FEDERAL RESERVE SYSTEM

contacted the monetary authorities of major industrial countries by the time of the meeting, and those authorities stood prepared to coordinate such intervention in foreign exchange markets as might become necessary to cushion the impact of any unusual flows of funds that might develop internationally.

The Committee discussion reflected grave concern about possible consequences of the Cuban crisis, but until further information became available no change in monetary policy seemed called for on that account. Economic and financial tendencies, as they had been developing prior to the President's statement, had led to some comment in business and financial quarters about a possible early cyclical turndown in activity. While the general view was that information available to date did not support such a conclusion, at the same time it was clear that the economy at best had been moving sideways in recent weeks. The margin of unutilized manpower and industrial capacity continued large.

In financial markets the impact of the recently announced reduction by the Board of Governors of 1 percentage point in reserve requirements on time and savings deposits at member banks, to become effective shortly, remained to be seen, and the Cuban crisis rendered appraisal of the situation particularly difficult. Sluggishness in the economy, however, appeared to be generating an increasing volume of business and consumer liquidity without a corresponding change in private credit demands. As a consequence, both short- and long-term interest rates had continued to ease prior to the Cuban crisis.

The U.S. balance of payments position deteriorated in the third quarter and even more so in the first half of October. The net capital outflow on private account continued large, especially to Canada. Exports had declined in August contrary to expectations, and the export surplus was the smallest in many years. Increasing concern was reported about prospects for a continuation of economic expansion in Europe; if the European boom should be topping out, U.S. exports would be adversely affected.

In view of the uncertainties presented by the international

ANNUAL REPORT OF BOARD OF GOVERNORS

crisis and the imminence of a Treasury refunding, there was unanimous agreement that no change should be made in policy at this meeting, although the Committee should be prepared to deal promptly with whatever problems might arise. While, as indicated, the policy decision was to maintain the status quo at this time, the wording of the current economic policy directive was changed to reflect awareness of the Cuban emergency situation and to take account of the forthcoming Treasury financing. As changed, the directive issued to the Federal Reserve Bank of New York read as follows:

It is the current policy of the Federal Open Market Committee to encourage moderate further increase in bank credit and the money supply, while avoiding money market conditions unduly favorable to capital outflows internationally. It is also the Committee's policy to cushion such unsettlement in money markets as may stem from international developments of an emergency or near emergency character. This policy takes into account the potential financial effects of the Government's quarantine on armament imports into Cuba, the imminence of a large Treasury refinancing, and the recent stability of economic activity, with a margin of underutilized resources and an absence of inflationary pressures.

To implement this policy, operations for the System Open Market Account during the next 3 weeks shall be conducted with a view to providing moderate reserve expansion in the banking system and to fostering a steady tone in money markets.

Votes for this action: Messrs. Martin, Hayes, Balderston, Deming, Ellis, Fulton, King, Mills, Mitchell, Shepardson, and Irons. Votes against this action: None.

November 13, 1962

1. Authority to effect transactions in System Account.

The Cuban crisis, although far from settled, had eased appreciably by the time of this meeting. While the performance of the domestic economy was still unsatisfactory in terms of utilization of manpower and other resources, the economic atmosphere appeared to have improved. The more encouraging domestic

FEDERAL RESERVE SYSTEM

indications included a high rate of auto sales in October following the introduction of new models; preliminary reports from the October survey of consumer buying plans showing increased strength in plans to purchase new cars and household durable goods; and the results of a recent survey of business plans for new plant and equipment outlays for 1963, showing a modest rise over the estimated 1962 total.

In most domestic financial areas a somewhat more stimulative tone had developed in October and early November. Bank credit had again expanded at a rapid rate in October. Business loan expansion continued larger than seasonal, following a strong showing in August and September. The money supply had risen appreciably in October, and there was a further rapid rise in time and savings deposits. Member bank borrowing from Reserve Banks continued moderate, and free reserves averaged above the \$400 million level. The large consumer financial savings and corporate cash flows were sources of downward pressure on interest rates. Treasury, corporate, and municipal bond yields had receded during October to around the lows reached in the spring of the year. However, large Treasury financing operations and Federal Reserve open market operations had contributed by early November to raising short-term rates above the low levels of late October.

Preliminary information on the October balance of payments position of the United States was unfavorable, indicating an over-all deficit of \$900 million or more. This was the largest for any month on record and more than double the third-quarter monthly average deficit, owing in part to extraordinary transactions including large transfers to Canada, a large royalty payment to Venezuela, and probably some outflow of U.S. funds caused by the Cuban crisis. Some improvement in the balance of payments was indicated for the first week of November. Despite the sharp deterioration in the October payments position, the dollar remained relatively steady in foreign exchange markets and no serious pressure developed in the London gold market, reflecting in part the increasingly close cooperation

ANNUAL REPORT OF BOARD OF GOVERNORS

among leading central banks. Gold sales to foreigners in October were small in relation to the deficit in the balance of payments in that month.

Within the Committee, differences in views were more clearly marked than for some time as to the appropriate course for monetary and credit policy. Some members of the Committee favored moving in the direction of slightly less ease. Their views reflected serious concern about the balance of payments problem, which they believed could be alleviated to some extent by moderately higher interest rates in this country. They suggested that monetary ease had already provided ample liquidity to the domestic economy and that greater ease would be more likely to find expression in speculative tendencies and increased outflows of funds to other countries than in significant stimulation of economic expansion. On the other hand, other members of the Committee emphasized the protracted sluggishness in the domestic economic situation and the absence of inflationary tendencies. Also, they felt that small increases in interest rates would be of little help in dealing with the balance of payments problem. Hence, these members were inclined toward somewhat more ease than currently prevailed. A third group, constituting a majority of the Committee, felt that recent changes in domestic and international conditions had not yet been so pronounced as to call for any change at this time in the current Committee policy, which called for encouraging a moderate further increase in bank credit and the money supply, while avoiding money market conditions unduly favorable to capital outflows.

After extensive discussion of these various views, the following current economic policy directive was issued to the Federal Reserve Bank of New York:

In view of the recent stability of economic activity, with a margin of underutilized resources and an absence of inflationary pressures, it is the current policy of the Federal Open Market Committee to encourage moderate further increase in bank credit and the money supply, while avoiding money market conditions unduly favorable to capital outflows internationally. It is also the Committee's policy to cushion such unsettle-

FEDERAL RESERVE SYSTEM

ment in money markets as may stem from international developments of an emergency or near emergency character.

To implement this policy, operations for the System Open Market Account during the next 3 weeks shall be conducted with a view to providing moderate reserve expansion in the banking system and to fostering a steady tone in money markets.

Votes for this action: Messrs. Martin, Balderston, Bryan, Deming, Ellis, Fulton, King, Mills, Mitchell, and Robertson.

Vote against this action: Mr. Hayes.

In voting on the directive, Messrs. Balderston and Fulton indicated that they would have preferred a lesser degree of ease, while Messrs. Mills and Mitchell indicated they would have preferred a greater degree of ease. They voted for the directive, however, on the ground that its wording would permit the degree of change that they would have preferred.

In voting against the adoption of the directive, Mr. Hayes called attention to the slightly better performance of the domestic economy in the recent period, the substantial recent increases in bank credit, the downward market pressures on interest rates of all maturities, and the lack of significant progress with regard to the balance of payments. In his view, with the international balance of payments problem so pressing, and with the nation's liquidity so ample, he could see no reason for pursuing a policy only slightly less easy than at the bottom of a recession nearly 2 years earlier. Accordingly, he advocated making a modest but definite move toward less ease.

2. Amendment of Authorization and Guidelines for System foreign currency operations.

The Committee's Guidelines for System Foreign Currency Operations and its Authorization Regarding Open Market Transactions in Foreign Currencies (approved on February 13, 1962, and reaffirmed on March 6, 1962) were amended in minor respects to provide for somewhat greater flexibility of operations and to provide expressly for reciprocal currency arrangements on a standby basis. The amendment in the Guide-

ANNUAL REPORT OF BOARD OF GOVERNORS

lines took the form of deleting certain words in the first paragraph of Section 2, Exchange Transactions, and inserting two subsequent paragraphs, with the result that the first three paragraphs of the Section were changed to read as follows:

System exchange transactions shall be geared to pressures of payments flows so as to cushion or moderate disequilibrating movements of funds and their destabilizing effects on U.S. and foreign official reserves and on exchange markets.

In general, these transactions shall be geared to pressures connected with movements that are expected to be reversed in the foreseeable future; when expressly authorized by the Federal Open Market Committee, they may also be geared on a short-term basis to pressures connected with other movements.

Subject to express authorization of the Committee, the Federal Reserve Bank of New York may enter into reciprocal arrangements with foreign central banks on exchange transactions ("swap" arrangements), which arrangements may be wholly or in part on a standby basis.

The changes in the Authorization were in paragraph (1) of Section III, relating to specific aims of foreign currency operations. As amended, paragraph (1) provided that such operations were to be conducted, within the basic purposes set forth in Section II:

To offset or compensate, when appropriate, the effects on U.S. gold reserves or dollar liabilities of disequilibrating fluctuations in the international flow of payments to or from the United States, and especially those that are deemed to reflect temporary forces or transitional market unsettlement.

Votes for this action: Messrs. Martin, Hayes, Balderston, Bryan, Deming, Ellis, Fulton, King, Mills, Mitchell, and Robertson. Votes against this action: None.

December 4, 1962

Authority to effect transactions in System Account.

A distinct improvement in business psychology had developed in the weeks preceding this meeting, although key measures of

FEDERAL RESERVE SYSTEM

economic activity continued to show little change from the levels existing since midyear. The change in business and financial sentiment both reflected and contributed to the sharp rise that had occurred in stock market prices since late October. Also, both sentiment and stock prices presumably had been influenced by the release of tension as the Cuban crisis eased, as well as by speculation about the effect of an anticipated tax reduction. Total retail sales advanced again in November. New car purchases were at a very high level, although below the October rate.

Other economic information becoming available since the preceding meeting of the Committee was mixed. The industrial production index in October remained at the level at which it had been since July. New orders received by durable goods producers rose in October, and new housing starts recovered most of their September decline. On the other hand, the rate of unemployment rose fractionally in November, returning to the high August-September level. Plans for business investment showed no change in outlays from the third to the fourth quarter, but indicated a small decline for the first quarter of 1963. Commodity price averages continued to register little change; the flurry of advances in some sensitive prices during the Cuban crisis had been largely reversed.

Total bank credit and business loan expansion remained strong. The private money supply in October and November rose sharply above the level existing for many months, and time and savings deposits also rose substantially further.

In contrast to bank credit, capital market financing continued light. Estimates for the fourth quarter indicated declines from a year earlier of one-fourth in corporate security offerings and of one-fifth in State and local financing.

Money markets continued generally steady, with interest rates, particularly in the short-term area, tending to move up slightly. It was noted that, beginning about mid-December and continuing for several months, seasonal forces would be working toward lower interest rates as demands for financing usually are low

ANNUAL REPORT OF BOARD OF GOVERNORS

early in the year and the flow of investment funds normally is large.

The November balance of payments deficit was sharply lower than the record October figure, which had been affected considerably by temporary factors. For the year to date, however, the deficit was only a little short of that for 1961, and there was still no indication that the basic accounts in the payments balance had improved significantly. Foreign exchange and gold markets had remained calm in recent weeks, and the net gold outflow was small.

At this meeting, as at the preceding one, there were varied judgments as to the precise degree of monetary ease to be sought. A large minority—taking into account the relatively high level of domestic activity, the degree of liquidity in the economy and the banking system, and the desirability of help with the balance of payments problem—felt that it was important to follow a policy of slightly less ease. A smaller number of members, influenced more by the persistently low rates of manpower and other resource utilization, felt that a little more ease could help to stimulate domestic employment; this group also questioned whether slightly less ease could contribute significantly to the solution of the balance of payments deficit. After discussion, the majority of the Committee members, including in the end some of those who initially had indicated a preference for shadings of slightly more or slightly less ease, voted in favor of no change at this time from the policy adopted at the November 13 meeting. The wording of the current economic policy directive was changed to delete, as no longer needed, the reference to international emergency conditions contained in the last sentence of the first paragraph of the November 13 directive and to recognize the 2-week, instead of 3-week, interval before the next meeting. The policy directive issued to the Federal Reserve Bank of New York was as follows:

In view of the recent stability of economic activity, with a margin of underutilized resources and an absence of inflationary pressures, it is the

FEDERAL RESERVE SYSTEM

current policy of the Federal Open Market Committee to encourage moderate further increase in bank credit and the money supply, while avoiding money market conditions unduly favorable to capital outflows internationally.

To implement this policy, operations for the System Open Market Account during the next 2 weeks shall be conducted with a view to providing moderate reserve expansion in the banking system and to fostering a steady tone in money markets.

Votes for this action: Messrs. Martin, Balderston, Bryan, Deming, Ellis, Fulton, King, Mills, Mitchell, Robertson, and Shepardson. Vote against this action: Mr. Hayes.

Mr. Hayes voted against this directive for essentially the same reasons that he had opposed the directive at the previous meeting—namely, that in view of ample domestic liquidity and an unsatisfactory balance of payments situation a somewhat less easy policy was appropriate.

December 18, 1962

Authority to effect transactions in System Account.

Information that had become available in the 2 weeks since the preceding meeting of the Committee confirmed the mixed picture of the economic situation. The feeling of increased business optimism with regard to prospects appeared to be continuing, but evidence of solid additional achievement was still limited.

Retail sales, as expected, proved to be higher in November than in October; steel output rose; average weekly hours of work at factories increased; and new orders for machinery advanced again. Automobile sales continued relatively strong in November and early December, and stocks of cars in dealers' hands were low. Early Christmas buying, however, appeared to be somewhat disappointing. Industrial production in November remained unchanged, and nonagricultural employment showed no improvement, both being at about midyear levels. Wholesale commodity price averages continued unchanged.

ANNUAL REPORT OF BOARD OF GOVERNORS

Gross national product was estimated at a seasonally adjusted annual rate of \$562 billion to \$563 billion for the fourth quarter, compared with \$555 billion in the third quarter. If realized, the fourth-quarter rate would be 4.5 per cent above a year earlier and 11 per cent above the preceding cyclical peak in the spring of 1960.

Bank credit continued to expand vigorously in November, although the rise was less rapid than in the preceding 3 months. The money supply rose substantially further and apparently continued upward in early December. Time deposits continued their rapid rise. Free reserves in the 2 weeks preceding this meeting were at the lowest level in 2 years, but their decrease apparently produced no undue restraining effect in central money markets. Short-term interest rates continued more or less stable, and member bank borrowing at the Reserve Banks held around the somewhat higher level reached in November.

A time of year was approaching when seasonal factors, which for some weeks had been exerting an upward influence on short-term rates, would normally begin to exert a downward influence. For this reason, a slightly firmer tone in money markets might become necessary if the current level of short-term interest rates were to be maintained.

The balance of payments deficit in November showed a sharp drop from the record level of October, when certain temporary factors were at work. In the first half of December the improvement observed in November seemed to continue. Gold and foreign exchange markets remained generally calm, and the monetary gold stock had not declined for several weeks.

The shadings of policy preference expressed at this meeting were relatively limited, with no Committee member recommending a decisive move in the direction of either more or less monetary ease. There continued to be some differences of opinion, however, as among policies of slightly more ease, slightly less ease, or the same degree of ease that had prevailed, the reasons for these views being largely the same as those expressed at other recent meetings. At those meetings, several members who sup-

FEDERAL RESERVE SYSTEM

ported a continuation of prevailing policy had at the same time expressed the view that a somewhat less easy policy might be appropriate after the economy had passed the peak of seasonal credit demand. This now proved to be the majority position.

The majority position took into account the anticipated downward pressures on short-term rates of a seasonal nature, it being felt that a continuation of the current degree of monetary ease in an environment of substantial seasonal decline in interest rates might have unfavorable effects, especially from the standpoint of the balance of payments. The majority also noted the relatively high rate of increase in bank reserves in recent weeks and the degree of liquidity in the economy. In their view, monetary and credit policy had made a significant contribution to the stimulation of domestic economic expansion.

The position taken by the minority reflected doubt that net capital outflows would be much affected by some seasonal easing of U.S. interest rates in the present slightly improved atmosphere in international financial markets. Those holding this view preferred to continue undiminished the prevailing financial stimulus to domestic activity.

To reflect the views of the majority, the current economic policy directive issued to the Federal Reserve Bank of New York was modified to read as follows:

It is the current policy of the Federal Open Market Committee to accommodate moderate further increases in bank credit and the money supply, while aiming at money market conditions that would minimize capital outflows internationally. This policy takes into account the lack of any significant improvement in the U.S. balance of payments and the recent substantial increase in bank credit, but at the same time recognizes the unsatisfactory level of domestic activity, the continuing underutilization of resources, and the absence of inflationary pressures.

To implement this policy, operations for the System Open Market Account during the next 3 weeks shall be conducted with a view to offsetting the anticipated seasonal easing of Treasury bill rates, if necessary through maintaining a firmer tone in money markets, while continuing to provide moderate reserve expansion in the banking system.

ANNUAL REPORT OF BOARD OF GOVERNORS

Votes for this action: Messrs. Martin, Hayes, Balderston, Ellis, Fulton, King, and Shepardson. Votes against this action: Messrs. Bryan, Deming, Mills, Mitchell, and Robertson.

Mr. Robertson, one of those who dissented from the action taken by the Committee, believed that it would be a mistake to undertake a firming of the money market simply in order to offset anticipated declines in Treasury bill rates. With the pace of domestic business activity still undesirably slow and short-term international financial flows less troublesome than earlier, he felt that it would be appropriate to maintain reserve availability at a level that would sustain a gradual further monetary expansion even if some seasonal decline in short-term interest rates developed.

FEDERAL RESERVE SYSTEM

RECORD OF POLICY ACTIONS
BOARD OF GOVERNORS

February 13, 1962

Amendment to Regulation N, Relations with Foreign Banks and Bankers.

Effective February 13, 1962, Regulation N was amended to regulate, as contemplated by statute, the opening and maintenance by Federal Reserve Banks of accounts with foreign banks, and to provide that negotiations and agreements, contracts, or understandings entered into by a Federal Reserve Bank with foreign banks were to be subject to such authorizations, directions, regulations, and limitations as might be prescribed by the Federal Open Market Committee to the extent necessary to effectuate the conduct of open market transactions by the Federal Reserve Banks through such foreign accounts.

Votes for this action: Messrs. Martin, Balderston, Mills, Shepardson, King, and Mitchell. Vote against this action: Mr. Robertson.

For some time the Board and the Federal Open Market Committee had been studying the question of initiating a program of System operations in foreign currencies. Although the contemplated transactions would be in the nature of open market operations subject to the jurisdiction of the Federal Open Market Committee, they would also involve the opening and maintenance by a Federal Reserve Bank of accounts with foreign banks; and under Section 14(e) of the Federal Reserve Act the establishment of such accounts was authorized only "with the consent or upon the order and direction of the Board of Governors of the Federal Reserve System and under regulations to be prescribed by said Board." In addition, such transactions would involve relationships and transactions with foreign banks; and Section 14(g) of the Federal Reserve Act both required the Board to exercise special supervision over all relationships and transactions of any kind entered into with foreign banks and provided that such relationships and transactions would be subject to such regulations, conditions, and limitations as the Board might prescribe. Under the law, these responsi-

ANNUAL REPORT OF BOARD OF GOVERNORS

bilities of the Board could not be delegated to the Federal Open Market Committee. However, it appeared that, consistent with the law, the Board could by regulation consent to the supervision by the Committee of transactions in foreign accounts to the extent that they involved open market operations. With the adoption by the Board of this amendment to Regulation N, the Federal Open Market Committee authorized a program of System operations in foreign currencies, as described on pages 54–63 of this ANNUAL REPORT.

Governor Robertson's dissent from the action to amend Regulation N reflected his view that the Federal Reserve System should not initiate a program of foreign currency operations. The reasons for that view are described in the record of policy actions of the Federal Open Market Committee, specifically on pages 56–57 of this REPORT.

March 21, 1962

Amendment to Regulation U, Loans by Banks for the Purpose of Purchasing or Carrying Registered Stocks.

Effective May 1, 1962, paragraphs (f), (g), and (h) of Section 221.2 of Regulation U were amended in order to prevent credit that might be extended by banks under exemptions from the margin requirements and other requirements of Section 221.1 provided in those paragraphs from being used to finance transactions in "special cash accounts" under Section 220.4 of the Board's Regulation T, Credit by Brokers, Dealers, and Members of National Securities Exchanges.

Votes for this action: Messrs. Martin, Balderston, Mills, Robertson, Shepardson, and King. Votes against this action: None.

This action was intended to block a loophole that permitted so-called "free riding" by speculators through improper use of "special cash accounts" established pursuant to Section 220.4(c) of Regulation T. ("Free riding" involves a purchase of securities in expectation of a rise in the market price before the settlement date, so that payment may be made from the proceeds of a consequent profitable sale before that date.) Although the

FEDERAL RESERVE SYSTEM

Board's authorization of special cash accounts was not intended to facilitate such transactions, it appeared that certain lenders were financing their customers' free riding through bank loans extended under the enumerated paragraphs of Section 221.2, particularly paragraph (f).

The foregoing amendments had been the subject of a notice of proposed rule making, published in the Federal Register, and were adopted by the Board after consideration of relevant views and arguments received from interested persons.

July 9, 1962

Reduction in margin requirements.

Effective July 10, 1962, the Supplements to Regulation T, Credit by Brokers, Dealers, and Members of National Securities Exchanges, and to Regulation U, Loans by Banks for the Purpose of Purchasing or Carrying Registered Stocks, were amended to reduce the margin requirements from 70 per cent to 50 per cent, these requirements to be applicable both to purchases of securities and to short sales.

Votes for this action: Messrs. Martin, Balderston, Sheppardson, King, and Mitchell. Votes against this action: Messrs. Mills and Robertson.

Margin requirements are established by the Board of Governors, pursuant to authority contained in the Securities Exchange Act of 1934, "for the purpose of preventing excessive use of credit for the purchase or carrying of securities." The present change in the margin requirements was the first since July 28, 1960, when the requirements were reduced from 90 per cent to 70 per cent.

In making this change, the Board noted that there had been a sharp reduction in stock market credit in recent weeks, with an abatement in speculative psychology. In June, bank loans to customers for the purpose of purchasing or carrying registered stocks had declined more than 5 per cent to a level of \$1.3 billion. Furthermore, preliminary data indicated a decline of \$600 million in borrowing by stock exchange member firms from banks on customer collateral, the largest monthly decline

ANNUAL REPORT OF BOARD OF GOVERNORS

reported in the postwar period. Thus, when final figures became available for June, a substantial decline would be shown in customer debit balances and in total stock market customer credit. In these circumstances, the Board concluded that a 70 per cent margin requirement was not necessary to prevent the excessive use of credit for the purchase or carrying of securities.

Governor Mills dissented from this action because in his view the lower margin requirement would constitute an inducement for unsophisticated investors to enter the stock market in a period of unsettled economic and market conditions, with the result that they would be exposed to possible speculative losses in their transactions. According to his interpretation, the responsibility of the Board of Governors under the statute for preventing the "excessive use of credit for the purchase or carrying of securities" included the responsibility for limiting access to market trading, through the use of market credit, by individuals unfamiliar with the risks involved in such practices. He also was apprehensive that a margin requirement reduction at this time would be regarded by many as an action on the part of the Board to give a psychological lift to business that was not based on a firm foundation, in which event the action could be more damaging than helpful to business confidence.

Governor Robertson believed the timing of the action was unwise. He felt that the action, coming on the heels of the recent break in stock market prices, might serve (1) to encourage people to enter the market now, with more borrowed funds and less of their own—and possibly to their detriment, and (2) to encourage public belief that adjustments of margin requirements are made for the purpose of affecting market prices of stocks, rather than for the purpose specified in the law. The possible benefits to be derived from action at this moment were, in his view, insufficient to offset these adverse possibilities.

FEDERAL RESERVE SYSTEM

July 11, 1962

Amendments to Regulation D, Reserves of Member Banks.

Effective July 28, 1962, Regulation D and the Supplement thereto were amended in order (1) to make the changes necessary to reflect the termination of the "central reserve city" classification, (2) to incorporate in the Regulation the factors considered by the Board in acting upon requests from individual member banks in reserve cities for permission to carry the lower reserves applicable to member banks not located in such cities, and (3) to make certain minor clarifying changes.

Votes for this action: Messrs. Martin, Balderston, Mills, Robertson, Shepardson, King, and Mitchell. Votes against this action: None.

Public Law 86-114, approved July 28, 1959, provided among other things for termination of the classification "central reserve cities" on July 28, 1962. Accordingly, one purpose of the present amendments to Regulation D and its Supplement was to conform them to the law in this respect.

Public Law 86-114 also authorized the Board of Governors to permit a member bank located in a central reserve or reserve city (reserve cities only beginning with July 28, 1962) to carry lower reserves than other member banks in the same city, based on the character of the bank's business. The previous basis for acting upon such a request from a member bank had been the geographical location of the bank concerned within the particular city. One purpose of the current amendments was to incorporate into the Regulation factors taken into account by the Board in considering requests of this kind. The factors included, but were not limited to, the amount of the member bank's total assets, the amount of its total deposits, the amount of its total demand deposits, the amount of its demand deposits owing to banks, the nature of its depositors and borrowers, the rate of activity of its demand deposits, the bank's geographical location within the city, and its competitive position with relation to other banks in the city. These standards had been the subject of a notice of proposed rule making published in the Federal Register, and they were incorporated into the Regulation

ANNUAL REPORT OF BOARD OF GOVERNORS

after consideration by the Board of relevant views and arguments received from interested persons.

Certain minor clarifying amendments also were made to the Regulation in respect to reserve computation periods and the counting of vault cash as reserves.

July 11, 1962

Amendment to Rule for Classification of Reserve Cities.

Effective July 28, 1962, a paragraph was added to the Board's 1947 Rule for Classification of Reserve Cities to make possible the termination of the reserve city designation of certain cities, and certain technical changes also were made in the Rule.

Votes for this action: Messrs. Martin, Balderston, Mills, Robertson, Shepardson, King, and Mitchell. Votes against this action: None.

At the time of the triennial designation of reserve cities effective March 1, 1957, five cities that did not fall within the standards of classification as reserve cities under the Board's 1947 Rule for Classification of Reserve Cities were nevertheless continued as reserve cities at the request of member banks in those cities, as permitted by the Rule in such circumstances. The cities were Pueblo, Colorado; Kansas City, Kansas; Topeka, Kansas; Wichita, Kansas; and Toledo, Ohio. Under the 1947 Rule, as then in effect, member banks in those cities were entitled to assume that they would have an opportunity to reconsider the situation at the time of the triennial review in 1960. However, on February 10, 1960, the Board suspended until further notice the provisions of the 1947 Rule calling for triennial reviews. Consequently, it seemed inequitable to require the designation of the five cities as reserve cities to be continued indefinitely, if such designation was contrary to the wishes of member banks in such cities, and it was known that member banks in some of the cities would now welcome termination of the reserve city designation.

Accordingly, the Board's Rule was amended to provide that

FEDERAL RESERVE SYSTEM

in any case in which a city was classified as a reserve city solely by reason of the continuance of its designation as such, effective March 1, 1957, pursuant to the request of member banks in the city, the reserve city designation of such city would be terminated, effective at such time as the Board might prescribe, if a written request for such termination was received by the Federal Reserve Bank of the district in which the city was located from one or more member banks with head offices in such city and if such request was granted by the Board of Governors.

Subsequent to the amendment of the Board's Rule, requests for termination of the reserve city designation of Kansas City, Topeka, and Wichita, Kansas, were received from member banks in those cities and were approved by the Board.

Certain technical amendments to the Rule for Classification of Reserve Cities also were necessary because of the termination of the central reserve city classification on July 28, 1962, pursuant to the provisions of Public Law 86-114.

September 27, 1962

Amendment to Regulation J, Check Clearing and Collection.

Effective September 27, 1962, Section 210.2(a) of Regulation J was amended by substituting at two places the term "nonmember banks" for the term "nonmember State banks."

Votes for this action: Messrs. Balderston, Mills, Robertson, Shepardson, King, and Mitchell. Votes against this action: None.

As amended, Section 210.2(a) read as follows:

(a) In pursuance of the authority vested in it under these provisions of law, the Board of Governors of the Federal Reserve System, desiring to afford both to the public and to the various banks of the country a direct, expeditious, and economical system of check collection and settlement of balances, has arranged to have each Federal Reserve Bank exercise the functions of a clearing house and collect checks for such of its member banks as desire to avail themselves of its privileges and for such nonmember banks and trust companies as may maintain with the Federal Reserve bank balances sufficient to qualify them

ANNUAL REPORT OF BOARD OF GOVERNORS

under the provisions of Section 13 to send items to Federal Reserve Banks for purposes of exchange or of collection. Such nonmember banks and trust companies will hereinafter be referred to as nonmember clearing banks.

Prior to this amendment, Section 210.2(a) had referred to the availability of nonmember clearing accounts to "nonmember State banks and trust companies." However, the language of the first paragraph of Section 13 of the Federal Reserve Act refers to "nonmember banks and trust companies." Circumstances had arisen indicating that differences of interpretation might arise from this difference in terminology, and the Regulation therefore was amended to conform to the language of the statute.

October 3, 1962

Termination of Regulation F, Trust Powers of National Banks.

Effective September 28, 1962, Regulation F was terminated.

Votes for this action: Messrs. Martin, Balderston, Mills, Shepardson, and Mitchell. Votes against this action: None.

Public Law 87-722, approved September 28, 1962, repealed Section 11(k) of the Federal Reserve Act and transferred from the Board of Governors to the Comptroller of the Currency the authority to grant trust powers to national banks and to regulate the exercise of such powers. Accordingly, Regulation F was terminated effective as of the same date. Also effective the same date, the Comptroller of the Currency issued a regulation regarding trust powers of national banks.

October 10, 1962

Amendment to Regulation Q, Payment of Interest on Deposits.

Effective October 15, 1962, Section 217.3(a) of Regulation Q was amended by the addition of a sentence exempting, for a period of 3 years, deposits of foreign governments, monetary and financial authorities of foreign governments when acting as such, or international financial institutions of which the United States is a member, from the provisions of the Regulation specifying maximum rates of interest that member banks of the Federal Reserve System may pay on time deposits.

FEDERAL RESERVE SYSTEM

Votes for this action: Messrs. Martin, Balderston, Mills, and Shepardson. Votes against this action: None.

Public Law 87-827 amended Section 19 of the Federal Reserve Act so as to exempt, for a period of 3 years, deposits of foreign governments and certain foreign and international financial institutions from regulation by the Board of Governors as to rates of interest that member banks may pay on time deposits. In prospect of the enactment of this legislation, Section 217(3)(a) of Regulation Q was amended to conform to the change in the statute, such amendment to become effective as of the date of approval of the legislation. The legislation was subsequently approved October 15, 1962.

The amendment to the law and to Regulation Q related only to the rates of interest payable on certain foreign time deposits; such deposits continued to be subject to other requirements of the law and of Regulation Q, such as restriction on payment of time deposits before maturity.

Public Law 87-827 included a similar amendment to Section 18(g) of the Federal Deposit Insurance Act, applicable to deposits in nonmember insured banks.

October 18, 1962

Amendment to Regulation D, Reserves of Member Banks.

Effective as to member banks in reserve cities at the opening of business October 25, 1962, and as to other member banks at the opening of business November 1, 1962, the Supplement to Regulation D was amended to reduce the reserve requirement against time deposits from 5 per cent to 4 per cent.

Votes for this action: Messrs. Martin, Balderston, Mills, Shepardson, and Mitchell. Votes against this action: None.

In announcing this reduction of the reserves against time and savings deposits required to be maintained by member banks with Federal Reserve Banks, the Board made the following statement:

ANNUAL REPORT OF BOARD OF GOVERNORS

This action will reduce member bank required reserves by an estimated \$767 million, \$410 million at reserve city banks and \$357 million at all other member banks. The release of these reserves, coming at this time, will assist in meeting the heavy seasonal needs for reserves that the banking system experiences in the closing months of the year. In addition, the reserves thus supplied will help in providing for the longer-term growth in bank deposits needed to facilitate the expansion of economic activity and trade.

Reserves supplied in this manner substitute for a corresponding amount of reserves supplied through Federal Reserve purchases of Government securities in the open market, most of which, because of the characteristics of the market, would necessarily be in short-term securities. Thus, this method of supplying reserves will minimize downward pressures from System purchases upon short-term market rates, which is desirable in the present circumstances in order to keep incentives for short-term capital flows abroad from becoming stronger. In addition, the reduction in the requirement will make reserves available directly to banks throughout the country, to be used by them as their own local circumstances dictate to support seasonal or other changes in earning assets and deposits.

In taking this action, the Board took into account the character of the growth in deposits at commercial banks this past year. Net increases in savings and time deposits during 1962 have been comparatively large, in response to widespread offering by banks of higher rates of interest for such deposits. In these circumstances, the Board felt a lower requirement behind these deposits would be appropriate.

December 20, 1962

Revision of Regulation I, Issue and Cancellation of Capital Stock of Federal Reserve Banks (title changed from Increase or Decrease of Capital Stock of Federal Reserve Banks and Cancellation of Old and Issue of New Stock Certificates).

Effective February 1, 1963, Regulation I was revised in certain technical respects.

Votes for this action: Messrs. Martin, Balderston, Mills, Robertson, Shepardson, King, and Mitchell. Votes against this action: None.

The purposes of the revision of the Regulation were to eliminate obsolete provisions with respect to duties of the Federal

FEDERAL RESERVE SYSTEM

Reserve Agent; to provide procedures to be followed in case of merger or consolidation of a member bank with a nonmember bank, conversion of a national bank into a nonmember bank, and involuntary termination of membership; and to authorize the issuance of two stock certificates in order to indicate stock issued before March 28, 1942. (Under present law, income on Federal Reserve Bank stock issued on or after March 28, 1942, is not exempt from Federal income tax.)

This revision had been the subject of a notice of proposed rule making published in the Federal Register.

ANNUAL REPORT OF BOARD OF GOVERNORS

BANK SUPERVISION BY THE FEDERAL RESERVE SYSTEM

Examination of Federal Reserve Banks. The Board's Division of Examinations examined the 12 Federal Reserve Banks and their 24 branches during the year as required by Section 21 of the Federal Reserve Act. In conjunction with the examination of the Federal Reserve Bank of New York, the Board's examiners also made a detailed audit of the accounts and holdings of the System Open Market Account, operated at that Bank in accordance with policies formulated by the Federal Open Market Committee, and rendered a report thereon to the Committee. The techniques and procedures employed by the Board's examiners were surveyed and appraised by a private firm of certified public accountants.

Examination of member banks. Although authorized to examine all member banks, both State and national, as a matter of practice neither the Federal Reserve Banks nor the Board of Governors examines national banks because the law charges the Comptroller of the Currency directly with that responsibility. The Comptroller makes reports of examinations of national banks available to the Board of Governors in Washington, and each Federal Reserve Bank obtains from the Comptroller copies of such reports of examinations of national banks in its district as it may need.

State member banks are subject to examinations made by direction of the Federal Reserve Banks of the district in which they are situated by examiners selected or approved by the Board. The established policy is to conduct at least one regular examination of each State member bank, including its trust department, during each calendar year, with additional examinations if considered desirable. Wherever practicable, joint examinations are made in cooperation with the State banking authorities, or alternate independent examinations are made by agreement with State authorities. The Board of Governors makes available to the Federal Deposit Insurance Corporation its reports of examination of State member banks, and the Corporation in turn conducts examinations of insured nonmember State banks and makes its

FEDERAL RESERVE SYSTEM

reports available to the Board. All but 40 of the 1,544 State member banks were examined under the Federal Reserve System's 1962 program.

In its supervision of State member banks, the Board receives, reviews, and analyzes reports of examination of all State member banks and coordinates and evaluates the examination and supervisory functions of the System. In addition, under provisions of the Federal Reserve Act and other statutes, the Board passes on applications for admission to membership in the System and for permission, among other things, to (1) merge banks, (2) form or expand bank holding companies, (3) establish domestic and foreign branches, (4) accept drafts or bills of exchange, (5) establish foreign banking and financing corporations, or (6) invest in bank premises in excess of 100 per cent of a bank's capital stock. Comments with respect to some of the more important of these actions appear below.

Federal Reserve membership. At the end of 1962, member banks accounted for 45 per cent of the number of all commercial banks in the United States and held approximately 84 per cent of the total deposits in such banks. State member banks accounted for 18 per cent of the number of all State commercial banks, occupied 31 per cent of the banking offices, and held 65 per cent of the deposits.

Of the 6,047 member banks of the Federal Reserve System at the end of 1962, 4,503 were national and 1,544 were State member banks. There were net declines of 10 and 56, respectively, in these two classes during the year. The declines were due largely to consolidations, mergers, and withdrawals; 6 national banks converted to nonmember State banks, and 26 State banks withdrew from membership. Membership losses were partly offset by 63 newly established national and 4 newly established State member banks, the conversion of 10 nonmember banks to national banks, and the admission of 5 nonmember banks to membership.

At the end of the year member banks were operating 9,404 branches—751 more than at the close of 1961. This increase

ANNUAL REPORT OF BOARD OF GOVERNORS

reflected mainly the establishment of 641 de novo branches but also includes banks that merged into and became branches of other banks.

Detailed figures on changes in the banking structure for 1962 are shown in Table 19, page 166.

Bank mergers. Under Section 18(c) of the Federal Deposit Insurance Act, as amended May 13, 1960, the Board passes upon each merger, consolidation, acquisition of assets, or assumption of liabilities in which the acquiring, assuming, or resulting bank is to be a State member bank. Unless the Board finds that it must act immediately to prevent the probable failure of one of the participating banks, it must request reports from the Attorney General, the Comptroller of the Currency, and the Federal Deposit Insurance Corporation on the competitive factors involved in each transaction. The Board in turn responds to requests by the Comptroller or the Corporation for reports on competitive factors involved when the acquiring, assuming, or resulting bank is to be a national bank or an insured State nonmember bank.

During 1962 the Board approved 37 and disapproved 5 mergers, consolidations, acquisition of assets, or assumptions of liabilities. During the year the Board submitted 94 reports on competitive factors to the Comptroller of the Currency and 38 to the Federal Deposit Insurance Corporation. As required by Section 18(c) of the Federal Deposit Insurance Act, a description of each of the 37 cases approved by the Board, together with other pertinent information, is shown in Table 21 on pages 169-201.

Statements and orders of the Board with respect to all bank merger and bank holding company applications, whether approved or disapproved, are released immediately to the press and the public and are published later in the *Federal Reserve Bulletin*. These include comprehensive presentations of the factors considered, the conclusions reached, and the vote of each Board member present. Dissenting statements, if any, are appended.

FEDERAL RESERVE SYSTEM

Bank holding companies. During 1962, pursuant to Section 3(a)(1) of the Bank Holding Company Act of 1956, the Board approved 5 applications for prior approval to become a bank holding company and denied 2 applications. Pursuant to Section 3(a)(2) of the Act, the Board approved the acquisition by 7 bank holding companies of voting shares in 16 banks and denied applications by 3 holding companies with respect to 3 banks. To provide necessary current information, annual reports for 1961 were obtained from all registered bank holding companies.

During 1962, pursuant to the Banking Act of 1933, the Board authorized the issuance to holding company affiliates of member banks of 14 voting permits for general purposes and 6 for limited purposes. In accordance with established practice, a number of holding company affiliates were examined by examiners for the Federal Reserve Banks in whose districts the principal offices of the holding companies are located.

Section 301 of the Banking Act of 1935 provides that the term "holding company affiliate" shall not include—except for the purposes of Section 23A of the Federal Reserve Act which restricts loans to and loans on or investments in the stock or obligations of affiliates—any organization that is determined by the Board not to be engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies. The Board made such determinations with respect to 20 organizations during 1962.

Banking Markets Unit. To assist in developing background information for consideration of bank merger and holding company applications, the Board has instituted a research program for analysis of the banking structure and competition. Under this program the Board of Governors has established a new unit, the Banking Markets Unit, within its Division of Research and Statistics. To assist in developing a program of coordinated research projects, it has also arranged for consultations with academic authorities in fields relating to banking and industrial organization. The object is to stimulate a variety of research projects both

ANNUAL REPORT OF BOARD OF GOVERNORS

inside and outside of the Federal Reserve System in order to promote understanding of economic influences in banking markets.

Trust powers of national banks. An Act of Congress approved September 28, 1962 (Public Law 87-722), transferred from the Board of Governors to the Comptroller of the Currency authority to grant trust powers to national banks and to regulate the exercise of such powers, and to regulate common trust funds in State and national banks subject to the provisions of Section 584 of the Internal Revenue Code.

During 1962 the Board granted to 51 national banks authority to exercise one or more trust powers under the provisions of Section 11(k) of the Federal Reserve Act. This number includes the grant of additional powers to 9 banks that previously had been granted certain trust powers. Three national banks acquired trust powers as a result of consolidation, and trust powers of 23 national banks were terminated, 21 by consolidation or merger and 2 by voluntary liquidation. On September 28, 1962, 1,785 national banks held permits to exercise trust powers issued by the Board.

Foreign branches of member banks. At the end of 1962, 10 member banks had in active operation a total of 145 branches in 39 foreign countries and overseas areas of the United States: 5 national banks were operating 111 of these branches, and 5 State member banks were operating 34. The branches were located as follows:

<i>Latin America</i>	66		
Argentina	15	Dominican Republic	2
Bahamas	2	Uruguay	2
Brazil	15	Venezuela	4
Chile	2	Virgin Islands (British)	1
Colombia	4	<i>Continental Europe</i>	9
Ecuador	1	Belgium	2
Jamaica	1	France	3
Mexico	4	Germany	2
Panama	9	Italy	1
Paraguay	3	Netherlands	1
Peru	1	<i>England</i>	14

FEDERAL RESERVE SYSTEM

<i>Africa</i>	3	<i>Pakistan</i>	2
Liberia	1	Philippines	5
Nigeria	2	Singapore	2
<i>Near East</i>	3	Thailand	1
Lebanon	2	<i>U.S. Overseas Areas and</i>	
Saudi Arabia	1	<i>Trust Territories</i>	23
<i>Far East</i>	27	Canal Zone.....	2
Hong Kong.....	2	Guam	1
India	3	Puerto Rico	15
Japan	10	Truk Islands.....	1
Malaya	1	Virgin Islands.....	4
Okinawa	1	Total	145

Under the provisions of the Federal Reserve Act (Section 25 as to national member banks and Sections 9 and 25 as to State member banks), the Board during 1962 approved 21 applications made by member banks for permission to establish branches in foreign countries.

During the year a member bank opened a branch in Amsterdam, The Netherlands; another opened a branch in Santo Domingo, Dominican Republic; and a third opened a branch in London, England. A fourth opened branches in Brussels, Belgium; Santo Domingo, Dominican Republic; Hong Kong, Colony of Hong Kong; Madras, India; Milan, Italy; and Asuncion, Paraguay. One of these branches had been authorized before 1962.

Acceptance powers of member banks. Under the provisions of Section 13 of the Federal Reserve Act, the Board approved during the year applications of 5 member banks for permission to accept drafts or bills of exchange drawn for the purpose of furnishing dollar exchange as required by the usages of trade in such countries, dependencies, or insular possessions of the United States as may have been designated by the Board of Governors.

Foreign banking and financing corporations. At the end of 1962 there were 4 corporations operating under agreements with the Board pursuant to Section 25 of the Federal Reserve Act relating to investment by member banks in the stock of corporations

ANNUAL REPORT OF BOARD OF GOVERNORS

engaged principally in international or foreign banking. One "agreement" corporation had ceased operations upon the acquisition of its assets and assumption of its liabilities by a newly organized banking corporation operating under the provisions of Section 25(a).

During the year examiners for the Board examined 4 "agreement" corporations with head offices in New York. Two of these each has an English fiduciary affiliate. Another has a branch in England and owns the stock of 2 banks organized under the laws of, and operating in, Liberia and the Republic of South Africa, and a trust company organized under the laws of the Bahamas. The fourth is a national member bank in the Virgin Islands, which is owned by a State member bank in Philadelphia and which operates as an "agreement" corporation.

During 1962, under the provisions of Section 25(a) of the Federal Reserve Act, the Board issued final permits to 10 corporations to engage in international or foreign banking or other international or foreign financial operations. There were 5 new foreign banking corporations and 6 new foreign financing corporations that commenced operations in 1962; 3 of the 11 had received final permits in 1961. At the end of 1962 there were 22 corporations in active operation under Section 25(a); 10 of these are "banking corporations," and 12 are "financing corporations." Of these corporations, 17 have home offices in New York City, 1 in Boston, 2 in Philadelphia, and 2 in Chicago. Examiners for the Board of Governors examined 19 of the corporations during the year.

Fourteen of these corporations have no subsidiaries or foreign branches. One has a Canadian subsidiary, a branch in France, and an English fiduciary affiliate that has a branch in Canada. Another owns the stock of a bank organized under the laws of, and operating in, the Republic of South Africa, a trust company organized under the laws of the Bahamas, and a Brazilian corporation that holds stock of a Brazilian bank. Another operates branches in France, Germany, Guatemala, Hong Kong, Lebanon, Malaya, and Singapore; it also has an agency in Guatemala and

FEDERAL RESERVE SYSTEM

owns substantially all of the stock of a bank organized under the laws of, and operating in, Italy. One has a subsidiary organized under the laws of Panama with headquarters in Bermuda; one has an Argentine finance company subsidiary; one has a Bahaman subsidiary; and another has a French investment banking subsidiary.

Bank Examination School. In 1962 one of the two sessions of the School for Examiners and three of the four sessions of the School for Assistant Examiners were conducted within the framework of the Inter-Agency Bank Examination School, established in 1952 by the three Federal bank supervisory agencies. Following the withdrawal of the Office of the Comptroller of the Currency from the jointly operated educational program in the latter part of the year, the name of the school was changed to Bank Examination School, under which title it continues to be conducted in Washington by the Board of Governors of the Federal Reserve System and the Federal Deposit Insurance Corporation.

Since the establishment of this program in 1952, 1,960 men have attended the various sessions. This number includes representatives of the Federal bank supervisory agencies; another Federal agency; the State Banking Departments of California, Connecticut, Indiana, Louisiana, Maine, Michigan, Mississippi, Montana, Nebraska, New Hampshire, New Jersey, New Mexico, New York, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, Virginia, and Washington; the Treasury Department of the Commonwealth of Puerto Rico; and two foreign countries.

LEGISLATION ENACTED

Exemption of interest on foreign time deposits. The Act of Congress approved October 15, 1962 (Public Law 87-827), amended Section 19 of the Federal Reserve Act (12 U.S.C. 371b) to exempt for 3 years deposits of foreign governments and certain foreign institutions from regulation by the Board of Governors of the Federal Reserve System as to rates of interest that member banks may pay on time deposits. The Act included a similar

ANNUAL REPORT OF BOARD OF GOVERNORS

amendment to Section 18(g) of the Federal Deposit Insurance Act (12 U.S.C. 1828 (g)) with respect to such deposits in non-member insured banks.

Powers of foreign branches of national banks. By Act of Congress approved August 15, 1962 (Public Law 87-588), Section 25 of the Federal Reserve Act (12 U.S.C. 601 et seq.) was amended to authorize the Board of Governors of the Federal Reserve System, by regulation, to permit foreign branches of national banks to exercise such further powers, with certain exceptions, as may be usual in connection with the transaction of the business of banking in the places where such branches operate.

Authority over trust powers of national banks. The Act of Congress approved September 28, 1962 (Public Law 87-722), vested authority over trust powers of national banks in the Comptroller of the Currency and repealed Section 11(k) of the Federal Reserve Act (12 U.S.C. 248(k)), which had placed such authority in the Board of Governors of the Federal Reserve System. Also, Section 584 of the Internal Revenue Code was amended to provide that future tax benefits for common trust funds would be derived by compliance with rules and regulations of the Comptroller of the Currency pertaining to the collective investments of trust funds by national banks.

Authority for Federal Reserve branch bank buildings. The Act of Congress approved August 31, 1962 (Public Law 87-622), amended Sections 3 and 10 of the Federal Reserve Act (12 U.S.C. 521, 522) so as to require a Federal Reserve Bank to obtain the approval of the Board of Governors of the Federal Reserve System before contracting for the erection of a branch bank building, and to increase from \$30 million to \$60 million the aggregate amount that may be expended for such buildings.

Extension of authority of Federal Reserve Banks to purchase Government obligations. By Act of Congress approved June 28, 1962 (Public Law 87-506), the authority of Federal Reserve Banks under Section 14(b) of the Federal Reserve Act (12 U.S.C. 355) to purchase and sell direct or fully guaranteed obligations

FEDERAL RESERVE SYSTEM

of the United States directly from or to the United States was extended until June 30, 1964.

Extension of Defense Production Act of 1950. An Act of Congress approved June 28, 1962 (Public Law 87-505), extended until June 30, 1964, the termination date of the Defense Production Act of 1950 (50 U.S.C. App. 2166), Section 301 of which is the basis for guarantees of loans for defense production.

Bank Service Corporation Act. The Act of Congress approved October 23, 1962 (Public Law 87-856), authorized banks that are subject to examination by either the Comptroller of the Currency, the Federal Deposit Insurance Corporation, or the Board of Governors of the Federal Reserve System, as the case may be, to invest—subject to limitation—in bank service corporations furnishing data-processing or other clerical, bookkeeping, or statistical services for banks. In addition, the Act conditioned the performance of bank services for Federally supervised banks, either by a bank service corporation or by others, upon the furnishing of assurances that the performance thereof will be subject to regulation and examination by the appropriate Federal banking agency.

Real estate and construction loans by national banks. By Act of Congress approved September 28, 1962 (Public Law 87-717), Section 24 of the Federal Reserve Act (12 U.S.C. 371) was amended to increase from 60 to 70 per cent the proportion of a national bank's time deposits that may be invested in real estate loans, and to increase from 9 to 18 months the permissible maturity of their construction loans on residential and farm buildings.

PROPOSED AMENDMENTS TO THE BANK HOLDING COMPANY ACT

The Board is required by Section 5(d) of the Bank Holding Company Act of 1956 (12 U.S.C. 1844) to include in its ANNUAL REPORT to Congress any recommendations for changes in that Act that the Board thinks would be desirable. In a special report submitted to Congress on May 7, 1958, and published

ANNUAL REPORT OF BOARD OF GOVERNORS

in the *Federal Reserve Bulletin* of July 1958, the Board recommended a number of amendments that would enhance the effectiveness of the Act, facilitate its administration, and clarify ambiguities. The Board believes that the suggested amendments (with the exception of Recommendation 15, which was withdrawn in the Board's ANNUAL REPORT for 1960) merit early congressional consideration and legislative action.

The Board particularly emphasizes the desirability of prompt amendment of the Holding Company Act in the following respects:

1. The present definition of "bank holding company" covers only situations involving 2 or more banks. In the Board's judgment, this definition is not adequate to control certain potential evils toward which the Act is directed, in that it permits common corporate control of banking and nonbanking interests. Accordingly, the Board reiterates its recommendation (1958 Special Report, Recommendation 1) that the Act be amended to subject a corporation to regulation as a bank holding company if it controls 25 per cent or more of the stock of a single bank.

2. The Act exempts a company that was registered under the Investment Company Act of 1940 before May 15, 1955, and certain of its related corporations. As pointed out in Recommendation 7 of the 1958 Special Report, this exemption has no logical basis. It has been actively utilized to expand a bank holding company system, free from regulatory control, in a manner inconsistent with the basic principles of the Bank Holding Company Act. The Board therefore urges prompt amendment of the Act to eliminate this unwarranted exemption.

The Act also excludes from its coverage (a) companies with most of their resources "in the field of agriculture" and (b) companies "operated exclusively for religious, charitable, or educational purposes." However, the principal dangers with which the statute is concerned—unregulated expansion of corporate ownership of banks and ownership of banking and nonbanking interests by the same organization—are not obviated by the fact that a holding company is engaged chiefly in agriculture or is operated

FEDERAL RESERVE SYSTEM

for religious, charitable, or educational purposes. Accordingly, these exemptions also should be repealed.

3. In administering the Act the Board has confirmed its view (explained in Recommendation 23 of the 1958 Special Report) that Section 6 of the Act should be repealed or, at least, amended. That provision, broadly speaking, prohibits intrasystem investments and extensions of credit by banks in holding company systems. This constitutes a severe and, in the Board's judgment, an unnecessary restriction upon the operations of banks controlled by holding companies, and therefore should be repealed or amended as soon as possible.

4. Before enactment of the Bank Holding Company Act of 1956, Federal regulation of bank holding companies was based principally on provisions of the Banking Act of 1933 relating to "holding company affiliates." As pointed out in Recommendation 25 of the 1958 Special Report, the effectiveness of the laws relating to holding company affiliates is open to question and it is doubtful whether, in view of the enactment of the Bank Holding Company Act, these laws are sufficiently useful to justify their retention. Eliminating them would remove the confusion and the administrative burden that result from the existence of two sets of laws relating to the same general subject but based on different definitions of what constitutes a holding company.

LITIGATION

The Continental Bank and Trust Company, Salt Lake City, Utah. On May 3, 1962, the U.S. Court of Appeals for the District of Columbia unanimously affirmed the U.S. District Court's orders (1) dismissing, on procedural grounds, a suit against the Board wherein The Continental Bank and Trust Company had challenged the Board's statutory authority to require changes in the capital structure of a member bank and (2) denying a motion to alter, amend, or vacate the judgment of dismissal.

A hearing at which the bank was required to show cause why its membership in the System should not be forfeited (ANNUAL

ANNUAL REPORT OF BOARD OF GOVERNORS

REPORT for 1961, pages 114-15) was ordered by the Board subsequent to the U.S. District Court's dismissal of the case and prior to the bank's appeal. That hearing, which the Board had postponed until after the Court of Appeals decision, was held before a hearing examiner on October 29, 1962, at the Federal Reserve Bank of San Francisco. During the hearing the bank submitted a plan for increasing its capital accounts. Also received in evidence was a letter from the Board of Governors to the bank stating that consummation of the plan would constitute sufficient cause for terminating the administrative proceeding.

Thereafter, on October 30, 1962, the Board ordered the capital adequacy proceeding terminated on condition that by the end of 1962 or a reasonable period of time thereafter the bank shall have furnished satisfactory evidence of substantial accomplishment of the plan to increase its capital accounts. The Board's order specified that if the bank failed to furnish such evidence, the October 30 order would be deemed to be of no effect and the Board might re-open the record of the show-cause hearing or take such other action as might be appropriate under existing circumstances. By letter of January 2, 1963, the President of the bank advised the Board that the bank had complied with the terms of the plan it had submitted.

Whitney Holding Corporation, New Orleans, Louisiana. In May 1962 the Board approved, under Section 3(a)(1) of the Bank Holding Company Act, the acquisition by this company of substantially all of the voting stock of the Crescent City National Bank, New Orleans (a proposed new bank into which the existing Whitney National Bank of New Orleans would be consolidated), and of the Whitney National Bank in Jefferson Parish, Louisiana (a proposed new bank).

On June 30, 1962, the Bank of New Orleans and Trust Company and the Guaranty Bank and Trust Company located, respectively, in the Parish of Orleans and Lafayette Parish, Louisiana, filed in the U.S. Court of Appeals for the Fifth Circuit (New Orleans) a petition for review of the Board's order permitting

FEDERAL RESERVE SYSTEM

the aforementioned acquisitions by Whitney Holding Corporation.

Later, the same banks obtained an order from the U.S. District Court for the District of Columbia permanently enjoining the Comptroller of the Currency from issuing a certificate authorizing Whitney National Bank in Jefferson Parish to open for business. No date has been set for arguments on the appeal from the Board's order.

First Oklahoma Bancorporation, Oklahoma City, Oklahoma. An appeal was filed in the U.S. Court of Appeals for the Tenth Circuit (Denver, Colorado) from a November 30, 1962, order of the Board, under the Bank Holding Company Act, approving a program whereby First Oklahoma Bancorporation, Inc., would become a bank holding company through the acquisition of stock of The First National Bank and Trust Company of Oklahoma City and The Idabel National Bank, Idabel, Oklahoma. The appeal was taken by 2 banks that had participated in the Board's public hearing in this case. Simultaneously with the filing of their appeal, the banks sought unsuccessfully a stay of the Board's order approving Bancorporation's acquisition of stock of the 2 Oklahoma banks. Bancorporation was permitted to intervene in the appeal and has filed a motion to dismiss it. Arguments on the appeal are expected to be held early in 1963.

Northwest Bancorporation, Minneapolis, Minnesota. In June 1962, the U.S. Court of Appeals for the Eighth Circuit (St. Louis, Missouri) unanimously affirmed the Board's action in denying an application by Northwest Bancorporation, a registered bank holding company, for approval of Bancorporation's acquisition of stock of the First National Bank of Pipestone, Minnesota. The Court's affirmance of the Board's action was accompanied by an extensive opinion relating in part to the scope of the Board's powers and discretion under the Act.

RESERVE BANK OPERATIONS

Earnings and expenses. Current earnings, current expenses, and the distribution of net earnings of each Federal Reserve Bank

ANNUAL REPORT OF BOARD OF GOVERNORS

during 1962 are shown in detail in Table 7 on page 154, and a condensed historical statement is shown in Table 8 on page 156. The accompanying table summarizes the earnings, the expenses, and the distribution of net earnings for 1962 and 1961.

EARNINGS, EXPENSES, AND DISTRIBUTION OF NET EARNINGS
OF FEDERAL RESERVE BANKS, 1962 AND 1961

(In thousands of dollars)

Item	1962	1961
Current earnings.....	1,048,508	941,648
Current expenses.....	176,136	161,275
Current net earnings.....	872,372	780,373
Net deductions from (-) or additions to current net earnings ¹	-56	3,482
Net earnings before payments to Treasury.....	872,316	783,855
Dividends paid.....	27,412	25,570
Paid Treasury (interest on F. R. notes).....	799,366	687,393
Transferred to surplus.....	45,538	70,892

¹ Includes net profits on sales of U.S. Govt. securities of \$1,990,000 in 1962 and \$3,466,000 in 1961.

Current earnings of \$1,049 million in 1962 were 11 per cent more than in 1961, reflecting increases of \$102 million on U.S. Government securities and of \$2 million on discounts and advances due mainly to a rise in average holdings. In addition, earnings on foreign currencies amounted to \$4 million. Current expenses of \$176 million were about 9 per cent higher than in 1961. Current net earnings amounted to \$872 million, 12 per cent more than in 1961.

The effect on current net earnings of profit and loss additions and deductions was negligible. Net earnings before payments to the Treasury totaled \$872 million, an increase of 11 per cent from 1961.

Statutory dividends to member banks amounted to \$27 million, about \$2 million more than in 1961. This rise reflected an

FEDERAL RESERVE SYSTEM

increase in the capital and surplus of member banks and a consequent increase in the paid-in capital of the Federal Reserve Banks.

Payments to the Treasury as interest on Federal Reserve notes amounted to \$799 million, 16 per cent more than in 1961. The remaining \$46 million of net earnings was added to Reserve Bank surplus accounts in order to bring them up to the level of subscribed capital.

Expenses of the Federal Reserve Banks include costs of \$9,415 for 37 regional meetings in connection with the Treasury Department Savings Bond program.

Holdings of loans and securities. Average daily holdings of loans and securities during 1962 amounted to \$29,703 million, reflecting increases over 1961 of \$2,131 million in holdings of U.S. Government securities and of \$54 million in discounts and advances. The average rate of interest on Government securities

RESERVE BANK EARNINGS ON LOANS AND SECURITIES, 1960-62

Item and year	Total	Discounts and advances	Accept- ances	U.S. Government securities
In millions of dollars				
Average daily holdings: ¹				
1960	26,847	438	39	26,371
1961	27,517	83	41	27,393
1962	29,703	137	42	29,524
Earnings:				
1960	1,103	17	1.4	1,085
1961	941	3	1.2	938
1962	1,045	4	1.3	1,039
In per cent				
Average rate of interest:				
1960	4.11	3.80	3.60	4.11
1961	3.42	3.01	2.83	3.42
1962	3.52	3.02	2.97	3.52

¹ Based on holdings at opening of business.

ANNUAL REPORT OF BOARD OF GOVERNORS

increased slightly, from 3.42 to 3.52 per cent; the rate on discounts and advances remained about the same. The accompanying table shows holdings, earnings, and average interest rates on loans and securities held by the Federal Reserve Banks during the past 3 years.

Volume of operations. Table 10 on page 158 shows the volume of operations in the principal departments of the Federal Reserve Banks for 1959-62. The volume of checks handled continued to rise and reached a new record high in 1962. Some of the manual burden of processing these checks was relieved by converting part of this work to electronic check-handling equipment. By the end of the year 9 Federal Reserve Banks and 3 branches were using such equipment.

The number of issues, redemptions, and exchanges of U.S. Government securities was the highest since 1957, and the dollar value of these transactions reached a new peak.

The number of pieces of currency received and counted and the aggregate dollar value thereof increased—approximating the 1960 level of activity. Coin received and counted also increased in aggregate dollar value but declined in number, reflecting a continuing shortage of coin; most of the shortage in 1962 was in minor coin. The dollar value of discounts and advances increased moderately but was still much lower than the 1959-60 level.

Loan guarantees for defense production. Under the Defense Production Act of 1950, the Departments of the Army, Navy, Air Force, Commerce, Interior, Agriculture, the Defense Supply Agency of the Department of Defense, the General Services Administration, the National Aeronautics and Space Administration, and the Atomic Energy Commission are authorized to guarantee loans for defense production made by commercial banks and other private financing institutions. The Federal Reserve Banks act as fiscal agents of the guaranteeing agencies under the Board's Regulation V.

During 1962 the agencies authorized the issuance of 14 guarantee agreements covering loans totaling \$49 million. Loan

FEDERAL RESERVE SYSTEM

authorizations outstanding on December 31, 1962, totaled \$177 million, of which \$147 million represented outstanding loans and \$30 million additional credit available to borrowers. Of total loans outstanding, 74 per cent on the average was guaranteed. During the year approximately \$235 million was disbursed on guaranteed loans, most of which are revolving credits.

Authority for the V-loan program, unless extended, will terminate on June 30, 1964.

Foreign and international accounts. Assets held for foreign account at the Federal Reserve Banks increased by \$1,577 million in 1962. At the end of the year they amounted to \$18,746 million: \$10,896 million of earmarked gold; \$6,990 million of U.S. Government securities (including securities payable in foreign currencies); \$247 million in dollar deposits; \$86 million of bankers' acceptances purchased through Federal Reserve Banks; and \$527 million of miscellaneous assets. The latter item includes mainly dollar bonds issued by foreign countries and international organizations. Assets held for international organizations rose by \$894 million to \$8,029 million.

New accounts were opened in 1962 in the names of the central banks of Jamaica, Laos, Spain, and Syria.

The gold collateral loan of \$15 million outstanding at the beginning of the year was repaid. New arrangements—including a standby commitment—amounted to \$96 million, of which \$1 million was outstanding at the end of the year. Loans on gold are made to foreign monetary authorities to help them meet dollar requirements of a clearly temporary nature.

The Federal Reserve Bank of New York continued to act as depository and fiscal agent for international organizations. As fiscal agent of the United States, the Bank continued to operate the Exchange Stabilization Fund pursuant to authorization and instructions of the Secretary of the Treasury. Also on behalf of the Treasury Department, it continued to administer foreign assets control regulations pertaining to assets in the United States of Communist China and North Korea and their nationals, and transactions with those countries and their nationals.

ANNUAL REPORT OF BOARD OF GOVERNORS

Pursuant to the decision of the Federal Open Market Committee on February 13, 1962, to extend the scope of its operations to include operations in foreign exchange, the Federal Reserve Bank of New York opened accounts with the central banks of Austria, Belgium, Germany, Italy, the Netherlands, Switzerland, and with the Bank for International Settlements. Accounts were already in existence with the central banks of Canada, France, and England. In connection with the reciprocal currency agreement with the National Bank of Belgium, the Federal Reserve Bank of New York also opened an account with the Société Nationale de Crédit à l'Industrie in order to be able to place Belgian franc funds in an interest-bearing deposit account (guaranteed by the National Bank of Belgium).

System operations in foreign currencies during 1962 are described on pages 39–44.

Bank premises. During the year the Board authorized the construction of an addition to the Federal Reserve Bank building in Atlanta.

BOARD OF GOVERNORS—INCOME AND EXPENSES

The accounts of the Board for the year 1962 were audited by the public accounting firm of Haskins & Sells.

ACCOUNTANTS' OPINION

Board of Governors
of the Federal Reserve System:

We have examined the balance sheet of the Board of Governors of the Federal Reserve System as of December 31, 1962 and the related statement of assessments and expenditures for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements present fairly the financial position of the Board of Governors of the Federal Reserve

FEDERAL RESERVE SYSTEM

System at December 31, 1962 and its assessments and expenditures for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Haskins & Sells

Washington, D. C.

January 23, 1963

BALANCE SHEET, DECEMBER 31, 1962

ASSETS

OPERATING FUND:		
Cash.....	\$ 736,715	
Miscellaneous receivables and travel advances.....	12,231	
Stockroom and cafeteria inventories—at cost.....	20,669	
Total operating fund.....	769,615	
PROPERTY FUND—At cost:		
Land and improvements.....	792,852	
Building.....	4,063,017	
Furniture and equipment.....	666,524	
Total property fund.....	5,522,393	
TOTAL.....	\$6,292,008	

LIABILITIES AND FUND BALANCES

OPERATING FUND:		
Current liabilities:		
Accounts payable and accrued expenses.....	\$ 279,556	
Income taxes withheld.....	213,561	
Accrued payroll.....	108,572	\$ 601,689
Fund balance:		
Balance, January 1, 1962.....	336,710	
Excess of expenditures over assessments for the year..	168,784	167,926
Total operating fund.....	769,615	
PROPERTY FUND:		
Fund balance, January 1, 1962.....	5,411,147	
Expenditures for additions.....	123,572	
Property adjustments and disposals.....	(12,326)	
Total property fund.....	5,522,393	
TOTAL.....	\$6,292,008	

ANNUAL REPORT OF BOARD OF GOVERNORS

STATEMENT OF ASSESSMENTS AND EXPENDITURES FOR THE YEAR ENDED DECEMBER 31, 1962

ASSESSMENTS LEVIED ON FEDERAL RESERVE BANKS:		
For Board expenses and additions to property.....	\$ 6,654,900	
For expenditures made on behalf of the Federal Reserve Banks....	6,635,364	
Total assessments.....		13,290,264
 EXPENDITURES:		
For printing, issue and redemption of Federal Reserve notes, paid on behalf of the Federal Reserve Banks.....		6,635,364
For expenses of the Board:		
Salaries.....	\$4,475,576	
Retirement and insurance contributions.....	658,719	
Traveling expenses.....	356,373	
Economic surveys:		
Consumer Buying Intentions.....	97,528	
Consumer Finances.....	90,000	
Other.....	19,183	
Chain banking survey.....	10,839	
Legal, consultant and audit fees.....	71,218	
Other contractual services.....	72,011	
Printing and binding—net.....	234,747	
Equipment and other rentals.....	199,572	
Telephone and telegraph.....	109,354	
Postage and expressage.....	73,349	
Stationery, office and other supplies.....	58,453	
Heat, light and power.....	55,802	
Operation of cafeteria—net.....	50,250	
Repairs, maintenance and alterations.....	24,142	
Books and subscriptions.....	20,297	
Insurance.....	1,974	
Miscellaneous—net.....	20,725	
	6,700,112	
For property additions.....		123,572
Total expenditures.....		13,459,048
EXCESS OF EXPENDITURES OVER ASSESSMENTS FOR THE YEAR.....	\$	168,784

**1. DETAILED STATEMENT OF CONDITION OF ALL FEDERAL RESERVE BANKS
COMBINED, DECEMBER 31, 1962**

(In thousands of dollars)

ASSETS

Gold certificates on hand:		
Held by Federal Reserve Banks.....	1,016,055	
Held by Federal Reserve Agents.....	1,800,000	
Gold certificates due from U.S. Treasury:		
Interdistrict Settlement Fund.....	5,770,588	
Federal Reserve Agents' Fund.....	5,843,000	14,429,643
Redemption fund for Federal Reserve notes.....		<u>1,266,423</u>
Total gold certificate reserves.....		15,696,066
Federal Reserve notes of other Federal Reserve Banks.....		488,703
Other cash:		
United States notes.....	27,776	
Silver certificates.....	229,469	
Standard silver dollars.....	7,766	
National bank notes and Federal Reserve Bank notes.....	522	
Subsidiary silver, nickels, and cents.....	21,058	
Total other cash.....		<u>286,591</u>
Discounts and advances secured by U.S. Govt. securities:		
Discounted for member banks.....	32,242	
Discounted for others.....		32,242
Other discounts and advances:		
Discounted for member banks.....	5,000	
Foreign loans on gold.....	1,000	6,000
Total discounts and advances.....		<u>38,242</u>
Acceptances:		
Bought outright.....		52,562
Held under repurchase agreement.....		57,692
U.S. Government securities:		
Bought outright:		
Bills.....	2,442,009	
Certificates.....	13,181,939	
Notes.....	10,717,281	
Bonds.....	4,136,757	
Total bought outright.....	30,477,986	
Held under repurchase agreement.....	342,000	
Total U.S. Government securities.....		<u>30,819,986</u>
Total loans and securities.....		30,968,482
Cash items in process of collection:		
Transit items.....	7,091,000	
Exchanges for clearing house.....	207,945	
Other cash items.....	816,978	
Total cash items in process of collection.....		<u>8,115,923</u>
Bank premises:		
Land.....		25,041
Buildings (including vaults).....	101,749	
Fixed machinery and equipment.....	57,827	
Total buildings.....	159,576	
Less depreciation allowances.....	79,393	80,183
Total bank premises.....		<u>105,224</u>
Other assets:		
Denominated in foreign currencies.....		80,650
Assets acquired—industrial loans.....	25	
Less valuation allowances.....	25	
Net.....		
Reimbursable expenses and other items receivable.....	3,556	
Interest accrued.....	238,804	
Premium on securities.....	29,268	
Deferred charges.....	1,880	
Real estate acquired for banking house purposes.....	1,397	
Suspense account.....	800	
All other.....	1,310	
Total other assets.....		<u>357,665</u>
Total assets.....		<u><u>56,018,654</u></u>

**1. DETAILED STATEMENT OF CONDITION OF ALL FEDERAL RESERVE BANKS
COMBINED, DECEMBER 31, 1962—Continued**

(In thousands of dollars)

LIABILITIES

Federal Reserve notes:		
Outstanding (issued to Federal Reserve Banks).....		32,119,050
Less: Held by issuing Federal Reserve Banks.....	1,266,054	
Forwarded for redemption.....	208,944	1,474,998
		<hr/>
Federal Reserve notes, net (includes notes held by U.S. Treasury and by Federal Reserve Banks other than issuing Bank).....		30,644,052
Deposits:		
Member bank reserves.....	17,451,821	
U.S. Treasurer—General account.....	596,566	
Foreign.....	246,881	
Other deposits:		
Nonmember bank—clearing accounts.....	62,758	
Officers' and certified checks.....	8,628	
Reserves of corporations doing foreign banking or financing.....	27,094	
International organizations ¹	93,161	
All other.....	234,918	
		<hr/>
Total other deposits.....		426,559
		<hr/>
Total deposits.....		18,721,827
Deferred availability cash items.....		5,183,882
Other liabilities:		
Accrued dividends unpaid.....		
Unearned discount.....		185
Discount on securities.....	61,658	
Sundry items payable.....	5,235	
Suspense account.....	1,015	
All other.....		23
		<hr/>
Total other liabilities.....		68,116
		<hr/>
Total liabilities.....		54,617,877

CAPITAL ACCOUNTS

Capital paid in.....	466,926
Surplus.....	933,851
Other capital accounts ²	
	<hr/>
Total liabilities and capital accounts.....	56,018,654
	<hr/>
Contingent liability on acceptances purchased for foreign correspondents.....	85,521

¹ Includes Inter-American Development Bank, International Bank for Reconstruction and Development, International Finance Corporation, International Monetary Fund, etc.

² During the year this item includes the net of earnings, expenses, profits, etc., which are closed out on Dec. 31; see Table 7, pp. 154-55.

NOTE.—Amounts in boldface type are those shown in the Board's weekly statement in millions of dollars.

2. STATEMENT OF CONDITION OF EACH FEDERAL RESERVE BANK, DECEMBER 31, 1962 and 1961

(In millions of dollars unless otherwise indicated)

Item	Total		Boston		New York		Philadelphia		Cleveland		Richmond	
	1962	1961	1962	1961	1962	1961	1962	1961	1962	1961	1962	1961
ASSETS												
Gold certificate account.....	14,430	15,445	892	936	3,395	3,479	918	907	1,255	1,306	895	1,088
Redemption fund for F.R. notes.....	1,266	1,170	72	70	303	279	76	71	112	105	100	95
Total gold certificate reserves.....	15,696	16,615	964	1,006	3,698	3,758	994	978	1,367	1,411	995	1,183
F.R. notes of other Banks.....	492	503	45	35	95	108	53	44	28	35	37	41
Other cash.....	288	320	24	20	42	55	16	12	20	26	26	21
Discounts and advances:												
Secured by U.S. Govt. securities.....	32	115	*	*	15	102	1	1	*	1	1	*
Other.....	6	15	*	1	1	4	*	1	*	1	*	1
Acceptances:												
Bought outright.....	52	48			52	48						
Held under repurchase agreement.....	58	3			58	3						
U.S. Govt. securities:												
Bought outright.....	30,478	28,722	1,473	1,351	7,527	7,103	1,679	1,659	2,451	2,435	2,068	1,862
Held under repurchase agreement.....	342	159			342	159						
Total loans and securities.....	30,968	29,062	1,473	1,352	7,995	7,419	1,680	1,661	2,451	2,437	2,069	1,863
Cash items in process of collection.....	8,115	7,481	721	569	1,605	1,644	476	439	721	581	572	514
Bank premises.....	104	111	3	4	8	9	3	4	7	8	5	6
Other assets:												
Denominated in foreign currencies.....	81	*	4	*	122	*	5	*	8	*	4	*
All other.....	276	237	13	11	67	57	15	14	22	21	19	15
Total assets.....	56,020	54,329	3,247	2,997	13,532	13,050	3,242	3,152	4,624	4,519	3,727	3,643

146

LIABILITIES												
F.R. notes.....	30,643	29,305	1,797	1,704	7,235	6,751	1,863	1,890	2,680	2,625	2,525	2,380
Deposits:												
Member bank reserves.....	17,454	17,387	829	789	4,644	4,517	825	829	1,201	1,301	761	760
U.S. Treasurer—General account.....	597	465	46	16	117	129	45	11	38	37	28	50
Foreign.....	247	279	12	13	1 58	1 88	15	16	24	25	12	12
Other.....	424	320	4	3	289	229	5	3	15	4	10	6
Total deposits.....	18,722	18,451	891	821	5,108	4,963	890	859	1,278	1,367	811	828
Deferred availability cash items.....	5,181	5,181	489	406	795	956	404	323	531	398	320	371
Other liabilities.....	73	59	4	3	18	16	4	3	5	4	5	4
Total liabilities.....	54,619	52,996	3,181	2,934	13,156	12,686	3,161	3,075	4,494	4,394	3,661	3,583
CAPITAL ACCOUNTS												
Capital paid in.....	467	445	22	21	125	121	27	26	43	42	22	20
Surplus.....	934	888	44	42	251	243	54	51	87	83	44	40
Other capital accounts.....												
Total liabilities and capital accounts.....	56,020	54,329	3,247	2,997	13,532	13,050	3,242	3,152	4,624	4,519	3,727	3,643
Ratio of gold certificate reserves to deposit and F.R. note liabilities combined.....	31.8%	34.8%	35.9%	39.8%	30.0%	32.1%	36.1%	35.6%	34.5%	35.3%	29.8%	36.9%
Contingent liability on acceptances purchased for foreign correspondents.....	86	126	4	6	1 24	1 36	5	7	8	12	4	6
FEDERAL RESERVE NOTE STATEMENT												
F.R. notes:												
Issued to F.R. Bank by Federal Reserve Agent and outstanding.....	32,117	30,593	1,876	1,768	7,513	7,046	1,935	1,962	2,864	2,789	2,646	2,460
Less held by issuing Bank, and forwarded for redemption.....	1,474	1,288	79	64	278	295	72	72	184	164	121	80
F.R. notes, net!.....	30,643	29,305	1,797	1,704	7,235	6,751	1,863	1,890	2,680	2,625	2,525	2,380
Collateral held by Federal Reserve Agent for notes issued to Bank:												
Gold certificate account.....	7,643	8,375	535	585	1,600	1,600	465	570	670	770	688	755
Eligible paper.....	16	10					1	1			1	
U.S. Govt. securities.....	25,179	22,925	1,365	1,235	6,000	5,600	1,500	1,500	2,250	2,050	1,964	1,715
Total collateral.....	32,838	31,310	1,900	1,820	7,600	7,200	1,966	2,071	2,920	2,820	2,653	2,470

For notes see end of table.

2. STATEMENT OF CONDITION OF EACH FEDERAL RESERVE BANK, DECEMBER 31, 1962 and 1961—Continued

(In millions of dollars unless otherwise indicated)

Item	Atlanta		Chicago		St. Louis		Minneapolis		Kansas City		Dallas		San Francisco	
	1962	1961	1962	1961	1962	1961	1962	1961	1962	1961	1962	1961	1962	1961
ASSETS														
Gold certificate account.....	789	863	2,364	2,565	576	631	361	346	624	665	540	587	1,821	2,072
Redemption fund for F.R. notes.....	71	70	221	212	53	48	28	27	51	51	40	35	139	107
Total gold certificate reserves.....	860	933	2,585	2,777	629	679	389	373	675	716	580	622	1,960	2,179
F.R. notes of other Banks.....	47	57	44	39	20	22	32	18	15	17	19	29	57	58
Other cash.....	22	26	51	58	15	18	10	9	10	11	10	15	42	49
Discounts and advances:														
Secured by U.S. Govt. securities.....	*	1	1	1	*	2	*	*	14	7	*	1	*	2
Other.....	5	1	*	2	*	*	*	*	*	1	*	1	*	*
Acceptances:														
Bought outright.....														
Held under repurchase agreement.....														
U.S. Govt. securities:														
Bought outright.....	1,757	1,579	5,160	4,907	1,260	1,166	628	616	1,241	1,316	1,239	1,167	3,995	3,561
Held under repurchase agreement.....														
Total loans and securities.....	1,762	1,581	5,161	4,910	1,260	1,168	628	616	1,255	1,324	1,239	1,168	3,995	3,563
Cash items in process of collection.....	606	531	1,329	1,239	287	306	209	200	360	342	309	296	920	820
Bank premises.....	13	14	24	24	6	7	4	5	7	6	13	13	11	11
Other assets:														
Denominated in foreign currencies.....	4	*	11	*	3	*	2	*	3	*	4	*	11	*
All other.....	17	14	46	40	11	10	6	5	12	11	12	10	36	29
Total assets.....	3,331	3,156	9,251	9,087	2,231	2,210	1,280	1,226	2,337	2,427	2,186	2,153	7,032	6,709

LIABILITIES														
F.R. notes	1,791	1,717	5,528	5,362	1,295	1,269	577	579	1,222	1,193	911	869	3,219	2,966
Deposits:														
Member bank reserves	906	892	2,672	2,540	650	628	432	443	826	872	960	932	2,748	2,884
U.S. Treasurer—General account	28	12	86	66	32	18	33	16	21	37	35	23	88	50
Foreign	14	14	36	37	9	9	6	6	11	12	15	15	35	32
Other	9	5	19	13	4	2	1	1	5	5	4	3	59	46
Total deposits	957	923	2,813	2,656	695	657	472	466	863	926	1,014	973	2,930	3,012
Deferred availability cash items	502	442	699	874	190	235	196	148	189	250	178	234	688	544
Other liabilities	4	3	13	9	3	3	2	3	3	2	3	2	9	7
Total liabilities	3,254	3,085	9,053	8,901	2,183	2,164	1,247	1,196	2,277	2,371	2,106	2,078	6,846	6,529
CAPITAL ACCOUNTS														
Capital paid in	26	24	66	62	16	15	11	10	20	19	27	25	62	60
Surplus	51	47	132	124	32	31	22	20	40	37	53	50	124	120
Other capital accounts														
Total liabilities and capital accounts	3,331	3,156	9,251	9,087	2,231	2,210	1,280	1,226	2,337	2,427	2,186	2,153	7,032	6,709
Ratio of gold certificate reserves to deposit and F.R. note liabilities combined	31.3%	35.3%	31.0%	34.6%	31.6%	35.3%	37.1%	35.7%	32.4%	33.8%	30.1%	33.8%	31.9%	36.5%
Contingent liability on acceptances purchased for foreign correspondents	4	7	12	18	3	4	2	3	4	5	5	7	11	15
FEDERAL RESERVE NOTE STATEMENT														
F.R. notes:														
Issued to F.R. Bank by Federal Reserve Agent and outstanding	1,883	1,792	5,721	5,522	1,368	1,333	672	659	1,268	1,227	970	918	3,401	3,117
Less held by issuing Bank, and forwarded for redemption	92	75	193	160	73	64	95	80	46	34	59	49	182	151
F.R. notes, net ¹	1,791	1,717	5,528	5,362	1,295	1,269	577	579	1,222	1,193	911	869	3,219	2,966
Collateral held by Federal Reserve Agent for notes issued to Bank:														
Gold certificate account	500	475	1,400	1,500	350	400	130	160	290	325	215	235	800	1,000
Eligible paper						2			14	7				
U.S. Govt. securities	1,400	1,400	4,500	4,100	1,050	960	550	510	1,000	950	800	705	2,800	2,200
Total collateral	1,900	1,875	5,900	5,600	1,400	1,362	680	670	1,304	1,282	1,015	940	3,600	3,200

* Less than \$500,000.

¹ Includes F.R. notes held by U.S. Treasury and by F.R. Banks other than the issuing Bank.

3. FEDERAL RESERVE HOLDINGS OF U.S. GOVERNMENT SECURITIES
DECEMBER 31, 1960-62

(In thousands of dollars)

Type of issue and date	Rate of interest (per cent)	December 31			Increase or decrease (-) during—	
		1962	1961	1960	1962	1961
Treasury bonds:						
1959-62 June.....	2 1/4		395,849	319,849	-395,849	76,000
1959-62 Dec.....	2 1/4		375,765	693,765	-375,765	-318,000
1961 Sept.....	2 3/4			16,500		-16,500
1961 Nov.....	2 1/2			42,800		-42,800
1962-67.....	2 1/2	107,560	81,110	56,610	26,450	24,500
1963 Aug.....	2 1/2	348,500	16,500		332,000	16,500
1963-68.....	2 1/2	146,085	143,085	122,585	3,000	20,500
1964 Feb.....	3	90,750	88,250		2,500	88,250
1964-69 June.....	2 1/2	296,740	261,340	203,890	35,400	57,450
1964-69 Dec.....	2 1/2	325,199	315,199	266,999	10,000	48,200
1965 Feb.....	2 3/8	407,100	234,600	20,300	172,500	214,300
1965-70.....	2 1/2	572,540	561,540	521,490	11,000	40,050
1966-71.....	2 1/2	144,007	140,007	132,707	4,000	7,300
1966 May.....	3 3/4	210,500	113,500		97,000	113,500
1966 Aug.....	3	27,850	17,850	7,000	10,000	10,850
1966 Nov.....	3 3/8	165,600	109,600		56,000	109,600
1967-72 June.....	2 1/2	52,766	52,766	49,266		3,500
1967-72 Sept.....	2 1/2	40,052	20,052	2,552	20,000	17,500
1967 Nov.....	3 3/8	533,950	496,450		37,500	496,450
1967-72 Dec.....	2 1/2	79,358	76,958	58,758	2,400	18,200
1968 May.....	3 3/8	226,200	210,200		16,000	210,200
1968 Aug.....	3 3/4	29,900			29,900	
1969 Feb.....	4	13,000			13,000	
1969 Oct.....	4	23,450	18,450		5,000	18,450
1971 Aug.....	4	45,100			45,100	
1971 Nov.....	3 3/8	44,000			44,000	
1972 Feb.....	4	23,500			23,500	
1972 Aug.....	4	32,200			32,200	
1974 Nov.....	3 3/8	33,400	31,400		2,000	31,400
1975-85.....	4 1/4	4,250	4,250			4,250
1978-83.....	3 1/4	500	500			500
1980 Feb.....	4	16,300	7,600		8,700	7,600
1980 Nov.....	3 1/2	18,400	14,900		3,500	14,900
1985 May.....	3 1/4	20,800	8,800	5,200	12,000	3,600
1987-92.....	4 1/4	4,000			4,000	
1990 Feb.....	3 1/2	43,450	41,450	22,800	2,000	18,650
1998 Nov.....	3 1/2	9,750	7,750		2,000	7,750
Total.....		4,136,757	3,845,721	2,543,071	291,036	1,302,650
Treasury notes:						
May 15, 1961—B.....	3 3/8			2,815,565		-2,815,565
Aug. 1, 1961—A.....	4			15,000		-15,000
Oct. 1, 1961—EO.....	1 1/2			5,000		-5,000
Feb. 15, 1962—A.....	3 3/8		13,000		-13,000	13,000
Feb. 15, 1962—D.....	4		11,500		-11,500	11,500
Feb. 15, 1962—F.....	3 1/4		4,756,982	4,993,000	-4,756,982	-236,018
Apr. 1, 1962—EA.....	1 1/2		25,000		-25,000	25,000
May 15, 1962—E.....	4		139,300		-139,300	139,300
Aug. 15, 1962—G.....	3 1/4		3,641,493		-3,641,493	3,641,493
Nov. 15, 1962—C.....	3 3/4		10,600		-10,600	10,600
Nov. 15, 1962—H.....	3 1/4		3,228,950		-3,228,950	3,228,950
Feb. 15, 1963—A.....	2 3/8	224,500	142,500	10,000	82,000	132,500
Feb. 15, 1963—E.....	3 1/4	173,500	43,500		130,000	43,500
May 15, 1963—B.....	4	52,500	30,500		22,000	30,500
May 15, 1963—D.....	3 1/4	814,600	743,600		71,000	743,600
Nov. 15, 1963—C.....	4 7/8	188,039	15,584		172,455	15,584
May 15, 1964—A.....	4 3/4	2,796,383	2,777,383	2,642,733	19,000	134,650
May 15, 1964—D.....	3 3/4	219,000	201,500		17,500	201,500
Aug. 15, 1964—B.....	5	118,550	91,550		27,000	91,550
Aug. 15, 1964—E.....	3 3/4	1,794,400	1,700,900		93,500	1,700,900
Nov. 15, 1964—C.....	4 7/8	2,310,400	2,266,400	2,000,000	44,000	266,400
Apr. 1, 1965—EA.....	1 1/2	15,000			15,000	
May 15, 1965—A.....	4 3/8	185,100	143,600		41,500	143,600
Nov. 15, 1965—B.....	3 1/2	17,000			17,000	
Feb. 15, 1966—B.....	3 3/8	114,000			114,000	
Aug. 15, 1966—A.....	4	1,605,159			1,605,159	
Aug. 15, 1967—A.....	3 3/4	89,150			89,150	
Total.....		10,717,281	19,983,842	12,481,298	-9,266,561	7,502,544

3. FEDERAL RESERVE HOLDINGS OF U.S. GOVERNMENT SECURITIES
DECEMBER 31, 1960-62—Continued

(In thousands of dollars)

Type of issue and date	Rate of interest (per cent)	December 31			Increase or decrease (-) during—	
		1962	1961	1960	1962	1961
Certificates:						
Feb. 15, 1961.....	4%			3,582,993		-3,582,993
May 15, 1961.....	4%			34,500		-34,500
Aug. 1, 1961.....	3%			5,442,250		-5,442,250
May 15, 1962.....	3		1,699,500		-1,699,500	1,699,500
Feb. 15, 1963.....	3½	3,402,482			3,402,482	
May 15, 1963.....	3¼	2,393,149			2,393,149	
Aug. 15, 1963.....	3½	3,731,493			3,731,493	
Nov. 15, 1963.....	3%	3,654,815			3,654,815	
Total.....		13,181,939	1,699,500	9,059,743	11,482,439	-7,360,243
Treasury bills:						
Tax anticipation.....		108,000	174,500	65,623	-66,500	108,877
Other, due—						
Within 3 mos.....		1,666,922	2,158,281	2,035,400	-491,359	122,881
3-6 mos.....		446,735	692,305	652,350	-245,570	39,955
After 6 mos.....		220,352	168,000	146,800	52,352	21,200
Total.....		2,442,009	3,193,086	2,900,173	-751,077	292,913
Repurchase agreements.....		342,000	159,000	400,000	183,000	-241,000
Total holdings.....		30,819,986	28,881,149	27,384,285	1,938,837	1,496,864
Maturing—						
Within 90 days.....		5,917,404	7,196,763	6,069,016	-1,279,359	1,127,747
91 days to 1 year.....		11,850,183	10,453,262	9,185,765	1,396,921	1,267,497
Over 1 year to 5 years.....		10,807,452	8,737,317	10,679,647	2,070,135	-1,942,330
Over 5 yrs. to 10 yrs.....		2,094,097	2,227,381	1,178,574	-133,284	1,048,807
Over 10 years.....		150,850	266,426	271,283	-115,576	-4,857

4. FEDERAL RESERVE BANK HOLDINGS OF SPECIAL SHORT-TERM TREASURY CERTIFICATES PURCHASED DIRECTLY FROM THE UNITED STATES, 1953-62

(In millions of dollars)

Date	Amount	Date	Amount	Date	Amount	Date	Amount
1953—Mar. 18	110	1953—June 11	358	1954—Jan. 14	22	1955)	
19	104	12	506	15	169	1956) no transactions	
20	189	13	506	16	169	1957)	
21	189	14*	506	17*	169		
22*	189	15	999	18	323		
23	333	16	1,172	19	424		
24	186	17	823	20	323	1958—Mar. 17	143
25	63	18	364	21	306	18	207
26	49	19	992	22	283		
June 5	196	20	992	23	283		
6	196	21*	992	24*	283		
7*	196	22	908	25	203	1959)	
8	374	23	608	26	3	1960)	
9	491	24	296	Mar. 15	134	1961) no transactions	
10	451			16	190	1962)	

* Sunday or holiday.

NOTE.—Under authority of Section 14(b) of the Federal Reserve Act. On Nov. 9, 1953, the F.R. Banks sold directly to the Treasury \$500 million of Treasury notes; this is the only use that has been made under the same authority to sell U.S. Govt. securities directly to the United States.

Interest rate ¼ per cent through Dec. 3, 1957, and ¼ per cent below prevailing discount rate of F.R. Bank of New York thereafter. Rate on purchases in 1958 was 2 per cent. For data for prior years beginning with 1942, see previous ANNUAL REPORTS. No holdings on dates not shown.

5. OPEN MARKET TRANSACTIONS OF THE FEDERAL RESERVE SYSTEM DURING 1962

(In millions of dollars)

Month	Outright transactions in U.S. Govt. securities by maturity								
	Total			Treasury bills			Others within 1 year		
	Gross purchases	Gross sales	Redemptions	Gross purchases	Gross sales	Redemptions	Gross purchases	Gross sales	Exch. or maturity shifts
January . . .	510	527	173	486	474	173	10	53	.....
February . . .	534	646	61	380	522	61	132	124	-1,307
March	1,112	380	156	691	380	156	54	.....	.....
April	542	333	36	471	333	36	11	.....	.....
May	1,136	622	.....	702	622	.....	307	.....	793
June	747	702	174	459	625	174	152	70	.....
July	1,679	1,200	185	1,310	1,117	185	234	73	.....
August	868	339	70	558	339	70	130	.....	334
September . . .	804	914	311	615	914	311	.....	.....	.....
October	878	575	175	755	575	175	39	.....	.....
November	568	322	.....	124	259	.....	3	21	183
December	451	162	11	262	53	11	15	61	.....
Total	9,829	6,721	1,353	6,813	6,211	1,353	1,085	402	3
	1-5 years			5-10 years			Over 10 years		
	Gross purchases	Gross sales	Exch. or maturity shifts	Gross purchases	Gross sales	Exch. or maturity shifts	Gross purchases	Gross sales	Exch. or maturity shifts
January	14	.....	.....	.....	.....	.....	.....	.....	.....
February	23	.....	1,307	.....	.....	.....	.....	.....	.....
March	357	.....	.....	10	.....	.....	.....	.....	.....
April	50	.....	.....	10	.....	.....	.....	.....	.....
May	127	.....	-793	.....	.....	.....	.....	.....	.....
June	136	.....	81	.....	.....	-28	.....	.....	-53
July	136	7	.....	.....	.....	.....	.....	.....	.....
August	165	.....	-334	14	.....	.....	2	.....	.....
September	140	.....	.....	47	.....	20	3	.....	-20
October	56	.....	.....	25	.....	.....	4	.....	.....
November	246	42	347	172	.....	-530	23	.....	.....
December	122	49	.....	48	.....	79	5	.....	-79
Total	1,569	108	608	326	.....	-459	37	.....	-152
	Repurchase agreements (U.S. Govt. securities)		Net change in U.S. Govt. securities	Bankers' acceptances		Net change in U.S. Govt. securities and acceptances			
	Gross purchases	Gross sales		Net outright	Net repurchases				
January	278	437	-349	-3	-3	-355			
February	60	60	-172	-2	.....	-174			
March	670	545	701	-2	.....	699			
April	942	993	121	-6	.....	115			
May	264	338	440	-4	.....	436			
June	648	478	40	1	.....	67			
July	58	228	124	8	26	107			
August	331	218	572	-7	-1	564			
September	221	334	-333	1	.....	-533			
October	533	284	376	-2	.....	375			
November	1,280	1,274	252	4	.....	256			
December	831	743	366	15	58	439			
Total	6,115	5,932	1,939	4	55	1,998			

NOTE.—Sales, redemptions, and negative figures reduce System holdings; all other figures increase such holdings. Details may not add to totals because of rounding.

**6. BANK PREMISES OF FEDERAL RESERVE BANKS AND BRANCHES,
DECEMBER 31, 1962**

(In dollars)

F.R. Bank or branch	Cost			Total	Net book value
	Land	Buildings (including vaults) ¹	Fixed ma- chinery and equipment		
Boston.....	1,628,132	5,929,169	2,966,116	10,523,417	3,205,436
New York.....	5,215,656	12,186,897	4,886,521	22,289,074	4,190,854
Annex.....	592,679	1,451,569	673,458	2,717,706	662,974
Buffalo.....	406,069	2,555,197	1,565,400	4,526,666	3,559,456
Philadelphia.....	1,884,357	4,839,506	2,154,452	8,878,315	3,282,548
Cleveland.....	1,295,490	6,568,271	3,428,397	11,292,158	1,612,652
Cincinnati.....	400,891	1,163,869	1,552,730	3,117,490	1,108,364
Pittsburgh.....	1,656,418	2,975,831	2,523,357	7,155,606	4,554,081
Richmond.....	469,944	4,164,663	2,483,977	7,118,584	2,234,181
Baltimore.....	250,487	2,009,381	1,068,445	3,328,313	1,718,213
Charlotte.....	117,479	1,069,026	625,121	1,811,626	1,163,772
Atlanta.....	957,855	3,703,718	1,701,369	6,362,942	6,079,776
Annex.....	93,931	137,100	103,867	334,898	259,474
Birmingham.....	338,917	1,982,184	948,236	3,269,337	2,607,349
Jacksonville.....	164,004	1,699,032	708,208	2,571,244	1,549,248
Nashville.....	592,342	1,474,678	1,016,213	3,083,233	2,560,308
New Orleans.....	277,078	762,456	265,700	1,305,234	349,210
Chicago.....	6,275,490	17,389,287	9,343,255	33,008,032	20,830,019
Detroit.....	1,147,734	2,845,585	1,309,732	5,303,051	2,976,622
St. Louis.....	1,675,780	3,238,576	2,154,782	7,069,138	1,898,412
Little Rock.....	241,105	391,611	206,575	839,291	425,318
Louisville.....	700,075	2,893,247	1,003,708	4,597,030	3,894,372
Memphis.....	128,542	315,293	167,755	611,590	233,558
Minneapolis.....	600,521	4,689,718	2,688,921	7,979,160	4,219,774
Helena.....	15,709	126,401	62,977	205,087	65,931
Kansas City.....	545,764	3,521,181	1,316,319	5,383,264	1,148,447
Denver.....	592,271	523,041	86,910	1,202,222	735,556
Oklahoma City.....	² 563,025	2,534,917	97,589	3,195,531	2,750,583
Omaha.....	445,663	1,491,117	723,843	2,660,623	2,107,028
Dallas.....	713,302	4,804,886	3,570,804	9,088,992	7,140,823
El Paso.....	262,477	787,728	393,301	1,443,506	1,168,083
Houston.....	695,615	1,408,574	744,758	2,848,947	2,361,373
San Antonio.....	448,596	1,400,390	570,847	2,419,833	1,909,536
San Francisco.....	470,481	3,783,530	1,458,028	5,712,039	931,733
Annex.....	247,201	124,000	30,000	401,201	361,281
Los Angeles.....	777,614	4,103,844	1,592,708	6,474,166	3,523,782
Portland.....	207,380	1,678,512	649,432	2,535,324	1,494,239
Salt Lake City.....	480,222	1,878,238	707,575	3,066,035	2,632,746
Seattle.....	274,772	1,896,541	661,987	2,833,300	1,717,238
Total.....	33,851,068	116,498,764	58,213,373	208,563,205	105,224,350

OTHER REAL ESTATE ACQUIRED FOR BANKING HOUSE PURPOSES

Richmond.....	157,953			157,953	157,953
New Orleans.....	842,829			842,829	842,829
Kansas City.....	³ 396,219			396,219	396,219
Total.....	1,397,001			1,397,001	1,397,001

¹ May include expenditures in construction account pending allocation to appropriate accounts.

² Includes cost of building on site of addition.

³ Includes cost of building on property.

7. EARNINGS AND EXPENSES OF FEDERAL RESERVE BANKS DURING 1962

(In dollars)

Item	Total	Boston	New York	Phila- delphia	Cleve- land	Rich- mond	Atlanta	Chicago	St. Louis	Minne- apolis	Kansas City	Dallas	San Francisco
CURRENT EARNINGS													
Discounts and advances.....	4,131,703	211,180	1,059,944	155,057	215,615	238,006	235,404	875,033	144,619	53,485	366,300	269,378	307,682
Acceptances.....	1,256,123		1,256,123										
U.S. Govt. securities.....	1,039,308,345	53,177,710	258,585,831	58,879,903	87,613,782	67,479,038	56,157,918	175,591,640	41,509,385	21,999,161	45,468,307	42,036,531	130,809,139
Foreign currencies.....	3,502,378	164,612	959,652	203,138	329,224	157,607	185,626	486,831	119,079	80,555	147,100	196,133	472,821
All other.....	309,786	15,310	69,855	16,983	22,166	13,388	25,104	44,435	10,376	11,501	30,060	18,072	32,536
Total.....	1,048,508,335	53,568,812	261,931,405	59,255,081	88,180,787	67,888,039	56,604,052	176,997,939	41,783,459	22,144,702	46,011,767	42,520,114	131,622,178
CURRENT EXPENSES													
Salaries:													
Officers.....	7,062,662	401,138	1,370,883	475,632	593,547	535,840	548,610	627,475	566,717	407,250	541,427	447,369	546,774
Employees.....	95,592,862	5,936,672	22,400,775	4,886,087	7,919,279	6,265,040	5,673,421	13,993,493	5,226,166	3,144,641	5,007,635	4,081,128	11,058,525
Retirement and other benefits..	16,649,188	1,010,221	3,679,983	876,069	1,395,365	1,154,385	1,052,408	2,346,374	923,553	557,993	939,235	764,874	1,948,728
Fees—Directors and others.....	545,108	20,734	75,872	24,234	63,203	37,977	87,318	49,116	26,850	36,895	35,323	37,361	50,225
Traveling expenses.....	2,073,512	120,532	329,803	94,334	181,136	154,912	178,036	242,465	135,843	113,726	132,333	136,744	253,648
Postage and expressage.....	19,941,300	1,672,284	2,697,255	969,838	1,606,532	1,840,828	1,718,292	2,726,481	1,095,003	740,231	1,255,778	1,001,622	2,617,156
Telephone and telegraph.....	1,758,454	93,988	386,033	77,755	128,943	117,891	183,366	200,642	95,457	60,483	102,684	119,523	191,689
Printing and supplies.....	7,760,954	577,681	1,584,215	446,238	574,959	527,909	551,683	1,245,726	439,324	244,194	483,907	365,136	719,982
Insurance.....	357,332	28,850	40,222	14,630	36,611	30,692	33,233	36,415	34,901	10,285	20,694	28,975	41,824
Taxes on real estate.....	4,742,684	645,461	841,790	153,972	396,539	201,031	271,074	749,888	181,247	334,379	203,526	269,887	493,890
Depreciation (building).....	6,451,769	413,761	488,050	270,528	950,616	546,369	521,939	1,323,687	239,228	344,037	168,853	692,696	492,005
Light, heat, power, and water..	1,890,550	118,902	255,725	100,407	172,893	159,618	137,127	293,969	137,417	95,074	145,864	129,491	144,063
Repairs and alterations.....	1,462,343	33,579	236,762	110,447	171,597	93,464	76,745	332,523	53,084	148,135	80,102	47,236	78,669
Rent.....	119,550	4,962	6,384	6,648	29,676	7,768	10,042	37,038	1,571	1,965	5,044	1,509	6,943
Furniture and equipment:													
Purchases.....	4,341,484	109,530	933,445	421,541	450,403	413,863	499,895	227,881	274,589	87,259	320,708	89,979	512,391
Rentals.....	8,035,546	757,305	978,260	449,148	614,211	472,075	512,569	1,395,464	323,724	281,345	524,656	448,779	1,278,010
All other.....	2,847,248	115,157	654,562	99,847	443,419	113,206	141,434	490,052	103,888	102,147	172,517	212,780	198,239
Inter-Bank expenses.....	47,935		-689,060	58,616	95,275	-13,820	57,841	141,474	36,603	24,008	45,125	58,244	137,755
Subtotal.....	181,632,542	12,108,692	36,270,959	9,535,971	15,824,204	12,659,048	12,255,033	26,460,163	9,895,165	6,734,047	10,185,411	8,933,333	20,770,516
F.R. currency.....	8,030,028	557,926	1,544,290	434,062	610,137	684,469	820,290	1,250,370	347,608	245,504	457,249	175,781	902,342
Assessment for expenses of Board of Governors.....	6,654,900	315,200	1,817,000	383,300	623,300	301,900	355,900	927,100	228,000	152,100	280,200	374,700	896,200
Total.....	196,317,470	12,981,818	39,632,249	10,353,333	17,057,641	13,645,417	13,431,223	28,637,633	10,470,773	7,131,651	10,922,860	9,483,814	22,569,058

Less reimbursement for certain fiscal agency and other expenses.....	20,181,336	1,128,939	3,516,910	952,464	1,913,784	1,117,061	1,401,607	3,806,210	1,252,806	634,389	1,500,994	936,767	2,019,405
Net expenses.....	176,136,134	11,852,879	36,115,339	9,400,869	15,143,857	12,528,356	12,029,616	24,831,423	9,217,967	6,497,262	9,421,866	8,547,047	20,549,653

PROFIT AND LOSS

Current net earnings.....	872,372,199	41,715,933	225,816,066	49,854,212	73,036,931	55,359,683	44,574,436	152,166,516	32,565,491	15,647,439	36,589,901	33,973,067	111,072,524
Additions to current net earnings:													
Profits on sales of U.S. Govt. securities (net)....	1,990,257	102,782	492,364	110,867	167,498	130,618	107,685	336,027	79,230	41,395	86,574	80,701	254,516
All other.....	699,764	42,533	119,711	35,128	50,035	32,588	20,488	130,050	16,637	20,958	49,429	129,938	52,269
Total additions.....	2,690,022	145,315	612,075	145,995	217,533	163,206	128,173	466,077	95,867	62,353	136,003	210,640	306,785
Deductions from current net earnings.....	2,745,800	208,816	408,192	84,103	177,976	66,024	1,111,068	226,167	86,140	34,417	62,605	82,713	197,579
Net deductions from (-) or additions to current net earnings.....	-55,779	-63,501	203,884	61,891	39,557	97,181	-982,895	239,910	9,727	27,936	73,398	127,927	109,206
Net earnings before payments to Treasury.....	872,316,422	41,652,432	226,019,950	49,916,103	73,076,488	55,456,865	43,591,542	152,406,426	32,575,218	15,675,375	36,663,299	34,100,994	111,181,730
Dividends paid.....	27,412,241	1,296,552	7,419,208	1,565,035	2,547,615	1,272,977	1,481,974	3,849,832	940,346	634,325	1,157,408	1,573,113	3,673,856
Paid Treasury (interest on F.R. notes).....	799,365,981	37,797,780	210,885,742	45,863,269	66,832,373	50,222,987	38,318,568	139,999,295	30,331,971	13,564,350	33,264,791	28,872,781	103,412,074
Transferred to surplus.....	45,538,200	2,558,100	7,715,000	2,487,800	3,696,500	3,960,900	3,791,000	8,557,300	1,302,900	1,476,700	2,241,100	3,655,100	4,095,800
Surplus, January 1.....	888,313,200	42,112,000	242,996,100	51,281,600	83,271,900	40,141,400	47,453,600	123,515,200	30,403,400	20,232,500	37,383,900	49,808,900	119,712,700
Surplus, December 31.....	933,851,400	44,670,100	250,711,100	53,769,400	86,968,400	44,102,300	51,244,600	132,072,500	31,706,300	21,709,200	39,625,000	53,464,000	123,808,500

NOTE.—Details may not add to totals because of rounding.

8. EARNINGS AND EXPENSES OF FEDERAL RESERVE BANKS, 1914-62

(In dollars)

Period or Bank	Current earnings	Current expenses	Net earnings before payments to Treasury ¹	Dividends paid	Franchise tax paid to Treasury	Paid to Treasury (Sec. 13b)	Paid to Treasury (interest on F.R. notes)	Transferred to surplus (Sec. 13b)	Transferred to surplus (Sec. 7)
All F.R. Banks, by years:									
1914-15.....	2,173,252	2,320,586	- 141,459	217,463					
1916.....	5,217,998	2,273,999	2,750,998	1,742,774					
1917.....	16,128,339	5,159,727	9,582,067	6,804,186	1,134,234				1,134,234
1918.....	67,584,417	10,959,533	52,716,310	5,540,684					48,334,341
1919.....	102,380,583	19,339,633	78,367,504	5,011,832	2,703,894				70,651,778
1920.....	181,296,711	28,258,030	149,294,774	5,654,018	60,724,742				82,916,014
1921.....	122,865,866	34,463,845	82,087,225	6,119,673	59,974,466				15,993,086
1922.....	50,498,699	29,559,049	16,497,736	6,307,035	10,850,605				- 659,904
1923.....	50,708,566	29,764,173	12,711,286	6,552,717	3,613,056				2,545,513
1924.....	38,340,449	28,431,126	3,718,180	6,682,496	113,646				- 3,077,962
1925.....	41,800,706	27,528,163	9,449,066	6,915,958	59,300				2,473,808
1926.....	47,599,595	27,350,182	16,611,745	7,329,169	818,150				8,464,426
1927.....	43,024,484	27,518,443	13,048,249	7,754,539	249,591				5,044,119
1928.....	64,052,860	26,904,810	32,122,021	8,458,463	2,584,659				21,078,899
1929.....	70,955,496	29,691,113	36,402,741	9,583,913	4,283,231				22,535,597
1930.....	36,424,044	28,342,726	7,988,182	10,268,598	17,308				- 2,297,724
1931.....	29,701,279	27,040,664	2,972,066	10,029,760					- 7,057,694
1932.....	50,018,817	26,291,381	22,314,244	9,282,244	2,011,418				11,020,582
1933.....	49,487,318	29,222,837	7,957,407	8,874,262					- 916,855
1934.....	48,902,813	29,241,396	15,231,409	8,781,661				- 60,323	6,510,071
1935.....	42,751,959	31,577,443	9,437,758	8,504,974		297,667		27,695	607,422
1936.....	37,900,639	29,874,023	8,512,433	7,829,581		227,448		102,880	352,524
1937.....	41,233,135	28,800,614	10,801,247	7,940,966		176,625		67,304	2,616,352
1938.....	36,261,428	28,911,608	9,581,954	8,019,137		119,524		- 419,140	1,862,433
1939.....	39,500,665	28,646,855	12,243,365	8,110,462		24,579		- 425,653	4,533,977
1940.....	43,537,805	29,165,477	25,860,025	8,214,971		82,152		- 54,456	17,617,358
1941.....	41,380,095	32,963,150	9,137,581	8,429,936		141,465		- 4,333	570,513
1942.....	52,662,704	38,624,044	12,470,451	8,669,076		197,672		49,602	3,554,101
1943.....	69,305,715	43,545,564	49,528,433	8,911,342		244,726		135,003	40,237,362
1944.....	104,391,829	49,175,921	58,437,788	9,500,126		326,717		201,150	48,409,795
1945.....	142,209,546	48,717,271	92,662,268	10,182,851		247,659		262,133	81,969,625
1946.....	150,385,033	57,235,107	92,523,935	10,962,160		67,054		27,708	81,467,013
1947.....	158,655,566	65,392,975	95,235,592	11,523,047		35,605	75,223,818	86,772	8,366,350
1948.....	304,160,818	72,710,188	197,132,683	11,919,809			166,690,356		18,522,518
1949.....	316,536,930	77,477,676	226,936,980	12,329,373			193,145,837		21,461,770

1950.....	275,838,994	80,571,771	231,561,340	13,082,992			196,628,858		21,849,490
1951.....	394,656,072	95,469,086	297,059,097	13,864,750			254,873,588		28,320,759
1952.....	456,060,260	104,694,091	352,950,157	14,681,788			291,934,634		46,333,735
1953.....	513,037,237	113,515,020	398,463,224	15,558,377			342,567,985		40,336,862
1954.....	438,486,040	109,732,931	328,619,468	16,442,236			276,289,457		35,887,775
1955.....	412,487,931	110,060,023	302,162,452	17,711,937			251,740,721		32,709,794
1956.....	595,649,092	121,182,496	474,443,160	18,904,897			401,555,581		53,982,682
1957.....	763,347,530	131,814,003	624,392,613	20,080,527			542,708,405		61,603,682
1958.....	742,068,150	137,721,655	604,470,670	21,197,452			524,058,650		59,214,569
1959.....	886,226,116	144,702,706	839,770,663	22,721,687			910,649,768		-93,600,791
1960.....	1,103,385,257	153,882,275	963,377,684	23,948,225			896,816,359		42,613,100
1961.....	941,648,170	161,274,575	783,855,223	25,569,541			687,393,382		70,892,300
1962.....	1,048,508,335	176,136,134	872,316,422	27,412,241			799,365,981		45,538,200
Total 1914-62.....	11,270,435,343	2,773,236,098	8,555,626,426	530,135,906	149,138,300	2,188,893	6,811,643,382	-3,657	2 1,062,523,602
Aggregate for each									
F.R. Bank, 1914-62:									
Boston.....	661,938,955	195,423,962	471,796,118	32,075,090	7,111,395	280,843	377,428,450	135,411	54,764,925
New York.....	2,863,366,261	607,111,677	2,275,930,043	169,749,591	68,006,262	369,116	1,750,270,815	-433,413	287,967,671
Philadelphia.....	707,499,474	178,354,582	536,780,443	40,749,398	5,558,901	722,406	421,359,455	290,661	68,099,622
Cleveland.....	996,917,511	252,200,518	748,306,657	51,701,873	4,842,447	82,930	591,487,120	-9,906	100,202,193
Richmond.....	691,250,302	185,870,269	509,496,294	23,092,169	6,200,189	172,493	430,120,850	-71,517	49,982,108
Atlanta.....	592,933,985	162,345,692	430,605,320	22,113,228	8,950,561	79,264	342,945,634	5,491	56,511,140
Chicago.....	1,820,976,862	390,529,498	1,435,038,705	66,637,347	25,313,526	151,045	1,195,523,851	11,682	147,401,254
St. Louis.....	493,929,249	151,912,859	342,847,450	18,227,822	2,755,629	7,464	285,057,122	-26,515	36,825,928
Minneapolis.....	292,087,873	95,695,466	198,812,568	12,373,640	5,202,900	55,615	155,529,130	64,874	25,586,413
Kansas City.....	507,695,751	148,504,082	361,331,472	19,450,824	6,939,100	64,213	291,121,058	-8,674	43,764,950
Dallas.....	455,527,352	128,769,866	329,047,576	22,707,040	560,049	102,083	247,881,589	55,337	57,741,478
San Francisco.....	1,186,311,769	276,517,629	915,633,775	51,257,879	7,697,341	101,421	722,918,307	-17,089	133,675,917
Total.....	11,270,435,343	2,773,236,098	8,555,626,426	530,135,906	149,138,300	2,188,893	6,811,643,382	-3,657	1,062,523,602

¹ Current earnings less current expenses, plus and minus profit and loss additions and deductions.

² The \$1,062,523,602 transferred to surplus was reduced by direct charges of \$139,299,557 for contributions to capital of the Federal Deposit Insurance Corporation, \$500,000 for charge-off on bank premises, and \$3,657 net upon elimination of surplus

(Sec. 13b), and was increased by \$11,131,013, transferred from reserves for contingencies, leaving a balance of \$933,851,400 on Dec. 31, 1962.

NOTE.—Details may not add to totals because of rounding.

**9. NUMBER AND SALARIES OF OFFICERS AND EMPLOYEES OF
FEDERAL RESERVE BANKS, DECEMBER 31, 1962**

Federal Reserve Bank (including branches)	President	Other officers		Employees ¹		Total	
	Annual salary	Number	Annual salaries	Number	Annual salaries	Number	Annual salaries
Boston.....	\$ 33,000	24	\$ 365,000	1,409	\$ 5,848,320	1,434	\$ 6,246,320
New York.....	70,000	69	1,324,000	3,984	22,115,819	4,054	23,509,819
Philadelphia.....	35,000	29	440,000	987	4,720,518	1,017	5,195,518
Cleveland.....	40,000	35	525,000	1,528	7,680,933	1,564	8,245,933
Richmond.....	35,000	35	503,500	1,410	6,294,973	1,446	6,833,473
Atlanta.....	35,000	39	524,050	1,321	5,519,180	1,361	6,078,230
Chicago.....	50,000	40	596,500	2,974	13,448,206	3,015	14,094,706
St. Louis.....	35,000	37	548,500	1,142	5,014,344	1,180	5,597,844
Minneapolis.....	35,000	26	372,250	726	3,081,250	753	3,488,500
Kansas City.....	32,500	35	490,700	1,173	4,935,327	1,209	5,458,527
Dallas.....	35,000	30	405,950	962	4,085,333	993	4,526,283
San Francisco.....	35,000	41	532,250	2,312	10,264,005	2,354	10,831,255
Total.....	\$470,500	440	\$6,627,700	19,928	\$93,008,208	20,380	\$100,106,408

¹ Includes 997 part-time employees.

**10. VOLUME OF OPERATIONS IN PRINCIPAL DEPARTMENTS OF FEDERAL
RESERVE BANKS, 1959-62**

(Number in thousands; amounts in thousands of dollars)

Operation	1962	1961	1960	1959
NUMBER OF PIECES HANDLED ¹				
Discounts and advances.....	7	7	19	26
Currency received and counted....	4,734,419	4,618,346	4,746,665	4,631,081
Coin received and counted.....	10,213,309	10,276,927	9,767,544	9,929,912
Checks handled:				
U.S. Govt. checks.....	443,271	430,829	407,333	393,860
Postal money orders.....	247,400	259,209	270,307	279,939
All other ²	3,873,341	3,630,936	3,419,093	3,257,839
Collection items handled:				
U.S. Govt. coupons paid.....	15,879	16,431	16,357	13,915
All other.....	25,327	23,144	21,513	20,853
Issues, redemptions, and exchanges of U.S. Govt. securities.....	198,123	192,366	197,825	196,063
Transfers of funds.....	3,318	3,038	2,918	2,695
AMOUNTS HANDLED				
Discounts and advances.....	19,685,050	14,657,545	58,057,685	105,058,505
Currency received and counted....	31,621,061	30,670,620	31,553,482	30,730,461
Coin received and counted.....	1,140,009	1,133,470	1,095,870	1,022,660
Checks handled:				
U.S. Govt. checks.....	125,431,359	115,009,063	105,212,842	106,724,118
Postal money orders.....	4,701,516	4,860,182	5,029,890	5,078,641
All other ²	1,283,430,670	1,198,461,186	1,154,120,907	1,130,235,860
Collection items handled:				
U.S. Govt. coupons paid.....	4,755,819	4,717,259	4,798,446	3,866,402
All other.....	6,940,394	6,553,424	5,793,218	5,838,199
Issues, redemptions, and exchanges of U.S. Govt. securities.....	639,755,488	560,263,435	527,444,784	545,489,154
Transfers of funds.....	3,168,359,313	2,706,716,007	2,428,083,100	1,882,069,626

¹ Packaged items handled as a single item are counted as one piece.

² Exclusive of checks drawn on the F.R. Banks.

**11. FEDERAL RESERVE BANK DISCOUNT RATES,
DECEMBER 31, 1962**

(Per cent per annum)

Federal Reserve Bank	Discounts for and advances to member banks		Advances to all others under last par. Sec. 13 ³
	Advances and discounts under Secs. 13 and 13a ¹	Advances under Sec. 10(b) ²	
Boston.....	3	3½	4
New York.....	3	3½	4½
Philadelphia.....	3	3½	4½
Cleveland.....	3	3½	4½
Richmond.....	3	3½	4
Atlanta.....	3	3½	4½
Chicago.....	3	3½	4½
St. Louis.....	3	3½	4
Minneapolis.....	3	3½	4
Kansas City.....	3	3½	4
Dallas.....	3	3½	4½
San Francisco.....	3	3½	4½

¹ Advances secured by U.S. Govt. securities and discounts of and advances secured by eligible paper. Rates shown also apply to advances secured by securities of Federal intermediate credit banks maturing within 6 months. Maximum maturity: 90 days except that discounts of certain bankers' acceptances and of agricultural paper may have maturities not over 6 months and 9 months, respectively, and advances secured by FICB securities are limited to 15 days.

² Advances secured to the satisfaction of the F.R. Bank. Maximum maturity: 4 months.

³ Advances to individuals, partnerships, or corporations other than member banks secured by U.S. Govt. direct securities. Maximum maturity: 90 days.

12. MAXIMUM INTEREST RATES PAYABLE ON TIME AND SAVINGS DEPOSITS

(Per cent per annum)

Type of deposit	Effective date				
	Nov. 1, 1933	Feb. 1, 1935	Jan. 1, 1936	Jan. 1, 1957	Jan. 1, 1962
Savings deposits held for—					
1 year or more.....	3	2½	2½	3	{ 4
Less than 1 year.....					{ 3½
Postal savings deposits held for—					
1 year or more.....	3	2½	2½	3	{ 4
Less than 1 year.....					{ 3½
Other time deposits payable in— ¹					
1 year or more.....	3	2½	2½	3	{ 4
6 months-1 year.....					{ 3½
90 days-6 months.....	3	2½	2	2½	2½
Less than 90 days.....	3	2½	1	1	1

¹ For exceptions see p. 129.

NOTE.—Maximum rates that may be paid by member banks as established by the Board of Governors under provisions of Regulation Q. Under this Regulation the rate payable by a member bank may not in any event exceed the maximum rate payable by State banks or trust companies on like deposits under the laws of the State in which the member bank is located. Effective Feb. 1, 1936, maximum rates that may be paid by insured nonmember commercial banks, as established by the F.D.I.C., have been the same as those in effect for member banks.

13. MARGIN REQUIREMENTS

(Per cent of market value)

Regulation	Effective date						
	Feb. 5, 1945	July 5, 1945	Jan. 21, 1946	Feb. 1, 1947	Mar. 30, 1949	Jan. 17, 1951	Feb. 20, 1953
Regulation T: For extension of credit by brokers and dealers on listed securities.....	50	75	100	75	50	75	50
For short sales.....	50	75	100	75	50	75	50
Regulation U: For loans by banks on stocks..	50	75	100	75	50	75	50

Regulation	Effective date						
	Jan. 4, 1955	Apr. 23, 1955	Jan. 16, 1958	Aug. 5, 1958	Oct. 16, 1958	July 28, 1960	July 10, 1962
Regulation T: For extension of credit by brokers and dealers on listed securities.....	60	70	50	70	90	70	50
For short sales.....	60	70	50	70	90	70	50
Regulation U: For loans by banks on stocks..	60	70	50	70	90	70	50

NOTE.—Regulations T and U, prescribed in accordance with Securities Exchange Act of 1934, limit the amount of credit that may be extended on a security by prescribing a maximum loan value, which is a specified percentage of its market value at the time of extension; margin requirements are the difference between the market value (100%) and the maximum loan value. Changes on Feb. 20, 1953, and Jan. 4, 1955, were effective after close of business on these dates.
For earlier data, see *Banking and Monetary Statistics*, Table 145, p. 504.

14. FEES AND RATES UNDER REGULATION V ON LOANS GUARANTEED PURSUANT TO DEFENSE PRODUCTION ACT OF 1950, DECEMBER 31, 1962

Fees Payable to Guaranteeing Agency by Financing Institution on Guaranteed Portion of Loan

Percentage of loan guaranteed	Guarantee fee (percentage of interest payable by borrower)	Percentage of any commitment fee charged borrower
70 or less.....	10	10
75.....	15	15
80.....	20	20
85.....	25	25
90.....	30	30
95.....	35	35
Over 95.....	40-50	40-50

Maximum Rates Financing Institution May Charge Borrower

Interest rate.....	6 per cent per annum
Commitment rate.....	½ per cent per annum

15. MEMBER BANK RESERVE REQUIREMENTS

(Per cent of deposits)

Effective date	Net demand deposits ¹			Time deposits	
	Central reserve city banks ²	Reserve city banks	Country banks	Central reserve and reserve city banks ²	Country banks
1917—June 21.....	13	10	7	3	3
1936—Aug. 16.....	19½	15	10½	4½	4½
1937—Mar. 1.....	22¾	17½	12¼	5¼	5¼
May 1.....	26	20	14	6	6
1938—Apr. 16.....	22¾	17½	12	5	5
1941—Nov. 1.....	26	20	14	6	6
1942—Aug. 20.....	24	.....	.....	.....	.....
Sept. 14.....	22	.....	.....	.....	.....
Oct. 3.....	20	.....	.....	.....	.....
1948—Feb. 27.....	22	.....	.....	.....	.....
June 11.....	24	.....	.....	.....	.....
Sept. 16.....	.....	.....	16	.....	7½
24.....	26	22	.....	7½	.....
1949—May 1.....	.....	.....	15	.....	7
5.....	24	21	.....	7	.....
June 30.....	.....	20	.....	6	.....
July 1.....	.....	.....	14	.....	6
Aug. 1.....	.....	.....	13	.....	.....
11.....	23½	19½	.....	5	.....
16.....	.....	.....	12	.....	5
18.....	23	19	.....	.....	.....
25.....	22½	18½	.....	.....	.....
Sept. 1.....	22	18	.....	.....	.....
1951—Jan. 11.....	23	19	.....	6	.....
16.....	.....	.....	13	.....	6
25.....	24	20	.....	.....	.....
Feb. 1.....	.....	.....	14	.....	.....
1953—July 1.....	.....	.....	13	.....	.....
9.....	22	19	.....	.....	.....
1954—June 16.....	.....	.....	.....	.....	5
24.....	21	.....	.....	5	.....
July 29.....	20	18	.....	.....	.....
Aug. 1.....	.....	.....	12	.....	.....
1958—Feb. 27.....	19½	17½	.....	.....	.....
Mar. 1.....	.....	.....	11½	.....	.....
20.....	19	17	.....	.....	.....
Apr. 1.....	.....	.....	11	.....	.....
17.....	18½	.....	.....	.....	.....
24.....	18	16½	.....	.....	.....
1960—Sept. 1.....	17½	.....	.....	.....	.....
Nov. 24.....	.....	.....	12	.....	.....
Dec. 1.....	16½	.....	.....	.....	.....
1962—Oct. 25.....	.....	.....	.....	4	.....
Nov. 1.....	.....	.....	.....	.....	4
In effect Jan. 1, 1963.....	.....	16½	12	4	4
Present legal requirements:	.....	.....	.....	.....	.....
Minimum.....	.....	3 10	7	3	3
Maximum.....	.....	3 22	14	6	6

¹ Demand deposits subject to reserve requirements which, beginning with Aug. 23, 1935, have been total demand deposits minus cash items in process of collection and demand balances due from domestic banks (also minus war loan and Series E bond accounts during the period Apr. 13, 1943–June 30, 1947).

² Authority of the Board of Governors to classify or reclassify cities as central reserve cities was terminated effective July 28, 1962.

³ From Aug. 23, 1935, to July 28, 1959, the minimum and maximum legal requirements against net demand deposits of central reserve city banks were 13 and 26 per cent, respectively, and the maximum for reserve city banks was 20 per cent.

NOTE.—All required reserves were held on deposit with Federal Reserve Banks, June 21, 1917, until late 1959. Since then, member banks have also been allowed to count vault cash as reserves, as follows: Country banks—in excess of 4 and 2½ per cent of net demand deposits effective Dec. 1, 1959, and Aug. 25, 1960, respectively. Central reserve city and reserve city banks—in excess of 2 and 1 per cent effective Dec. 3, 1959, and Sept. 1, 1960, respectively. Effective Nov. 24, 1960, all vault cash.

16. MEMBER BANK RESERVES, FEDERAL RESERVE BANK CREDIT, AND RELATED ITEMS — END OF YEAR 1918-62 AND END OF MONTH 1962

(In millions of dollars)

Period	Factors supplying reserve funds								Factors absorbing reserve funds										
	F.R. Bank credit outstanding						Gold stock ²	Treasury currency outstanding ³	Currency in circulation	Treasury cash holdings ⁴	Deposits, other than member bank reserves, with F.R. Banks			Other F.R. accounts ⁵	Member bank reserves				
	U.S. Govt. securities			Dis-counts and advances	Float	All other ¹					Total	Treasury	Foreign		Other	With F.R. Banks	Cur-rency and coin ⁶	Re-quired ⁷	Ex-cess ⁷
	Total	Bought out-right	Repur-chase agree-ments																
1918....	239	239	.....	1,766	199	294	2,498	2,873	1,795	4,951	288	51	96	25	118	1,636	.....	1,585	51
1919....	300	300	.....	2,215	201	575	3,292	2,707	1,707	5,091	385	31	73	28	208	1,890	.....	1,822	68
1920....	287	287	.....	2,687	119	262	3,355	2,639	1,709	5,325	218	57	5	18	298	1,781	.....	.....	.....
1921....	234	234	.....	1,144	40	146	1,563	3,373	1,842	4,403	214	96	12	15	285	1,753	.....	1,654	99
1922....	436	436	.....	618	78	273	1,405	3,642	1,958	4,530	225	11	3	26	276	1,934	.....	.....	.....
1923....	134	80	54	723	27	355	1,238	3,957	2,009	4,757	213	38	4	19	275	1,898	.....	1,884	14
1924....	540	536	4	320	52	390	1,302	4,212	2,025	4,760	211	51	19	20	258	2,220	.....	2,161	59
1925....	375	367	8	643	63	378	1,459	4,112	1,977	4,817	203	16	8	21	272	2,212	.....	2,256	-44
1926....	315	312	3	637	45	384	1,381	4,205	1,991	4,808	201	17	46	19	293	2,194	.....	2,250	-56
1927....	617	560	57	582	63	393	1,655	4,092	2,006	4,716	208	18	5	21	301	2,487	.....	2,424	63
1928....	228	197	31	1,056	24	500	1,809	3,854	2,012	4,686	202	23	6	21	348	2,389	.....	2,430	-41
1929....	511	488	23	632	34	405	1,583	3,997	2,022	4,578	216	29	6	24	393	2,355	.....	2,428	-73
1930....	729	686	43	251	21	372	1,373	4,306	2,027	4,603	211	19	6	22	375	2,471	.....	2,375	96
1931....	817	775	42	638	20	378	1,853	4,173	2,035	5,360	222	54	79	31	354	1,961	.....	1,994	-33
1932....	1,855	1,851	4	235	14	41	2,145	4,226	2,204	5,388	272	8	19	24	355	2,509	.....	1,933	576
1933....	2,437	2,435	2	98	15	137	2,688	4,036	2,303	5,519	284	3	4	128	360	2,729	.....	1,870	859
1934....	2,430	2,430	.....	7	5	21	2,463	8,238	2,511	5,536	3,029	121	20	169	241	4,096	.....	2,282	1,814
1935....	2,431	2,430	1	5	12	38	2,486	10,125	2,476	5,882	2,566	544	29	226	253	5,587	.....	2,743	2,844
1936....	2,430	2,430	.....	3	39	28	2,500	11,258	2,532	6,543	2,376	242	99	160	261	6,606	.....	4,622	1,984
1937....	2,564	2,564	.....	10	19	19	2,612	12,760	2,637	6,550	3,619	144	172	235	263	7,027	.....	5,815	1,212
1938....	2,564	2,564	.....	4	17	16	2,601	14,512	2,798	6,856	2,706	923	199	242	260	8,724	.....	5,519	3,205
1939....	2,484	2,484	.....	7	91	11	2,593	17,644	2,963	7,598	2,409	634	397	256	251	11,653	.....	6,444	5,209
1940....	2,184	2,184	.....	3	80	8	2,274	21,995	3,087	8,732	2,213	368	1,133	599	284	14,026	.....	7,411	6,615
1941....	2,254	2,254	.....	3	94	10	2,361	22,737	3,247	11,160	2,215	867	774	586	291	12,450	.....	9,365	3,085
1942....	6,189	6,189	.....	6	471	14	6,679	22,726	3,648	15,410	2,193	799	793	485	256	13,117	.....	11,129	1,988
1943....	11,543	11,543	.....	5	681	10	12,239	21,938	4,094	20,449	2,303	579	1,360	356	339	12,886	.....	11,650	1,236
1944....	18,846	18,846	.....	80	815	4	19,745	20,619	4,131	25,307	2,375	440	1,204	394	402	14,373	.....	12,748	1,625

1945.....	24,262	24,262	.....	249	578	2	25,091	20,065	4,339	28,515	2,287	977	862	446	495	15,915	.....	14,457	1,458	
1946.....	23,350	23,350	.....	163	580	1	24,093	20,529	4,562	28,952	2,272	393	508	314	607	16,139	.....	15,577	562	
1947.....	22,559	22,559	.....	85	535	1	23,181	22,754	4,562	28,868	1,336	870	392	619	563	17,899	.....	16,400	1,499	
1948.....	23,333	23,333	.....	223	541	1	24,097	24,244	4,589	28,224	1,325	1,123	642	547	590	20,479	.....	19,277	1,202	
1949.....	18,885	18,885	.....	78	534	2	19,499	24,427	4,589	27,600	1,312	821	767	750	706	16,568	.....	15,550	1,018	
1950.....	20,778	20,725	53	67	1,368	3	22,216	22,706	4,636	27,741	1,293	668	895	565	714	17,681	.....	16,509	1,172	
1951.....	23,801	23,605	196	19	1,184	5	25,009	22,695	4,709	29,206	1,270	247	526	363	746	20,056	.....	19,667	389	
1952.....	24,697	24,034	663	156	967	4	25,825	23,187	4,812	30,433	1,270	389	550	455	777	19,950	.....	20,520	-570	
1953.....	25,916	25,318	598	28	935	2	26,880	22,030	4,894	30,781	761	346	423	493	839	20,160	.....	19,397	763	
1954.....	24,932	24,888	44	143	808	1	25,885	21,713	4,985	30,509	796	563	490	441	907	18,876	.....	18,618	258	
1955.....	24,785	24,391	394	108	1,585	29	26,507	21,690	5,008	31,158	767	394	402	554	925	19,005	.....	18,903	102	
1956.....	24,915	24,610	305	50	1,665	70	26,699	21,949	5,066	31,790	775	441	322	426	901	19,059	.....	19,089	-30	
1957.....	24,238	23,719	519	55	1,424	66	25,784	22,781	5,146	31,834	761	481	356	246	998	19,034	.....	19,091	-57	
1958.....	26,347	26,252	95	64	1,296	49	27,755	20,534	5,234	32,193	683	358	272	391	1,122	18,504	.....	18,574	-70	
1959.....	26,648	26,607	41	458	1,590	75	28,771	19,456	5,311	32,591	391	504	345	694	841	18,174	310	.....	18,619	-135
1960.....	27,384	26,984	400	33	1,847	74	29,338	17,767	5,398	32,869	377	485	217	533	941	17,081	2,544	.....	18,988	637
1961.....	28,881	28,722	159	130	2,300	51	31,362	16,889	5,585	33,918	422	465	279	320	1,044	17,387	2,823	.....	20,114	96
1962—																					
Jan....	28,532	28,532	.....	129	906	45	29,612	16,815	5,584	32,774	446	362	229	286	1,044	16,872	3,160	.....	19,276	756
Feb....	28,360	28,360	.....	139	1,385	44	29,928	16,790	5,587	32,880	425	449	204	389	1,151	16,808	3,073	.....	19,116	765
Mar....	29,061	28,936	125	115	1,006	42	30,224	16,608	5,590	33,018	425	403	221	356	1,024	16,972	2,353	.....	19,057	268
Apr....	29,182	29,108	74	120	1,303	36	30,641	16,495	5,592	33,159	404	569	230	373	955	17,035	2,548	.....	19,296	287
May....	29,622	29,622	.....	131	919	33	30,705	16,434	5,596	33,518	398	526	223	376	1,080	16,614	3,090	.....	19,202	502
June....	29,663	29,493	170	76	1,462	60	31,261	16,435	5,598	33,770	379	612	334	293	700	17,206	2,459	.....	19,753	-88
July....	29,786	29,786	.....	73	1,138	43	31,040	16,147	5,603	33,869	404	390	248	355	642	16,885	3,056	.....	19,391	550
Aug....	30,358	30,246	112	101	1,124	35	31,618	16,098	5,548	33,932	394	478	168	311	871	17,110	3,075	.....	19,492	693
Sept....	29,825	29,825	.....	48	1,781	36	31,690	16,067	5,551	33,893	390	400	229	318	756	17,321	2,521	.....	19,749	93
Oct....	30,201	29,953	248	219	1,171	34	31,625	15,978	5,554	34,109	399	513	182	309	827	16,821	3,302	.....	19,024	1,099
Nov....	30,454	30,200	254	71	1,885	38	32,448	15,977	5,557	34,782	381	585	203	305	1,078	16,648	3,346	.....	19,202	792
Dec....	30,820	30,478	342	38	2,903	110	33,871	15,978	5,567	35,338	380	597	247	393	1,007	17,454	3,234	.....	19,935	1,753

▷ Preliminary.

¹ Principally acceptances and industrial loans; authority for industrial loans expired Aug. 21, 1959.

² Before Jan. 30, 1934, included gold held by F.R. Banks and in circulation.

³ The stock of currency, other than gold, for which the Treasury is primarily responsible—silver bullion at monetary value and standard silver dollars, subsidiary silver and minor coin, and United States notes; also, F.R. Bank notes and national bank notes for the retirement of which lawful money has been deposited with the Treasurer of the United States. Includes currency of these kinds held in the Treasury and the F.R. Banks as well as that in circulation.

⁴ Gold other than that held against gold certificates and gold certificate credits, including the reserve against United States notes and Treasury notes of 1890, monetary

silver other than that held against silver certificates and Treasury notes of 1890, and the following coin and paper currency held in the Treasury: subsidiary silver and minor coin, United States notes, F.R. notes, F.R. Bank notes, and national bank notes.

⁵ The total of F.R. Bank capital paid in, surplus, other capital accounts, and other liabilities and accrued dividends, less the sum of bank premises and other assets.

⁶ Part allowed as reserves Dec. 1, 1959–Nov. 23, 1960; all allowed thereafter.

⁷ These figures are estimated through 1958. Before 1929 available only on call dates (in 1920 and 1922, the call dates were Dec. 29).

NOTE.—For description of figures and discussion of their significance, see "Member Bank Reserves and Related Items," Section 10 of *Supplement to Banking and Monetary Statistics*, Jan. 1962.

17. PRINCIPAL ASSETS AND LIABILITIES, AND NUMBER OF COMMERCIAL AND MUTUAL SAVINGS BANKS, BY CLASS OF BANK,
DECEMBER 28, 1962, AND DECEMBER 30, 1961

(In millions of dollars)

Item	All banks	Commercial banks					Mutual savings banks			
		Total ¹	Member banks		Insured nonmember	Non-insured	Total	Insured	Non-insured	
			Total	National						State
December 28, 1962 ²										
Loans and investments, total	280,110	235,660	195,700	127,250	68,450	38,210	1,750	44,450	38,450	6,000
Loans	172,820	140,170	118,630	75,540	43,090	20,660	880	32,650	28,730	3,920
Investments	107,290	95,490	77,070	51,710	25,360	17,550	870	11,800	9,720	2,080
U.S. Govt. securities	72,270	66,180	52,980	35,670	17,310	12,760	440	6,090	4,530	1,560
Other securities	35,020	29,310	24,090	16,040	8,050	4,790	430	5,710	5,190	520
Cash assets	54,520	53,620	47,420	29,680	17,740	5,970	230	880	770	110
Deposits, total	303,220	261,660	219,460	142,820	76,640	40,790	1,410	41,560	35,750	5,810
Interbank	16,540	16,540	15,670	9,280	6,390	560	310			
Other demand	147,670	147,610	124,080	79,810	44,270	22,830	700	60	60	
Other time	139,010	97,510	79,710	53,730	25,980	17,400	400	41,500	35,690	5,810
Total capital accounts	28,020	24,080	19,850	12,750	7,100	3,950	280	3,940	3,340	600
Number of banks	13,940	13,429	6,049	4,505	1,544	7,072	308	511	331	180
December 30, 1961										
Loans and investments, total	256,700	215,441	179,599	116,402	63,196	34,320	1,536	41,259	35,660	5,600
Loans	154,318	124,925	106,232	67,309	38,924	18,123	577	29,393	25,812	3,581
Investments	102,382	90,516	73,366	49,094	24,273	16,197	959	11,866	9,848	2,018
U.S. Govt. securities	72,715	66,578	54,058	36,088	17,971	11,972	553	6,136	4,690	1,446
Other securities	29,667	23,937	19,308	13,006	6,302	4,225	406	5,730	5,158	572
Cash assets	57,368	56,432	49,579	31,078	18,501	6,508	346	936	828	108
Deposits, total	287,176	248,689	209,630	135,511	74,119	37,560	1,513	38,487	33,400	5,087
Interbank	18,396	18,395	17,498	10,464	7,034	573	324	1	1	
Other demand	148,131	147,865	124,975	79,606	45,369	22,009	881	266	262	4
Other time	120,648	82,429	67,157	45,441	21,716	14,979	307	38,220	33,137	5,083
Total capital accounts	26,227	22,459	18,638	11,875	6,763	3,452	370	3,768	3,191	577
Number of banks	13,946	13,432	6,113	4,513	1,600	6,997	323	514	330	184

¹ Excludes 1 member mutual savings bank in 1961.

² Estimated.

NOTE.—All banks in the United States.

**18. MEMBER BANK INCOME, EXPENSES, AND DIVIDENDS, BY CLASS
OF BANK, 1962 AND 1961**

Item	Total		Reserve city banks						Country banks	
			New York City ¹		City of Chicago ¹		Other			
	1962	1961	1962	1961	1962	1961	1962	1961	1962	1961
In millions of dollars										
Revenue.....	10,129	9,217	1,644	1,492	406	354	3,873	3,583	4,206	3,788
On U.S. Govt. securities.....	1,682	1,537	228	215	65	60	590	551	798	711
On other securities.....	628	513	106	81	33	23	210	169	279	241
On loans.....	6,420	5,870	1,017	918	250	221	2,534	2,365	2,620	2,365
All other.....	1,398	1,297	293	277	57	50	539	498	509	471
Expenses.....	7,030	6,074	1,010	848	255	188	2,690	2,334	3,075	2,703
Salaries and wages.....	2,496	2,363	385	360	85	75	949	915	1,076	1,013
Interest on deposits.....	2,359	1,720	277	188	95	49	947	679	1,040	804
All other.....	2,175	1,990	347	300	76	64	793	740	959	886
Net current earnings before income taxes....	3,098	3,143	634	643	151	166	1,183	1,248	1,131	1,085
Recoveries and profits ².....	.....	578	.....	96	.....	50	.....	229	.....	204
Losses and charge-offs ³.....	.....	412	.....	64	.....	11	.....	161	.....	176
Net increase (or decrease, +) in valuation reserves.....	.....	347	.....	82	.....	50	.....	115	.....	100
Net income before related taxes.....	2,793	2,962	575	593	133	155	1,059	1,201	1,026	1,013
Taxes on net income.....	1,104	1,250	241	257	49	76	448	533	366	384
Net income.....	1,689	1,712	334	336	83	79	611	668	661	629
Cash dividends declared ⁴	828	793	191	182	33	31	331	321	272	257
In per cent										
Ratios:										
Net current earnings before income taxes to—										
Average total capital accounts.....	16.2	17.5	16.9	17.8	16.9	19.8	16.6	18.9	15.5	15.9
Average total assets.....	1.34	1.46	1.52	1.66	1.49	1.82	1.33	1.51	1.25	1.29
Net income to—										
Average total capital accounts.....	8.9	9.6	8.9	9.3	9.3	9.4	8.6	10.1	9.0	9.2
Average total assets.....	.73	.80	.80	.87	.82	.86	.68	.81	.73	.75
Average return on U.S. Govt. securities.....	3.21	3.05	3.15	2.93	3.17	3.11	3.15	3.05	3.28	3.08
Average return on loans.....	5.91	5.84	5.17	5.07	5.34	5.06	5.85	5.88	6.40	6.26

¹ Banks in these cities were reclassified from central reserve city to reserve city banks during 1962. In addition, current figures include 3 banks in N.Y.C. and 3 in the city of Chicago not included in 1961. These banks had about \$7.5 million in net current earnings in 1962.

² Includes recoveries credited to valuation reserves.

³ Includes losses charged to valuation reserves.

⁴ Includes interest on capital notes and debentures.

NOTE.—Data for 1962 are preliminary; final figures will be published later in the *F. R. Bull.*

19. CHANGES IN NUMBER OF BANKING OFFICES IN THE UNITED STATES DURING 1962¹

Type of office and change	All banks	Commercial banks (incl. stock savings banks and nondeposit trust companies)					Mutual savings banks	
		Total	Member		Nonmember		Insured	Non-insured
			National ¹	State ²	Insured	Non-insured ²		
Banks, Dec. 31, 1961	13,946	13,432	4,513	1,600	6,997	323	330	184
Changes during 1962								
New banks ³	183	183	63	4	103	13		
Suspensions.....	-2	-2				-2		
Reopenings.....	1	1				1		
Consolidations and absorptions:								
Banks converted into branches	-167	-164	-72	-31	-59	-2	-1	-2
Other.....	-18	-18	-8	-5	-4	-1		
Voluntary liquidations ⁴	-4	-4			-1	-3		
Other changes ⁵	-1	-1				-1		
Interclass changes:								
Nonmember to State member.....				5	-5			
State member to nonmember.....				-26	25			
National to State.....			-6		6			
State to national.....			13	-3	-8	-2		
Noninsured to insured.....					18	-18	2	-2
Net change.....	-8	-5	-10	-56	75	-15	1	-4
Number of banks Dec. 31, 1962	13,938	13,427	4,503	1,544	7,072	308	331	180
Branches and additional offices, Dec. 31, 1961	11,620	11,077	5,827	2,826	2,380	44	427	116
Changes during 1962								
De novo.....	918	874	486	155	225	8	38	6
Banks converted.....	167	164	97	34	33		1	2
Discontinued.....	-50	-47	-27	-9	-11		-1	-2
Interclass changes—net ⁶			40	-25	-13	-2	1	-1
Net change.....	1,035	991	596	155	234	6	39	5
Number of branches and additional offices, Dec. 31, 1962 ..	12,655	12,068	6,423	2,981	2,614	50	466	121
Banking facilities, Dec. 31, 1961 ⁷	276	276	217	29	30			
Changes during 1962								
Established.....	8	8	6		2			
Discontinued.....	-7	-7	-7					
Interclass changes.....			1	-1				
Net change.....	1	1		-1	2			
Number of banking facilities, Dec. 31, 1962	277	277	217	28	32			

¹ Includes a national bank (2 branches) in the Virgin Islands; other banks or branches located in the possessions are excluded.

² State member bank figures include and noninsured bank figures exclude 2 noninsured trust cos. without deposits.

³ Exclusive of new banks organized to succeed operating banks.

⁴ Exclusive of liquidations incident to the succession, conversion, or absorption of banks.

⁵ Ceased banking operations.

⁶ For details see Feb. 1963 *F. R. Bull.*, p. 266.

⁷ Provided at military and other Govt. establishments through arrangements made by the Treasury.

20. NUMBER OF BANKING OFFICES ON AND NOT ON FEDERAL RESERVE
PAR LIST, DECEMBER 31, 1962

F. R. district, State, or other area	Total		On par list						Not on par list (nonmember)	
			Total		Member		Nonmember			
	Banks	Branches & offices	Banks	Branches & offices	Banks	Branches & offices	Banks	Branches & offices	Banks	Branches & offices
DISTRICT										
Boston.....	391	886	391	886	253	696	138	190		
New York.....	547	2,180	547	2,180	451	1,917	96	263		
Philadelphia.....	592	807	592	807	456	631	136	176		
Cleveland.....	883	1,134	883	1,134	527	982	356	152		
Richmond.....	881	1,535	763	1,406	421	909	342	497	118	129
Atlanta.....	1,405	662	864	599	430	494	434	105	541	63
Chicago.....	2,499	1,287	2,499	1,287	1,005	806	1,494	481		
St. Louis.....	1,476	445	1,200	364	474	242	726	122	276	81
Minneapolis.....	1,312	161	710	114	470	64	240	50	602	47
Kansas City.....	1,799	155	1,796	155	764	110	1,032	45	3	
Dallas.....	1,179	192	1,104	180	632	117	472	63	75	12
San Francisco	377	3,015	375	3,015	162	2,699	213	316	2	
Total....	13,341	12,459	11,724	12,127	6,045	9,667	5,679	2,460	1,617	332
STATE										
Alabama.....	239	108	158	105	94	96	64	9	81	3
Alaska.....	12	43	10	43	5	35	5	8	2	
Arizona.....	10	203	10	203	4	164	6	39		
Arkansas.....	241	67	137	45	78	39	59	6	104	22
California.....	123	1,964	123	1,964	62	1,821	61	143		
Colorado.....	174	7	174	7	105	6	69	1		
Connecticut.....	62	231	62	231	29	183	33	48		
Delaware.....	19	56	19	56	6	28	13	28		
District of Columbia.....	12	72	12	72	9	65	3	7		
Florida.....	337	16	297	15	140	12	157	3	40	1
Georgia.....	419	141	144	133	68	123	76	10	275	8
Hawaii.....	7	105	7	105	2	38	5	67		
Idaho.....	31	93	31	93	17	86	14	7		
Illinois.....	996	4	995	4	525	4	470		1	
Indiana.....	438	366	438	366	225	249	213	117		
Iowa.....	671	194	671	194	163	22	508	172		
Kansas.....	593	38	593	38	212	27	381	11		
Kentucky.....	351	184	351	184	99	124	252	60		
Louisiana.....	196	203	93	170	54	133	39	37	103	33
Maine.....	44	152	44	152	28	106	16	46		
Maryland.....	121	301	121	301	55	185	66	116		
Massachu- setts.....	162	443	162	443	113	365	49	78		
Michigan.....	371	672	371	672	214	547	157	125		
Minnesota.....	693	6	291	6	207	6	84		402	
Mississippi.....	192	162	58	86	34	52	24	34	134	76
Missouri.....	623	44	571	44	169	26	402	18	52	
Montana.....	122	3	122	3	88	3	34			
Nebraska.....	421	19	421	19	136	16	285	3		
Nevada.....	7	45	7	45	5	39	2	6		
New Hamp- shire.....	73	3	73	3	52	2	21	1		
New Jersey..	239	517	239	517	204	461	35	56		
New Mexico..	60	69	60	69	37	38	23	31		
New York....	370	1,580	370	1,580	318	1,501	52	179		
North Carolina...	156	609	96	489	33	263	63	226	60	120
North Dakota....	157	33	60	11	40	5	20	6	97	22
Ohio.....	564	744	564	744	357	649	207	95		
Oklahoma.....	391	32	387	32	228	28	159	4	4	
Oregon.....	48	213	48	213	13	184	35	29		
Pennsylvania.	633	946	633	946	482	784	151	162		
Rhode Island	10	104	10	104	5	73	5	31		

For notes see end of table.

20. NUMBER OF BANKING OFFICES ON AND NOT ON FEDERAL RESERVE
PAR LIST, DECEMBER 31, 1962 — Continued

F. R. district, State, or other area	Total		On par list						Not on par list (nonmember)	
			Total		Member		Nonmember			
	Banks	Branches & offices	Banks	Branches & offices	Banks	Branches & offices	Banks	Branches & offices	Banks	Branches & offices
STATE— Cont.										
South										
Carolina...	142	186	84	177	32	126	52	51	58	9
South Dakota	171	69	68	44	56	36	12	8	103	25
Tennessee....	293	255	221	242	81	174	140	68	72	13
Texas.....	1,045	44	1,016	44	574	25	442	19	29	.....
Utah.....	49	83	49	83	21	68	28	15	.....	.....
Vermont.....	50	40	50	40	29	19	21	21	.....	.....
Virginia.....	292	367	292	367	193	270	99	97	.....	.....
Washington..	92	323	92	323	34	308	58	15	.....	.....
West										
Virginia...	182	.....	182	.....	109	.....	73	.....	.....	.....
Wisconsin....	569	162	569	162	159	31	410	131	.....	.....
Wyoming....	56	1	56	1	41	1	15	.....	.....	.....
OTHER AREA										
Puerto Rico ²	11	131	11	131	.....	15	11	116	.....	.....
Virgin Islands ² ...	1	6	1	6	1	6	.....	.....	.....	.....

¹ Includes 3 N.Y.C. branches of 2 insured nonmember Puerto Rican banks.

² Puerto Rico and the Virgin Islands assigned to the N.Y. District for check clearing and collection purposes. All member branches in Puerto Rico and all except 2 in the Virgin Islands are branches of New York City banks. Nonmember branches in Puerto Rico include 6 branches of Canadian banks.

NOTE.—All commercial banking offices on which checks are drawn, including 277 banking facilities. Number of banks and branches differs from that in Table 19 because this table includes banks in Puerto Rico and the Virgin Islands but excludes banks and trust cos. on which no checks are drawn.

**21. DESCRIPTION OF EACH MERGER, CONSOLIDATION, ACQUISITION
OF ASSETS OR ASSUMPTION OF LIABILITIES APPROVED BY
THE BOARD OF GOVERNORS DURING 1962¹**

Name of bank, and type of transaction ² (in chronological order of determination)	Resources (in millions of dollars)	Banking offices	
		In operation	To be operated
No. 1— The Hackensack Trust Company, Hackensack, N.J. <i>to merge with</i> The Bank of Saddle Brook & Lodi, Saddle Brook, N.J.	53.2	3	} 5
	10.3	2	

SUMMARY REPORT BY ATTORNEY GENERAL (10-9-61)

The merger of Hackensack Trust and Bank of Saddle Brook & Lodi would unite the third and sixth largest banks among the 7 in the area served by the 2 banks without any change in position of the remaining banks. The proposal was initiated by the smaller bank, which sought a means of supplying its need for management personnel, and which sought a remedy for the inadequacy of its capital funds. Competition eliminated as a result of the merger does not appear to be substantial in light of the competition afforded by the other large banks serving the restricted service area. Therefore, the effect of the proposed merger on competition does not appear to be adverse.

BASIS FOR APPROVAL BY BOARD OF GOVERNORS (1-17-62)

Saddle Brook is a mixed residential and industrial community with an estimated population of some 14,000. It has experienced substantial growth in recent years and prospects for further expansion are favorable. Bank of Saddle Brook & Lodi provides the only commercial banking office in Saddle Brook. Lodi, with an estimated population of 23,500, is contiguous to Saddle Brook on the south. It is served by an office of the Saddle Brook bank and an office of a large commercial bank. An urban renewal program offers fair prospects for municipal growth.

Saddle Brook bank, sixth largest of 7 area banks, is 3.6 miles from Hackensack Trust, the third largest. The merger would provide the Saddle Brook area with a broader range of banking services and would solve the problems Saddle Brook bank has encountered in obtaining management personnel and capital funds commensurate with its rate of growth. The primary service areas of the merging banks do not overlap and competition which would be eliminated by the merger would not be of significance. Entry of the larger Hackensack Trust into the Saddle Brook-Lodi area would result in increased competition since that bank would then be in a better position to compete more effectively with the offices of other banks in and near that area, particularly those of the 2 largest area banks.

For notes see p. 201.

21. DESCRIPTION OF EACH MERGER, CONSOLIDATION, ACQUISITION OF ASSETS OR ASSUMPTION OF LIABILITIES APPROVED BY THE BOARD OF GOVERNORS DURING 1962¹—Continued

Name of bank, and type of transaction ² (in chronological order of determination)	Resources (in millions of dollars)	Banking offices	
		In operation	To be operated
No. 2—The Citizens Central Bank, Arcade, N.Y. <i>to merge with</i> Bank of Delevan, Delevan, N.Y.	14.2 3.8	3 1	} } 4

SUMMARY REPORT BY ATTORNEY GENERAL (1-12-62)

Citizens Central, with assets of approximately \$13.8 million as of June 30, 1961, seeks to acquire by merger the Bank of Delevan, with assets which would appear to be approximately \$4 million. The Board of Governors has found that an emergency exists requiring expeditious action on the proposal.

Although some competition exists between the 2 banks, the application indicates that greater competition comes from other larger commercial banks and from several branches of the strong Buffalo banks. The existing emergency situation at the Bank of Delevan and the distance of 5 miles from its office to the Arcade office of Citizens Central and 20 to 30 miles to its other offices indicate that the proposed merger would not have a substantial adverse effect on competition.

BASIS FOR APPROVAL BY BOARD OF GOVERNORS (1-24-62)

Bank of Delevan, serving a community of about 800 and a surrounding agricultural area in which some 3,000 persons reside, experienced a serious depletion of its capital accounts through the acts of a depositor-borrower. The proposed merger with Citizens Central of Arcade, about 6 miles distant, was made to remedy a situation requiring expeditious action.

While a merger of these banks might have some adverse effect on competition, the significance of this lessening of competition is more than offset by the need of averting any further deterioration in the condition of Bank of Delevan and for insuring the continuance of banking facilities in Delevan.

No. 3—Columbus Junction State Bank, Columbus Junction, Iowa. <i>to acquire the assets and assume the liabilities of</i> Louisa County National Bank, Columbus Junction, Iowa.	3.9 1.8	1 1	} } 2
---	----------------	------------	--------------

SUMMARY REPORT BY ATTORNEY GENERAL (12-5-61)

The only banks in the small town of Columbus Junction, with \$3.9 million and \$1.8 million in total assets, respectively, seek to combine. The closest banks to the 2 banks involved in the transaction are located in surrounding towns varying in distances from 9 to 28 miles. Thus it is doubtful if such other banks offer much, if any, effective competition to the combining banks.

For notes see p. 201.

21. DESCRIPTION OF EACH MERGER, CONSOLIDATION, ACQUISITION OF ASSETS OR ASSUMPTION OF LIABILITIES APPROVED BY THE BOARD OF GOVERNORS DURING 1962¹—Continued

Name of bank, and type of transaction ² (in chronological order of determination)	Resources (in millions of dollars)	Banking offices	
		In operation	To be operated

SUMMARY REPORT BY ATTORNEY GENERAL—Cont.

It is our view that the acquisition, creating monopoly banking in the town of Columbus Junction, thereby eliminating all competition between the 2 banks and depriving the people in that town of an alternate source for banking service, would have an adverse effect on competition.

BASIS FOR APPROVAL BY BOARD OF GOVERNORS (1-24-62)

Subject banks serve Columbus Junction, a small agricultural community of some 1,000 persons, and a common trade area containing an estimated population of 3,500. Competition is afforded by 10 other banks located from 9 to 21 miles from Columbus Junction. Although only 1 rather than 2 banks will exist in Columbus Junction after the acquisition, this small community as well as the larger surrounding farm area apparently will be adequately served by the remaining Columbus Junction State Bank and the numerous banks in other nearby communities.

The rather conservatively operated Louisa County National has done little to meet the borrowing needs of the area, and it apparently does not offer active competition to the State bank. Combining these 2 banks would provide the acquiring bank with additional loanable funds which the National bank has been unable or unwilling to utilize effectively, thereby improving the continuing bank's ability to serve the credit needs of the customers of both banks.

No. 4—Springfield Safe Deposit and Trust Company, Springfield, Mass. <i>to consolidate with</i>	42.1	5	} 12
Hadley Falls Trust Company, Holyoke, Mass., and change its title to The Safe Deposit Bank and Trust Company.	36.7	7	

SUMMARY REPORT BY ATTORNEY GENERAL (11-22-61)

The proposed consolidation of Springfield Safe Deposit and Trust, holding about 12 per cent of deposits and loans among the banks in the area, with Hadley Falls Trust, holding about 10 per cent, will result in the formation of a bank intermediate in size between the 2 large banks in the area, accounting for about 34 per cent and 30 per cent, respectively, of the banking business, and the 3 smaller banks accounting for less than 7 per cent, 4 per cent, and 3 per cent each.

Since the 2 consolidating banks do not appear to have much direct competition between them, it would appear that the lessening of competition which may result from the proposed consolidation would not be substantial.

For notes see p. 201.

21. DESCRIPTION OF EACH MERGER, CONSOLIDATION, ACQUISITION OF ASSETS OR ASSUMPTION OF LIABILITIES APPROVED BY THE BOARD OF GOVERNORS DURING 1962¹—Continued

Name of bank, and type of transaction ² (in chronological order of determination)	Resources (in millions of dollars)	Banking offices	
		In operation	To be operated

BASIS FOR APPROVAL BY BOARD OF GOVERNORS (2-2-62)

Springfield Safe Deposit and Trust, serving a trade area containing about 300,000 persons, is the third largest commercial bank in the Springfield-Holyoke metropolitan area. The bank operates 4 offices in Springfield and adjacent communities. Hadley Falls Trust is located about 10 miles north of Springfield and serves an area containing more than 160,000 persons. Hadley operates 6 branches in Holyoke and nearby communities.

There are 4 commercial banks (total IPC³ deposits \$216 million and loans \$133 million), and 5 mutual savings banks (total IPC deposits \$292 million and loans \$218 million), located within Safe Deposit's service area. As of June 30, 1961, Safe Deposit held 14.9 per cent of the total deposits of these 4 commercial banks and 6.3 per cent of the deposits of all 9 banks. There are 4 commercial banks (total deposits \$56 million and loans \$32 million), and 6 mutual savings banks (total deposits \$190 million and loans \$142 million) in Hadley's service area. As of June 30, 1961, Hadley Falls held 51.7 per cent of the total deposits of the 4 commercial banks and 11.8 per cent of deposits of all 10 banks. In the combined area, the resulting bank would hold 22.5 per cent of commercial bank deposits and 8.1 per cent of deposits of all banks.

The proposed consolidation would produce an institution with greater management stability, larger resources, and lending limits better able to compete with the larger commercial banks in supplying the needs of the larger local firms. The consolidation may be expected to result in improved banking services throughout the area now served by the 2 banks. Although slight overlapping of trade areas of the consolidating banks is present, each of the 2 essentially serves different sections of the metropolitan area. For this reason and because of the intense competition from other banks and financial institutions in the area, the vigor of competition should not be adversely affected by the consolidation. On the contrary, competition between the resulting bank and the 2 larger area banks should be increased.

No. 5— Bank of Idaho , Boise, Idaho.	59.2	9	} 10
<i>to merge with</i> First National Bank of Bonners Ferry , Bonners Ferry, Idaho	5.8	1	

SUMMARY REPORT BY ATTORNEY GENERAL (12-8-61)

There is presently no competition between the 2 banks, the nearest branch office of Bank of Idaho being approximately 170 miles to the south of the office of First National. First National has no competition in its service area and Bank of Idaho will retain effective competition from 2 larger banks. Thus, the effect upon competition would not be adverse.

BASIS FOR APPROVAL BY BOARD OF GOVERNORS (2-16-62)

First National of Bonners Ferry (population 2,000) is located about 260 miles north of Boise and serves principally Boundary County (popula-

¹For notes see p. 201.

21. DESCRIPTION OF EACH MERGER, CONSOLIDATION, ACQUISITION OF ASSETS OR ASSUMPTION OF LIABILITIES APPROVED BY THE BOARD OF GOVERNORS DURING 1962¹—Continued

Name of bank, and type of transaction ² (in chronological order of determination)	Resources (in millions of dollars)	Banking offices	
		In operation	To be operated

BASIS FOR APPROVAL BY BOARD OF GOVERNORS—Cont.

tion 5,800). First has had heavy losses in recent years, and improvement is needed in its asset condition. Lack of a strong collection policy, illness of its chief executive officer, and apparent dissension among its directors pose further difficulties for First. The proposed merger would provide a solution of these problems.

There appears to be no competition between the banks proposed to be merged; and Bonners Ferry may benefit through the availability to the community of a larger, stronger bank. The extension of the area served by Bank of Idaho and the increment in its financial resources which would result from the merger would have little effect on the relative competitive positions of the largest banks operating branch systems in the State.

No. 6—United California Bank, Los Angeles, Calif. <i>to merge with</i>	2,376.1	134	} 4 138
The Southwest Bank, Inglewood, Calif.	19.9	4	

SUMMARY REPORT BY ATTORNEY GENERAL (5-23-61)

The past and immediate history of United California Bank clearly establishes a pattern of more and more acquisitions. While this particular merger does not appear to be inimical to the competitive situation in California, its cumulative effect must be considered. As a result, it would appear that the present and long-term effects of this acquisition on competition would be adverse.

BASIS FOR APPROVAL BY BOARD OF GOVERNORS (2-16-62)

There are at present 71 bank offices within the Adams-Inglewood economic area of Los Angeles, a densely populated, highly industrialized section situated southwest of the downtown Los Angeles Civic Center. The head office and 3 branches of The Southwest Bank are located generally in the western half of this area, while the 4 offices of United California Bank operate in the eastern half. Although all 8 offices are within the Adams-Inglewood area, the primary service area of each office generally does not exceed a radius of 2 miles, and as a whole the combined primary service area of the 2 banks covers somewhat less than the entire economic area.

Within this Adams-Inglewood economic area, there are 8 banks operating 64 banking offices in the primary service areas of United and Southwest, including 25 offices of Bank of America N. T. and S. A., 19 offices of Security First National, and 8 offices of Citizens National. Their total deposits exceed \$620 million. Southwest Bank (deposits \$14.7 million), and Pacific State Bank, Hawthorne (deposits \$14.9 million), the latter operating its head office and 2 of 3 branches within the primary service areas of United and Southwest, are the only independent banks in the

¹For notes see p. 201.

21. DESCRIPTION OF EACH MERGER, CONSOLIDATION, ACQUISITION OF ASSETS OR ASSUMPTION OF LIABILITIES APPROVED BY THE BOARD OF GOVERNORS DURING 1962¹—Continued

Name of bank, and type of transaction ² (in chronological order of determination)	Resources (in millions of dollars)	Banking offices	
		In operation	To be operated

BASIS FOR APPROVAL BY BOARD OF GOVERNORS—Cont.

Adams-Inglewood section of Los Angeles. None of the offices of either United or Southwest is nearer than 2 miles from an office of the other bank with the exception of the latter's Western and 88th Street Office, which is only about 1 mile from United's Manchester and Vermont Office. At present, competition between the 2 merging banks is not substantial. United states that only about 7 per cent of Southwest's business originates in the service areas of its offices, and less than 1 per cent of United's business is derived from Southwest's service areas. United now holds 6.2 per cent of the banking offices and 5.9 per cent of bank deposits, and Southwest holds 4.7 per cent of offices and 2.4 per cent of deposits of banks operating within their primary service areas.

United California, with its network of 125 offices in 29 of 58 counties, is the fourth largest bank in the State and third largest in the Los Angeles Metropolitan Area. While the proposed merger would eliminate existing and potential competition between United and Southwest, the resulting bank would have only 8 of 65 offices (including 1 of Southwest which has been approved but is not yet in operation), and only about 8.3 per cent of total deposits in the Adams-Inglewood Area within 2 miles of each of the offices of the merging banks. The over-all effect on competition would not be adverse. Undoubtedly competition between the remaining banks and branches would be intensified.

Southwest has a serious management-succession problem, which has been aggravated by recent deaths and illnesses among its senior executives and the inability of the bank to find able, experienced bankers to fill these senior executive positions. The resulting bank would provide present customers of Southwest with a competently and aggressively managed institution offering a complete range of banking services and greater lending limits comparable to the nearby offices of the large banking organizations, which would be in the public interest.

No. 7— Liberty Bank and Trust Company, Buffalo, N.Y. <i>to merge with</i>	199.0	26	} 27
Bank of Orchard Park, Orchard Park, N.Y.	7.7	1	

SUMMARY REPORT BY ATTORNEY GENERAL (11-27-61)

Liberty is the third largest of 5 banks in Buffalo; as of Dec. 31, 1960, the largest bank had total assets of \$790 million; the second bank had total assets of \$507 million; Liberty had total assets of \$176 million; the fourth bank had total assets of \$42.6 million; and the fifth bank had total assets of \$9 million.

In the service area of Bank of Orchard Park, there are 3 competitive banks operating 6 banking offices. Four of these offices are operated by the largest bank in the area.

For notes see p. 201.

21. DESCRIPTION OF EACH MERGER, CONSOLIDATION, ACQUISITION OF ASSETS OR ASSUMPTION OF LIABILITIES APPROVED BY THE BOARD OF GOVERNORS DURING 1962¹—Continued

Name of bank, and type of transaction ² (in chronological order of determination)	Resources (in millions of dollars)	Banking offices	
		In operation	To be operated

SUMMARY REPORT BY ATTORNEY GENERAL—Cont.

As between the 2 merging banks Orchard Park had 35 loans totaling \$197,000 originating in Liberty's service area. Liberty had 282 loans totaling \$1.4 million originating in Orchard Park's service area, including 65 mortgages totaling \$913,000.

Orchard Park had 145 IPC deposit accounts (out of 7,279 accounts) with deposits of \$135,000 originating in Liberty Bank's service area. Liberty had 570 IPC deposit accounts (out of 104,973 accounts) with deposits of \$730,000 (out of \$161 million in deposits) originating in Orchard Park's service area.

In view of the existence of a relatively small amount of competition between the merging banks and the competitive situation in the western New York area, it does not appear that there would be a substantially adverse effect on competition in commercial banking in the area as a result of this proposed merger.

BASIS FOR APPROVAL BY BOARD OF GOVERNORS (2-28-62)

Liberty is 1 of 5 commercial banks in Buffalo and 1 of 12 commercial banks in Erie County. It currently ranks third in size in both Buffalo and Erie County and would continue to do so after the merger. Liberty is subject to very keen competition from the 2 largest banks in the county, which together hold over 75 per cent of the deposits in that area as compared to Liberty's 15 per cent. There appears to be very little competition between Liberty and Bank of Orchard Park, as their service areas barely overlap and neither obtains much business from the area of the other. Liberty's branch nearest Orchard Park is about 7 miles away. The 2 largest Buffalo banks have 4 branches within 6 miles of Orchard Park.

The proposed merger would provide more complete banking services to the service area of Orchard Park, while at the same time eliminating little, if any, competition. Liberty will be in a better position to compete more effectively with the 2 largest banks in Buffalo and Erie County.

No. 8—Union Trust Company of Maryland, Baltimore, Md. <i>to merge with</i>	269.8	30	} 32
Kingsville Bank, Kingsville, Md.	10.1	2	

SUMMARY REPORT BY ATTORNEY GENERAL (1-12-62)

The proposed merger of Kingsville Bank into Union Trust would not have significant adverse competitive effects.

Competition between the 2 banks does not appear to exist to a substantial degree. Kingsville Bank serves a farm and residential area as evidenced by its loans, while the banking activities of Union Trust are directed chiefly to serving commercial and industrial accounts as indicated by its loans. Moreover, the merging bank will soon face competition from a branch of the largest bank in the Baltimore area.

For notes see p. 201.

21. DESCRIPTION OF EACH MERGER, CONSOLIDATION, ACQUISITION OF ASSETS OR ASSUMPTION OF LIABILITIES APPROVED BY THE BOARD OF GOVERNORS DURING 1962¹—Continued

Name of bank, and type of transaction ² (in chronological order of determination)	Resources (in millions of dollars)	Banking offices	
		In operation	To be operated

BASIS FOR APPROVAL BY BOARD OF GOVERNORS (3-20-62)

Kingsville Bank operates, in addition to its head office, a branch at Perry Hall. These offices are 12 and 16 miles, respectively, northeast of downtown Baltimore. The service areas of Union Trust and Kingsville Bank do not overlap, and there is very little competition between these banks.

Union Trust will make immediately available to the areas served by Kingsville Bank broader services and larger resources, which should contribute substantially to the convenience and need of this rapidly expanding section of the Baltimore metropolitan area. Competition in the Perry Hall area should be increased as the largest bank in the State, Maryland National Bank, is in process of establishing a branch in Perry Hall.

No. 9— First Trust Company of Albany, Albany, N.Y. <i>to merge with</i>	92.1	7	} 8
The Broadalbin Bank, Broadalbin, N.Y.	3.2	1	

SUMMARY REPORT BY ATTORNEY GENERAL (12-18-61)

First Trust, the fourth largest bank within the service area of the merging banks, had total assets of \$92.1 million, total capital accounts of \$6 million, total deposits of \$83.9 million, and loans and discounts of \$42.3 million, as of Sept. 27, 1961.

As of the same date Broadalbin Bank, the smallest bank within the service area, had total assets of \$3.2 million, total capital accounts of \$0.4 million, total deposits of \$2.8 million, and loans and discounts of \$1.6 million.

The service area is already marked by a concentration of banking resources, with the 2 largest commercial banks accounting for 64.7 per cent of the IPC deposits and 67.7 per cent of the loans of the area. First Trust, as a result of the proposed merger, will hold 8.6 per cent of the IPC deposits and 8.5 per cent of the loans, representing an increase of 0.4 per cent in each category.

While the proposed merger will increase the concentration of banking resources within the service area and will result in the elimination of a degree of competition between the merging banks, in view of the relative size of the merging banks as compared with other banks within the service area, it does not appear that the effect on competition will be substantially adverse.

BASIS FOR APPROVAL BY BOARD OF GOVERNORS (3-20-62)

The village of Broadalbin, some 35 miles northwest of Albany, has a population of about 1,400 and serves a trade area of about 3,500 people. The Broadalbin Bank is in satisfactory condition, but its earnings prospects are uncertain and strengthened management is needed which, the bank

¹For notes see p. 201.

21. DESCRIPTION OF EACH MERGER, CONSOLIDATION, ACQUISITION OF ASSETS OR ASSUMPTION OF LIABILITIES APPROVED BY THE BOARD OF GOVERNORS DURING 1962¹—Continued

Name of bank, and type of transaction ² (in chronological order of determination)	Resources (in millions of dollars)	Banking offices	
		In operation	To be operated

BASIS FOR APPROVAL BY BOARD OF GOVERNORS—Cont.

feels, it cannot afford. First Trust's nearest branch is located 10 miles west of Broadalbin Bank and, with little overlap of service areas, there is negligible competition between the 2 banks.

The banking factors strongly support approval of the proposal. The need for improved management at Broadalbin Bank would be fulfilled by consummation of the merger, whereas there is no evidence that this need might be otherwise resolved. The Broadalbin area would be supplied with more varied and improved banking services.

No. 10—The Peru Trust Company, Peru, Ind. <i>to merge with</i>	12.0	2	} 3
Farmers State Bank, Mexico, Ind.	1.1	1	

SUMMARY REPORT BY ATTORNEY GENERAL (3-1-62)

The proposed merger of Farmers State into Peru Trust will eliminate, as an independent banking facility, 1 of the 5 banking establishments in the service area. Although it unites a bank offering limited banking services with a bank offering a larger variety of banking services, the merger will further increase the heavy concentration of banking services in a few operating units in the area.

Because it is not likely that a bank with loans and discounts of only \$277,000 can be a vigorous factor in competition, we do not believe that the effect of the elimination of the competition presently offered by Farmers will be substantially adverse.

BASIS FOR APPROVAL BY BOARD OF GOVERNORS (3-23-62)

These 2 banks, situated 5 miles apart, are not strong competitors. The smaller institution, which pays no interest on time deposits and has only a small volume of loans, has not been progressive in serving the needs of its community. Consummation of the proposed merger will provide broader banking services to the Mexico area and may also enable the applicant to compete more effectively with its principal and slightly larger competitor. The merger would also eliminate any management succession problem at Farmers State.

No. 11—City Trust Company, Bridgeport, Conn. <i>to merge with</i>	153.0	7	} 8
The West Side Bank, Bridgeport, Conn.	14.7	1	

SUMMARY REPORT BY ATTORNEY GENERAL (11-3-61)

City Trust has total assets of about \$151 million, West Side assets of about \$15.5 million. These represent 29 per cent and 3 per cent, respec-

¹For notes see p. 201.

21. DESCRIPTION OF EACH MERGER, CONSOLIDATION, ACQUISITION OF ASSETS OR ASSUMPTION OF LIABILITIES APPROVED BY THE BOARD OF GOVERNORS DURING 1962¹—Continued

Name of bank, and type of transaction ² (in chronological order of determination)	Resources (in millions of dollars)	Banking offices	
		In operation	To be operated

SUMMARY REPORT BY ATTORNEY GENERAL—Cont.

tively, of the 4 banks in the area. The largest bank has assets of \$199.7 million, about 38 per cent, and the second largest bank assets of \$163.7 million, about 30 per cent.

The acquisition of the fourth bank by the third largest of 4 banks in the service area of the acquired bank appears to be another step in the increasing concentration in commercial banking in this area. It would also, of course, eliminate substantial competition between the merging banks.

BASIS FOR APPROVAL BY BOARD OF GOVERNORS (3-23-62)

There are 4 commercial banks with over \$481 million of deposits and 11 offices serving Bridgeport. In terms of deposits, City Trust ranks third in size and West Side ranks fourth. In addition to the commercial banks, there are 3 savings banks with about \$423 million of deposits and 8 offices serving the city. Due to their broad powers under Connecticut law, the savings banks are able to offer the commercial banks keen competition. West Side, which is about 1.3 miles from the main office of City Trust, serves a highly industrialized and densely populated section of about 2 square miles which lies within the service area of City Trust. Part of this area is undergoing an extensive redevelopment program, which will contribute substantially to the city's economy and growth. The largest Bridgeport bank is now establishing a branch in this area about 3 blocks from West Side.

While the proposed merger would eliminate some competition between the merging banks, such competition is not of the magnitude frequently existing between banks so situated. Permitting City Trust to enter this area served by West Side via merger will inject into the area a large bank capable of satisfying the expanding banking needs which will accompany the redevelopment program. Competition should be intensified.

No. 12—Farmers and Merchants Bank of Long Beach, Long Beach, Calif. <i>to acquire the assets and assume the liabilities of</i>	110.3	2	} 4
Farmers and Merchants Bank of Southern Counties, Long Beach, Calif.	30.6	2	

SUMMARY REPORT BY ATTORNEY GENERAL (1-11-62)

Of the 9 banks operating in the Long Beach metropolitan area, the acquiring bank is the second largest and the acquired bank the fourth largest. As a result of the proposed acquisition, the acquiring bank will remain in second place but will increase its advantage over the next largest bank. Direct competition between the acquired and the acquiring bank is not real.

For notes see p. 201.

21. DESCRIPTION OF EACH MERGER, CONSOLIDATION, ACQUISITION OF ASSETS OR ASSUMPTION OF LIABILITIES APPROVED BY THE BOARD OF GOVERNORS DURING 1962¹—Continued

Name of bank, and type of transaction ² (in chronological order of determination)	Resources (in millions of dollars)	Banking offices	
		In operation	To be operated

SUMMARY REPORT BY ATTORNEY GENERAL—Cont.

In fact the acquired bank split off from the acquiring bank in 1955. At present, the former is wholly managed by the latter and there is common ownership of more than 90 per cent of the 2 banks. Under these circumstances, the acquired bank appears to be more of a subsidiary than a competitor of the acquiring bank.

Therefore, the effect of the proposed acquisition on competition does not appear to be adverse.

BASIS FOR APPROVAL BY BOARD OF GOVERNORS (3-28-62)

Very little competition exists between these commonly owned and managed banks. As consummation of the proposal would have virtually no effect on competition, combining them in a single unit would be in the public interest.

No. 13— Commerce Union Bank, Nashville, Tenn. <i>to merge with</i>	165.5	18	} 20
Broadway National Bank, Nashville, Tenn.	24.2	2	

SUMMARY REPORT BY ATTORNEY GENERAL (4-4-62)

The acquiring bank is the third largest in the city of Nashville. It owns 80 per cent of the stock of the acquired bank. Twenty-eight shareholders own the remaining stock of the acquired bank; of these, 18 also hold stock in the acquiring bank. In addition, there is considerable common management. Under this state of affairs the participating banks do not appear to be real competitors. Therefore, the effect of the proposed merger on competition does not appear to be substantially adverse.

BASIS FOR APPROVAL BY BOARD OF GOVERNORS (5-2-62)

Virtually no competition exists between these 2 banks. One has long been owned by the other, and the 2 have a common management. Consummation of this merger would eliminate administrative duplication and tend to increase efficiency, with probable benefits to the customers of the resulting bank, which would be in a position to compete more effectively with the larger banks in the area.

For notes see p. 201.

21. DESCRIPTION OF EACH MERGER, CONSOLIDATION, ACQUISITION OF ASSETS OR ASSUMPTION OF LIABILITIES APPROVED BY THE BOARD OF GOVERNORS DURING 1962¹—Continued

Name of bank, and type of transaction ² (in chronological order of determination)	Resources (in millions of dollars)	Banking offices	
		In operation	To be operated
No. 14— The People's Savings and Trust Company, Hazleton, Pa. <i>to acquire the assets and assume the liabilities of</i>	13.1	1	} 2
First National Bank in Freeland, Freeland, Pa.	3.4	1	

SUMMARY REPORT BY ATTORNEY GENERAL (11-21-61)

People's Savings and Trust, with its only office in Hazleton, had \$13.1 million of assets, \$1.5 million of capital accounts, \$7.5 million of net loans and discounts, and \$11.2 million of total deposits as of June 30, 1961. As of the same date, First National, which has its only office in Freeland, had assets of \$3.4 million, total capital accounts of \$0.4 million, net loans and discounts of \$1.3 million, and total deposits of \$2.9 million.

The resulting bank, presently the fourth largest in a service area with a population of 80,000, would become the third largest of the 9 banks remaining, with 14 per cent of the IPC deposits and 14.9 per cent of the total loans of the service area. This represents an increase of 2.9 per cent in IPC deposits and 2.2 per cent in loans over the percentages presently held by People's Savings and Trust. However, in view of the strength and number of the remaining banks within the service area and in view of the lack of substantial competition between the acquiring and acquired banks, it does not appear that the proposed acquisition would have a substantial adverse effect on competition or would result in an undue concentration of banking resources.

BASIS FOR APPROVAL BY BOARD OF GOVERNORS (5-10-62)

Freeland (population about 5,000) is located 9 miles northeast of Hazleton and is served by First National and 1 other larger institution. There is only minor overlapping of the service areas of People's and First, and neither bank actively solicits accounts in the service area of the other. If the proposal is effected, People's would make available in the Freeland area the facilities of its complete consumer loan and trust departments, higher rates of interest on savings deposits, and a greater loan limit. Effecting the proposal would not eliminate any significant amount of competition between the 2 banks involved in the transaction. Competition in the Freeland area will probably be stimulated.

¹For notes see p. 201.

21. DESCRIPTION OF EACH MERGER, CONSOLIDATION, ACQUISITION OF ASSETS OR ASSUMPTION OF LIABILITIES APPROVED BY THE BOARD OF GOVERNORS DURING 1962¹—Continued

Name of bank, and type of transaction ² (in chronological order of determination)	Resources (in millions of dollars)	Banking offices	
		In operation	To be operated
No. 15— The Bank of Wood County Company, Bowling Green, Ohio. <i>to consolidate with</i> The Perrysburg Banking Company, Perrysburg, Ohio.	16.7	1	} 2
	2.0	1	

SUMMARY REPORT BY ATTORNEY GENERAL (4-24-62)

Competition between Bank of Wood County and Perrysburg Banking Company appears to be insubstantial.

The consolidation will enable Bank of Wood County to increase its position as the largest of the 3 other banks operating in its service area.

However, in light of the relatively small size of the Perrysburg Bank and its apparent inability to keep pace with the growth of the area it serves, the effect of the consolidation on competition does not appear to be substantially adverse.

BASIS FOR APPROVAL BY BOARD OF GOVERNORS (6-8-62)

The proposed consolidation will eliminate only nominal competition which exists between these 2 banks situated 13 miles apart, and other banks in the service area of the continuing institution will not be adversely affected by the proposal. A successor-management problem and declining earnings plaguing Perrysburg Bank will be resolved by the proposed consolidation. Customers of Perrysburg Bank would be provided with a more complete range of banking services than those presently at their disposal.

No. 16— Southern Bank and Trust Company, Richmond, Va. <i>to merge with</i> Citizens Bank of Chesterfield, Bon Air, Va.	46.8	3	} 4
	0.3	1	

SUMMARY REPORT BY ATTORNEY GENERAL (5-3-62)

In view of the fact that the majority of the stockholders of the Southern Bank and Trust Company and Citizens Bank of Chesterfield are the same and the president of both banks is the same and the majority of the directors of the Citizens Bank are the same as those of the Southern Bank, this merger would not adversely affect competition. Furthermore, it should be noted that the Citizens Bank is not presently engaged in business. Finally, it should be noted that the Southern Bank is not of such a size in the service area in which the 2 banks operate that this merger would adversely affect competition.

For notes see p. 201.

21. DESCRIPTION OF EACH MERGER, CONSOLIDATION, ACQUISITION OF ASSETS OR ASSUMPTION OF LIABILITIES APPROVED BY THE BOARD OF GOVERNORS DURING 1962¹—Continued

Name of bank, and type of transaction ² (in chronological order of determination)	Resources (in millions of dollars)	Banking offices	
		In operation	To be operated

BASIS FOR APPROVAL BY BOARD OF GOVERNORS (6-13-62)

Citizens Bank (not yet open for business) was organized by stockholders of Southern Bank with the expectation that it would be merged into and operated as a branch of Southern after operating for 5 years as a unit bank, as then required under State law. Recent changes in State law have obviated the waiting period and, accordingly, immediate merger and conversion to branch status is proposed.

There is no potential competition between the 2 institutions. The resulting bank might be able to compete more effectively with existing banking facilities in the Bon Air area than would Citizens Bank as an independent unit, and it would be able to serve more adequately the credit needs of the Bon Air community.

No. 17— The Hillsboro Bank and Savings Company, Hillsboro, Ohio. <i>to acquire the assets and assume the liabilities of</i>	3.2	1	} 2
The Citizens Bank and Savings Company of Leesburg, Leesburg, Ohio.	2.5	1	

SUMMARY REPORT BY ATTORNEY GENERAL (5-4-62)

The proposed purchase of assets and assumption of liabilities of Citizens Bank, one of the smaller banks competing in the area, by Hillsboro Bank would not appear to have an adverse effect on competition. Both banks are relatively small, located in communities 18 miles apart, and facing competition from a number of larger banks. The purchase of assets and assumption of liabilities will not involve the elimination of any significant competition nor will it result in a dominant bank in the service area involved.

BASIS FOR APPROVAL BY BOARD OF GOVERNORS (6-18-62)

The proposed acquisition would eliminate little competition, since competition between the 2 banks involved is nominal. There should be no adverse effect on any of the banks that compete in the service area of the resulting bank, and in certain sections of such service area competition would probably be stimulated. The banking factors support approval of the proposed acquisition, and customers of both Hillsboro Bank and Citizens Bank would benefit from the increased lending limit and broader banking services the continuing institution could provide. Customers in Leesburg would be provided with a banking facility that could serve their credit needs more adequately than is being done at the present time.

¹For notes see p. 201.

21. DESCRIPTION OF EACH MERGER, CONSOLIDATION, ACQUISITION OF ASSETS OR ASSUMPTION OF LIABILITIES APPROVED BY THE BOARD OF GOVERNORS DURING 1962¹—Continued

Name of bank, and type of transaction ² (in chronological order of determination)	Resources (in millions of dollars)	Banking offices	
		In operation	To be operated
No. 18—Windber Bank and Trust Company, Windber, Pa. <i>to acquire the assets and assume the liabilities of</i>	10.9	2	} 3
Central City National Bank, Central City, Pa.	2.2	1	

SUMMARY REPORT BY ATTORNEY GENERAL (4-6-62)

The participating banks are located in 2 small towns 10 miles apart. Central City National has not been a significant competitive factor in the area for some time. In fact it has been unable to increase its deposits during the past 5 years. There is no substantial competition between the participating banks. Moreover, the resulting bank will have only 10 per cent of total loans and discounts in the area, while the 2 largest banks located in Johnstown, 8 miles northwest of the acquiring bank, have 45 and 19 per cent, respectively. Likewise, the resulting bank will have only 12 per cent of total time deposits, while the aforementioned larger banks will have 36 and 23 per cent, respectively.

The effect of the proposed acquisition on competition would not appear to be substantially adverse.

BASIS FOR APPROVAL BY BOARD OF GOVERNORS (6-21-62)

Both Windber (population about 7,000), located about 10 miles south of Johnstown (population about 54,000), and Central City (population about 1,600), 20 miles south of Johnstown, are located in a severely depressed coal mining section of Pennsylvania. The 2 banks, situated some 10 miles apart and separated by a hilly and sparsely populated area, do not compete to any significant degree.

Management of Central City National, the only bank in Central City, is desirous of retiring, and the bank's earnings are insufficient to attract adequate replacement management. Consummation of the proposal would have the effect of providing improved earning power and strengthened management, thereby assuring residents of Central City of uninterrupted banking services. The continuing bank would not derive a noticeable advantage over its other competitors, and the over-all effect on competition would not be detrimental.

For notes see p. 201.

21. DESCRIPTION OF EACH MERGER, CONSOLIDATION, ACQUISITION OF ASSETS OR ASSUMPTION OF LIABILITIES APPROVED BY THE BOARD OF GOVERNORS DURING 1962¹—Continued

Name of bank, and type of transaction ² (in chronological order of determination)	Resources (in millions of dollars)	Banking offices	
		In operation	To be operated
No. 19—Wilmington Trust Company, Wilmington, Del. <i>to acquire the assets and assume the liabilities of</i>	361.7	14	} 15
Townsend Trust Company, Townsend, Del.	0.5	1	

SUMMARY REPORT BY ATTORNEY GENERAL (5-7-62)

Wilmington Trust is the largest commercial bank in Wilmington, and conducts a general banking business through 14 offices located in Wilmington and northern New Castle County.

Townsend Trust is the smallest bank in southern New Castle County. It is located 27 miles south of the head office and 14 miles south of the nearest branch office of Wilmington Trust, and there is little, if any, competition between the 2 banks. Townsend Trust, however, is in competition with branches of 3 other Wilmington banks, each of which is many times larger than itself. Difficulties brought about by its inability to compete with these banks account in part for the acquisition proposal.

In view of the size of Townsend Trust as compared with other banks in its service area, the difficulty it has had in competing with those banks, and the lack of any significant competition between the acquiring and acquired banks, it does not appear that the proposed acquisition will have a substantially adverse effect on banking competition.

BASIS FOR APPROVAL BY BOARD OF GOVERNORS (6-21-62)

The nearest offices of these 2 banks are 16 miles apart, and little competition exists between them. Within 7 miles of Townsend the other 3 of Delaware's 4 largest commercial banks operate offices, and consummation of this proposal would probably stimulate competition among Delaware's large banks. Acquisition of Townsend Trust by Wilmington Trust will not only make available broader banking services in Townsend but also will assure that town of continued banking services.

No. 20—Union Trust Company of Maryland, Baltimore, Md. <i>to merge with</i>	301.3	33	} 35
Farmers and Merchants' Bank, Salisbury, Md.	17.6	2	

SUMMARY REPORT BY ATTORNEY GENERAL (5-4-62)

By this merger, Union Trust is seeking to follow its larger competitor, Maryland National Bank, into the growing Salisbury area. Farmers and Merchants' has been serving the Salisbury area for 70 years, and there is no indication that it cannot continue as a strong competitor in that area.

¹For notes see p. 201.

21. DESCRIPTION OF EACH MERGER, CONSOLIDATION, ACQUISITION OF ASSETS OR ASSUMPTION OF LIABILITIES APPROVED BY THE BOARD OF GOVERNORS DURING 1962'—Continued

Name of bank, and type of transaction ² (in chronological order of determination)	Resources (in millions of dollars)	Banking offices	
		In operation	To be operated

SUMMARY REPORT BY ATTORNEY GENERAL—Cont.

The proposed merger will eliminate no competition between Union Trust and Farmers since none presently exists, nor will it presently tend toward monopoly, considering the commercial banking situation in the area and the State generally. However, it can be expected that the merger will have anti-competitive effects on banking in the Salisbury area. It would result in 2 of the 3 local banks being branches of very large Baltimore banks and thus having significant competitive advantages over the Salisbury National Bank, the sole remaining independent in town, and 6 small independent banks located around Salisbury. We believe this merger will tend to lessen banking competition in the Salisbury area and therefore will have adverse competitive effects.

BASIS FOR APPROVAL BY BOARD OF GOVERNORS (6-25-62)

Farmers and Merchants' Bank is located in the geographical center of the Eastern Shore Peninsula, about 100 miles from the nearest office of Union Trust. The population of Farmers' trade area, which includes all the southern portion of the Eastern Shore, is approximately 225,000. Salisbury—supported by several substantial industries, truck farming, poultry production and processing—serves as the largest retail and wholesale distribution center in the area. The growth and economic prospects of the area are favorable and will be enhanced by completion of construction of the bridge-tunnel, which will connect Norfolk, Virginia, with the southern tip of the Eastern Shore. Farmers has been unable to handle credit requirements of the size requested by some local industries; and it may be expected, due to expanding industrialization, that requests for credit beyond the capacity of Farmers will increase.

Union Trust is the third largest bank in the State, a position that would not be altered by consummation of the merger. Union Trust would become a competitor in Salisbury of Maryland National Bank, the largest bank in the State, which operates 61 banking offices with deposits of about \$550 million. The proposed merger would also bring Union Trust into competition with Salisbury National Bank (deposits about \$19 million), but the effects on the latter bank should not be of serious consequence. The 6 small banks located in Wicomico County outside of Salisbury serve principally the needs of their immediate communities, and the proposed merger should not seriously affect their competitive positions.

The proposed merger would provide the business concerns and residents of this area with another bank possessing capable, experienced management, which could service all sizes of business accounts and offer a more complete line of banking services, including those of a strong trust department. The service areas of the 2 banks involved overlap only slightly and the elimination of the competition between them would not be significant.

For notes see p. 201.

21. DESCRIPTION OF EACH MERGER, CONSOLIDATION, ACQUISITION OF ASSETS OR ASSUMPTION OF LIABILITIES APPROVED BY THE BOARD OF GOVERNORS DURING 1962¹—Continued

Name of bank, and type of transaction ² (in chronological order of determination)	Resources (in millions of dollars)	Banking offices	
		In operation	To be operated
No. 21—The Peoples Bank & Trust Company, Grand Haven, Mich. <i>to consolidate with</i>	13.8	1	} 2
Spring Lake State Bank, Spring Lake, Mich.	5.8	1	

SUMMARY REPORT BY ATTORNEY GENERAL (4-17-62)

The proposed consolidation between Peoples Bank & Trust and Spring Lake State Bank will have significant adverse competitive effects.

Competition between the 2 banks appears to be substantial. The consolidation will, of course, eliminate that competition and reduce from 3 to 2 the number of banks competing in the Grand Haven-Spring Lake area.

BASIS FOR APPROVAL BY BOARD OF GOVERNORS (6-25-62)

Grand Haven (population about 11,000) is situated on the shore of Lake Michigan 2 miles south across the mouth of the Grand River from Spring Lake (population about 2,000). The area is served chiefly by Peoples Bank & Trust and the only other Grand Haven bank, Security First Bank and Trust. Spring Lake State Bank is considered to be within the service area of Peoples Bank & Trust and Security First Bank and Trust. Because of the competition from these larger banks and of its geographical location, Spring Lake Bank's prospects are limited. It is unlikely that more industry will be located in the essentially residential area of Spring Lake. Because of this and the prospective growth of the environs south of Grand Haven—an area which Spring Lake Bank cannot service—it is probable that such competition as Spring Lake Bank has been able to offer will progressively decrease.

Consummation of the transaction would benefit principally the residents of Spring Lake. The resulting bank would offer services that have not been available to these residents from a banking facility in their immediate locality, such as a trust department, mortgage warehousing facilities, and a higher lending limit. It would thereby be in a better position to compete more effectively with Security First and other financial institutions in the general area. The benefits that would flow from the proposal would more than offset any diminution in competition.

No. 22—The State Bank of Salem, Salem, Ind. <i>to acquire the assets and assume the liabilities of</i>	4.4	1	} 2
State Bank of Hardinsburg, Hardinsburg, Ind.	1.2	1	

SUMMARY REPORT BY ATTORNEY GENERAL (7-13-62)

The proposal by State Bank of Salem to acquire the assets and assume the liabilities of State Bank of Hardinsburg would not appear to have any

¹For notes see p. 201.

21. DESCRIPTION OF EACH MERGER, CONSOLIDATION, ACQUISITION OF ASSETS OR ASSUMPTION OF LIABILITIES APPROVED BY THE BOARD OF GOVERNORS DURING 1962¹—Continued

Name of bank, and type of transaction ² (in chronological order of determination)	Resources (in millions of dollars)	Banking offices	
		In operation	To be operated

SUMMARY REPORT BY ATTORNEY GENERAL—Cont.

significant adverse competitive effect.

The banks involved are located about 18 miles apart, and it is doubtful if significant competition exists between them. There are also a number of other banks located in the general area served by the 2 institutions.

BASIS FOR APPROVAL BY BOARD OF GOVERNORS (7-13-62)

Salem (population about 4,600) and Hardinsburg (population 220) are located about 18 miles apart in Washington County, an area dependent primarily upon agriculture. State Bank of Hardinsburg offers limited types of loans and services to its trade area and does not accept savings deposits. Consummation of the proposed transaction would make available to customers of the Hardinsburg Bank a larger loan limit and a more complete range of banking services.

The proposed acquisition would eliminate little competition, since competition between the 2 banks involved is nominal. The proposal should not adversely affect any of the banks that compete in the service area of the resulting bank, and in certain sections of such service area competition would be stimulated.

No. 23—United California Bank, Los Angeles, Calif. <i>to merge with</i> Farmers and Merchants Bank, Blythe, Calif.	2,376.1	140	} 141
	4.2	1	

SUMMARY REPORT BY ATTORNEY GENERAL (5-15-62)

United California Bank is the fourth largest bank in the State with total assets of \$2.4 billion. Farmers and Merchants Bank, with total assets of \$4.2 million, operates an office about 250 miles southeast of Los Angeles in an agricultural area. United's nearest office is at El Centro, about 165 miles southwest of Blythe.

Security First National Bank, the State's second largest bank, presently operates a branch in Blythe, and this is the only other banking office within 70 miles of Farmers and Merchants.

The application states that this is the final phase of United's merger program, and United expects generally to follow the policy of expansion by de novo branches.

While this is another in a large number of acquisitions of independent banks by major banks in California, the circumstances are such that it does not appear that competition may be substantially lessened.

¹For notes see p. 201.

21. DESCRIPTION OF EACH MERGER, CONSOLIDATION, ACQUISITION OF ASSETS OR ASSUMPTION OF LIABILITIES APPROVED BY THE BOARD OF GOVERNORS DURING 1962'—Continued

Name of bank, and type of transaction ² (in chronological order of determination)	Resources (in millions of dollars)	Banking offices	
		In operation	To be operated

BASIS FOR APPROVAL BY BOARD OF GOVERNORS (7-20-62)

The Palo Verde Valley is an isolated region located some 250 miles east of Los Angeles. In this area agriculture is the most important activity, and loan requirements for crop and livestock operations are often quite large. Farmers and Merchants Bank and a branch of Security First National Bank, Los Angeles, also at Blythe, are the only banks located in this area. The nearest office of United California Bank is some 160 miles distant.

With the size of agricultural units rapidly increasing, there is demand for larger loans for the development and reclamation of additional land for agricultural use under irrigation, as well as for crop and livestock financing. Farmers and Merchants is able to satisfy no more than a small amount of these requirements.

The proposed merger would provide another bank which, under experienced and capable management, could offer the farmers and ranchers a wider range of banking services, including the much larger loans needed in this area. Virtually no competition would be eliminated, and a healthy increase in competition between United and Security First National Bank should result.

No. 24— The Citizens Bank of Perry, N.Y., Perry, N.Y. <i>to merge with</i>	3.7	1	} 2
The First National Bank of Perry, N.Y., and change its title to The Bank of Perry, N.Y.	4.9	1	

SUMMARY REPORT BY ATTORNEY GENERAL (5-4-62)

The proposed merger would join the 2 existing banks in the village of Perry. It is contended that the village is incapable of supporting 2 banks and the resulting bank with its higher lending limit and more efficient utilization of personnel and services will be better able to compete with banks in the surrounding communities. The resulting institution will not dominate the banking business in the area but will continue to be faced with competition from 6 area banks located from 6 to 14 miles from Perry. While the merger leaves the resulting bank without competition in Perry, we believe that the over-all effect on competition will not be substantially adverse.

BASIS FOR APPROVAL BY BOARD OF GOVERNORS (7-23-62)

These 2 banks serve the village of Perry and the surrounding agricultural area in which some 7,500 persons reside. While neither the population nor available employment of the area has shown any significant increase in the past decade, credit demands have increased substantially in recent years and the merging banks have frequently participated with

For notes see p. 201.

21. DESCRIPTION OF EACH MERGER, CONSOLIDATION, ACQUISITION OF ASSETS OR ASSUMPTION OF LIABILITIES APPROVED BY THE BOARD OF GOVERNORS DURING 1962¹—Continued

Name of bank, and type of transaction ² (in chronological order of determination)	Resources (in millions of dollars)	Banking offices	
		In operation	To be operated

BASIS FOR APPROVAL BY BOARD OF GOVERNORS—Cont.

each other in order to meet these expanded credit needs. The present prospects for growth of the 2 banks, however, are not encouraging.

While the 2 banks serve a common area, the unusually large volume of loan participations between them suggests that competition is not particularly vigorous. In addition, Citizens has concentrated on commercial and instalment loans, while the greatest volume of First's loans has been in the real estate field. Accordingly, less competition would be eliminated by the proposed merger than would normally be expected when combining the only 2 banks in a community.

The proposed merger would provide the area with a bank having a larger loan limit and able also to offer a broader and more efficient range of banking services than is now available in Perry. The transaction should have no serious competitive effects on the 8 remaining banks located within the service area of the Perry banks.

No. 25—The Connecticut Bank and Trust Company, Hartford, Conn. <i>to merge with</i>	453.1	31	} 32
The Wallingford Bank and Trust Company, Wallingford, Conn.	10.0	1	

SUMMARY REPORT BY ATTORNEY GENERAL (6-14-62)

Applicant, Connecticut Bank and Trust, is 1 of the 2 largest banks in Connecticut with total deposits of \$387.5 million, net loans and discounts of \$222.6 million, and assets of \$453 million. It operates a total of 31 offices located throughout central and eastern Connecticut.

Other Bank, Wallingford Bank and Trust Company, is an independent unit bank with total deposits of \$8.5 million, net loans and discounts of \$5.7 million, and assets of \$10 million. In our view the proposed transaction would (a) eliminate a slight degree of existing competition between Applicant and Other Bank, (b) increase the competitive advantage which Applicant Bank already holds over smaller banks in the Wallingford-Meriden area, and (c) open the town of Wallingford to new branches, but force the smaller banks opening such new branches to compete at a disadvantage with an established branch of Applicant.

For these reasons we feel that the effect of the proposed transaction on competition would be adverse.

BASIS FOR APPROVAL BY BOARD OF GOVERNORS (8-17-62)

Wallingford (population about 30,000), in New Haven County (population about 660,000), is located some 23 miles south of Hartford (population about 162,000). Both the Wallingford and Hartford communities are highly industrialized and both have experienced substantial growth in population and industry. Prospects for further expansion are favorable.

For notes see p. 201.

21. DESCRIPTION OF EACH MERGER, CONSOLIDATION, ACQUISITION OF ASSETS OR ASSUMPTION OF LIABILITIES APPROVED BY THE BOARD OF GOVERNORS DURING 1962¹—Continued

Name of bank, and type of transaction ² (in chronological order of determination)	Resources (in millions of dollars)	Banking offices	
		In operation	To be operated

BASIS FOR APPROVAL BY BOARD OF GOVERNORS—Cont.

Wallingford is presently served by Wallingford Bank, a branch of Union and New Haven Trust Company (total deposits \$75.6 million), and by the main office of Dime Savings Bank (total deposits \$16.6 million). There is evidence that the area generates a greater demand for credit than the present banks reasonably accommodate. Because of legal restrictions, commercial banks operating outside the town of Wallingford cannot establish new branches in the town. The proposed merger would provide broader and more convenient banking services and facilities needed in the Wallingford area to meet the demands generated by substantial growth both in population and industry. The transaction would eliminate no competition except the small amount now existing between Connecticut Bank and Wallingford Bank and at the same time should result in an increase in the over-all competition among the banking offices now operating in the Wallingford area.

No. 26—Lawrence Savings and Trust Company, New Castle, Pa. <i>to acquire the assets and assume the liabilities of</i>	28.5	5	} 6
First National Bank in Wampum, Wampum, Pa.	1.9	1	

SUMMARY REPORT BY ATTORNEY GENERAL (6-25-62)

The proposed purchase of assets and assumption of liabilities of First National Bank in Wampum by Lawrence Savings and Trust would not appear to have substantial adverse effects upon competition.

As a result of the acquisition, applicant would increase its dominant position in the Ellwood area and increase slightly its position as a competitor in the other areas it serves. The competition existing between the 2 banks would, of course, be eliminated as well as a small bank serving the Ellwood City area. However, because of the small size of the selling bank, its lack of growth and the existence of 2 competitors in the Ellwood area after the acquisition, the effect on competition does not appear to be substantially adverse. Further, it does not appear that effective competition exists between the institutions involved since the president and 2 directors of Lawrence own 731 of 2,000 of the outstanding shares of Wampum and 2 directors of Lawrence are also directors of Wampum.

The application indicates that the purchase of stock in the selling bank by the president and 2 other directors of the applicant bank and the placing of 2 of its directors on the board of the selling bank were designed to place applicant in a favorable position to bring about the combining of the 2 banks. The applicant admits that it did indirectly what it was forbidden to do directly.

¹For notes see p. 201.

21. DESCRIPTION OF EACH MERGER, CONSOLIDATION, ACQUISITION OF ASSETS OR ASSUMPTION OF LIABILITIES APPROVED BY THE BOARD OF GOVERNORS DURING 1962¹—Continued

Name of bank, and type of transaction ² (in chronological order of determination)	Resources (in millions of dollars)	Banking offices	
		In operation	To be operated

SUMMARY REPORT BY ATTORNEY GENERAL—Cont.

The practice of commercial banks acquiring stock interests in, and having interlocking directorates with, competitors through officers and directors and by other means appears to warrant considerable concern by both the Department of Justice and the bank regulatory authorities. The indirect acquisition of the stock of a competitor is, of course, within Section 7 of the Clayton Act where the effect may be substantially to lessen competition or to tend to create a monopoly in any line of commerce. Moreover, indirect acquisitions appear to be susceptible of use as a means of evading the reporting and approval requirements of the Bank Merger Act of 1960. Recent applications have indicated that this practice is sufficiently widespread that a full report by all commercial banks to the appropriate Federal regulatory authorities on all outstanding interests of this type may be warranted. It may also be appropriate to require all such transactions to be reported at the time they are made. The opportunity for evasion of congressionally imposed merger restrictions and for abuses of the type intended to be forbidden by SEC regulations applicable to other businesses would seem to be readily apparent and within the powers of the bank regulatory agencies to correct.

BASIS FOR APPROVAL BY BOARD OF GOVERNORS (8-22-62)

New Castle (population about 44,000) is located in Lawrence County (population about 113,000) some 8 miles from Wampum (population 1,100). The proposed acquisition would have the effect of adding management strength and earning power to what has been the operation of First National Bank, where earnings have been declining in recent years. For 2 years or more before the Bank Merger Act of 1960, there existed between the 2 banks substantial common ownership and interlocking directorates, thus despite some overlapping of service areas very little actual competition exists between the banks. The Wampum community would be provided with a branch of a progressive bank capable of serving its banking needs more fully. The effect on the competitive position of other banks in the area would not be adverse.

No. 27—State-Planters Bank of Commerce and Trusts, Richmond, Va. <i>to merge with</i>	244.7	15	} 18
The Suburban Bank, Henrico County (Richmond), Va.	4.0	3	

SUMMARY REPORT BY ATTORNEY GENERAL (7-24-62)

The proposed merger of State-Planters Bank and Suburban Bank would appear to have no adverse effects upon competition.

For notes see p. 201.

21. DESCRIPTION OF EACH MERGER, CONSOLIDATION, ACQUISITION OF ASSETS OR ASSUMPTION OF LIABILITIES APPROVED BY THE BOARD OF GOVERNORS DURING 1962¹—Continued

Name of bank, and type of transaction ² (in chronological order of determination)	Resources (in millions of dollars)	Banking offices	
		In operation	To be operated

BASIS FOR APPROVAL BY BOARD OF GOVERNORS (8-22-62)

The 3 offices of Suburban Bank are situated near the western limits of the city of Richmond and serve a rapidly expanding suburban area. State-Planters Bank has 9 of its 15 offices in the Richmond area, but none of these offices is in the service area of Suburban. The proposed merger would unite 2 banks affiliated through ownership, otherwise closely related, and between which there is no significant competition. This would increase efficiency and provide more effective competition for other banks with offices in the area served by Suburban.

No. 28—Farmers and Merchants Bank of Lawrenceville, Lawrenceville, Va.	10.8	1	} 2
to merge with Bank of Alberta, Alberta, Va.	1.8	1	

SUMMARY REPORT BY ATTORNEY GENERAL (7-19-62)

The proposed merger of Farmers and Merchants Bank and Bank of Alberta will eliminate 1 of the 2 small banks that operates within the primary service area of Farmers and Merchants Bank.

The unsatisfactory net operating income for the past 5 years, small loan limit, and low ratio of loans to deposits of the Bank of Alberta indicate it was not a vigorous factor in competition. We believe the effect of the elimination of the competition offered by Alberta Bank will be slightly adverse.

BASIS FOR APPROVAL BY BOARD OF GOVERNORS (8-27-62)

Lawrenceville (population about 2,000) is the seat and principal business center of Brunswick County (population about 18,000). Alberta (population about 500) is situated in Brunswick County, 10 miles north of Lawrenceville. Both communities are economically dependent on agriculture, and, while the economic prospects for Lawrenceville are favorable, Alberta has a limited growth potential. The merger would eliminate 1 of the 2 banks now in Brunswick County and existing competition between them. However, Bank of Alberta with its small loan limit and low ratio of loans to deposits has not been a strong competitor of Farmers and Merchants Bank in recent years, and has had below average net operating income.

Consummation of the proposed transaction would not reduce the number of banking offices available to the public or have an adverse effect on other banks which would continue to compete for business from the service areas of the 2 banks involved. The proposal would bring to the area served by Bank of Alberta, the broader facilities of a bank better able to satisfy the local banking needs.

For notes see p. 201.

21. DESCRIPTION OF EACH MERGER, CONSOLIDATION, ACQUISITION OF ASSETS OR ASSUMPTION OF LIABILITIES APPROVED BY THE BOARD OF GOVERNORS DURING 1962¹—Continued

Name of bank, and type of transaction ² (in chronological order of determination)	Resources (in millions of dollars)	Banking offices	
		In operation	To be operated
No. 29—Peoples Union Bank and Trust Company, McKeesport, Pa. <i>to merge with</i> The Bank of Glassport, Glassport, Pa.	123.1	12	} 13
	6.2	1	

SUMMARY REPORT BY ATTORNEY GENERAL (9-19-62)

The participating banks are located 3 miles apart. Figures submitted by Applicant indicate a relatively substantial amount of competition between the participating banks, and these figures appear to be understated. With 35.1 per cent of total IPC deposits and 39.9 per cent of all loans, Peoples Union Bank is the second largest in the area. After the merger the resulting bank would appear to be as large or slightly larger than Western Pennsylvania National Bank, insofar as the latter is represented in the service area. Western Pennsylvania National, with 39.9 per cent of total IPC deposits and 43.3 per cent of all loans, is presently the largest bank in the area. The resulting bank would have 40.5 per cent of total IPC deposits and 42.5 per cent of all loans in the area. These percentages do not include deposits and loans of the branch offices of the acquiring bank and the Western Pennsylvania bank in the service area. If these are considered, the resulting bank would appear to be the largest in the service area since it has more than \$60 million in IPC deposits in these branches while the Western Pennsylvania National has less than \$6 million. The remaining banks in the area are not substantial competitive factors.

In view of these factors, and in view of the recent heavy merger activity of the acquiring bank and other banks in the general area, the effect of the proposed transaction on competition appears to be substantially adverse.

BASIS FOR APPROVAL BY BOARD OF GOVERNORS (10-5-62)

McKeesport (population 45,489) is about 14 miles southeast of Pittsburgh. Glassport (population 8,418) is 3 miles southwest of McKeesport. While consummation of the proposed merger would eliminate the moderate amount of competition between the 2 banks involved, it would provide the customers of Glassport Bank with a wider range of banking services and would solve the serious management-succession problem of the bank. Peoples Union Bank is the second largest bank in McKeesport, and this position would not be altered by the proposal. There would be little, if any, effect upon the competitive position of other banks in the McKeesport-Glassport area.

For notes see p. 201.

21. DESCRIPTION OF EACH MERGER, CONSOLIDATION, ACQUISITION OF ASSETS OR ASSUMPTION OF LIABILITIES APPROVED BY THE BOARD OF GOVERNORS DURING 1962¹—Continued

Name of bank, and type of transaction ² (in chronological order of determination)	Resources (in millions of dollars)	Banking offices	
		In operation	To be operated
No. 30— The Union and New Haven Trust Company, New Haven, Conn. <i>to merge with</i> The Madison Trust Company, Madison, Conn.	81.8	7	} 8
	4.4	1	

SUMMARY REPORT BY ATTORNEY GENERAL (8-23-62)

The merger of the Union and New Haven Trust, the third largest bank in the service area, and Madison Trust may have an adverse effect on competition. The 2 banks, although 19 miles apart, do draw customers from each other's area.

The merger would not appear to substantially affect the banks located in New Haven. It would eliminate a degree of competition between the merging banks and result in the substitution of a branch of a much larger bank for Madison Trust, the result of which may cause serious difficulties for the small banks located in nearby Clinton and Guilford.

BASIS FOR APPROVAL BY BOARD OF GOVERNORS (10-9-62)

The proposed merger of Union and New Haven Trust and Madison Trust would eliminate very little competition inasmuch as there are several banking facilities between the nearest offices of the 2 banks, which are 19 miles apart. Madison (population about 4,500) is a rapidly growing residential and resort community, and there is every prospect its expansion will continue. Madison Trust is the only bank, commercial or savings, in Madison. As Connecticut law prohibits the establishment by commercial banks of de novo branches in another city in which any commercial bank has its head office, Madison Trust is the only bank which may now legally establish branches in Madison. The growing Madison area would benefit by the proposed merger as broader banking services would thereby be made available and a basis laid for bringing other competitive banking services into the community.

No. 31— Union Trust Company of Maryland, Baltimore, Md. <i>to merge with</i> The Liberty Bank, Easton, Md.	318.9	35	} 38
	7.6	3	

SUMMARY REPORT BY ATTORNEY GENERAL (8-17-62)

Union Trust is the third largest bank in Maryland with 35 banking offices in the State. During the past several years it has acquired 3 formerly independent banks with 6 offices and deposits exceeding \$32 million.

Liberty Bank operates 3 of the 6 banking offices in the agricultural area of Talbot County. It has had a history of growth during the past decade and can be expected to continue its development absent the proposed merger.

¹For notes see p. 201.

21. DESCRIPTION OF EACH MERGER, CONSOLIDATION, ACQUISITION OF ASSETS OR ASSUMPTION OF LIABILITIES APPROVED BY THE BOARD OF GOVERNORS DURING 1962¹—Continued

Name of bank, and type of transaction ² (in chronological order of determination)	Resources (in millions of dollars)	Banking offices	
		In operation	To be operated

SUMMARY REPORT BY ATTORNEY GENERAL—Cont.

Although the direct competition between the banks which will be eliminated is not substantial, the merger will have anticompetitive effects in the area and in the State since it marks the further encroachment of large Baltimore banks into the rural areas of Maryland by acquisition. The future of small independent local banks in this area is dim, since only 1 small bank will remain to compete against Maryland National Bank, the largest in the State, and Union Trust. This will lessen banking competition in the area and have serious competitive effects.

BASIS FOR APPROVAL BY BOARD OF GOVERNORS (10-12-62)

This merger, which would increase Union Trust's holdings of total commercial bank deposits of the State by only 0.2 per cent, would enable it to provide more effective competition in Easton for Maryland National Bank (the largest bank in Maryland). The over-all effect upon competition for other banks in the area should not be appreciably adverse. The nearest offices of Union Trust and Liberty Bank are some 38 miles apart, and there is virtually no competition between them. Consummation of the proposal would provide the people within the service area of Liberty a choice of broader banking services available from large banks and would solve the management-succession and capital problems of Liberty.

No. 32—Gary Trust and Savings Bank, Gary, Ind. <i>to merge with</i>	28.7	3	} 5
Lake County State Bank, East Gary, Ind., and change its title to Bank of Indiana	4.9	2	

SUMMARY REPORT BY ATTORNEY GENERAL (8-8-62)

The participating banks are the smallest 2 of the 3 banks in the Gary area. If the proposed merger were accomplished, the resulting bank would have about 20 per cent of the deposit and loan business in the service area, as compared with 80 per cent in the largest bank, the Gary National Bank.

While the merger will enable the merged institution to compete better with the dominant bank in the area, it will result in the elimination of 1 of 3 banks, thus increasing the already highly concentrated banking structure in the Gary area. On balance, we believe the effect of the merger on competition will be adverse.

BASIS FOR APPROVAL BY BOARD OF GOVERNORS (10-30-62)

Gary, a highly industrialized community of about 178,000 population, is served by Gary Trust and Gary National Bank. East Gary (population about 9,300), situated about 7 miles east of downtown Gary, is chiefly

For notes see p. 201.

21. DESCRIPTION OF EACH MERGER, CONSOLIDATION, ACQUISITION OF ASSETS OR ASSUMPTION OF LIABILITIES APPROVED BY THE BOARD OF GOVERNORS DURING 1962¹—Continued

Name of bank, and type of transaction ² (in chronological order of determination)	Resources (in millions of dollars)	Banking offices	
		In operation	To be operated

BASIS FOR APPROVAL BY BOARD OF GOVERNORS—Cont.

residential in character and is served by 1 bank, Lake County State Bank. Gary National, operating 12 of the 17 offices of the 2 Gary banks and the Lake County Bank and holding 82 per cent of the total IPC deposits of these 3 banks, has long been the dominant institution in the Gary metropolitan area. Very little competition will be eliminated by the proposed merger, and a basis would be provided for the resulting bank, with stronger management, to compete more effectively with the much larger bank, which presently competes directly with both of the merging banks. In addition, broader and more complete banking services would be provided in the city of East Gary.

No. 33—The County Trust Company, White Plains, N.Y. <i>to merge with</i>	565.2	43	} 45
The Gramatan National Bank and Trust Company, Bronxville, N.Y.	19.8	2	

SUMMARY REPORT BY ATTORNEY GENERAL (8-31-62)

County Trust, with assets of \$565.2 million and operating 43 offices is by far the largest bank in Westchester County. Gramatan National, with assets of almost \$20 million, is the seventh largest bank in the county. County Trust's main office is but 9 miles from the main office of Gramatan and it has 3 branch offices located from 1.3 to 3 miles from Gramatan's 2 offices.

Gramatan appears to be in active and substantial competition with County Trust and other branches of other banks located only a short distance from Gramatan's offices. The merger, of course, would eliminate that competition and remove by merger still another independent bank from competition in a rapidly growing area. It would also add to the dominant position already occupied by County Trust in Westchester County. Therefore, the effect of the merger on competition would be substantially adverse. It would also tend toward monopoly in banking in Westchester County.

BASIS FOR APPROVAL BY BOARD OF GOVERNORS (11-7-62)

County Trust, the largest commercial bank with its main office in Westchester County (population about 809,000) proposes to merge with Gramatan National, which is located in Bronxville about 9 miles south of White Plains and serves an area in which 40,000 persons reside. If the merger were consummated, County Trust would hold 49 per cent of the total IPC deposits held by all commercial banks in the county. While this would be an increase of 1.6 per cent, County Trust's size has had no adverse effect upon the other county-headquartered banks, which now

For notes see p. 201.

21. DESCRIPTION OF EACH MERGER, CONSOLIDATION, ACQUISITION OF ASSETS OR ASSUMPTION OF LIABILITIES APPROVED BY THE BOARD OF GOVERNORS DURING 1962¹—Continued

Name of bank, and type of transaction ² (in chronological order of determination)	Resources (in millions of dollars)	Banking offices	
		In operation	To be operated

BASIS FOR APPROVAL BY BOARD OF GOVERNORS—Cont.

hold a larger percentage of commercial banking business in the county than they held at the end of 1956. Furthermore, 5 of these other banks show a much higher rate of growth than County Trust. This, together with the present activity of New York City banks in establishing branches in Westchester County, substantially lessens any tendency toward dominance of county banking by County Trust.

The slight increase in banking concentration that would result from the proposed merger would be more than offset by the positive benefits that would flow therefrom. Gramatan has not provided all normal banking services to Bronxville and its environs. For many years about 90 per cent of the bank's loan portfolio has consisted of instalment loans originating, not in Westchester County, but in the eastern and southeastern parts of the United States. Such loans as are made by Gramatan within the Bronxville area carry higher interest rates than do similar loans at County Trust; and consequently, consummation of the proposed merger would provide to the Bronxville area a source of credit at lower rates and would eliminate the "home office protection" which, under New York law, now prevents other banks from establishing new branches in Bronxville. The result should be increased competition. In addition, the proposed merger would solve the management succession problem at Gramatan, which is closely related to the bank's unusual type of business, and would enable County Trust to provide a full range of banking services at the present offices of Gramatan.

No. 34— Genesee Merchants Bank & Trust Co., Flint, Mich. <i>to consolidate with</i> Davison State Bank , Davison, Mich.	165.6	21	} 24
	10.3	3	

SUMMARY REPORT BY ATTORNEY GENERAL (9-27-62)

Genesee Merchants is the smallest of the 3 banks operating in the city of Flint although during the past 10 years it has acquired 6 formerly independent banks with 12 offices and more than \$44 million in deposits.

Davison State is the only bank in the city of Davison, which is located 10 miles from Flint. There is substantial competition between the banks, which will be eliminated by this consolidation.

If consolidation with 1 of the large banks in Flint is necessary to preserve a soundly operated bank in the areas wherein Davison State has its offices, the proposed consolidation with Genesee Merchants is least likely of those banks operating in the service area to cause adverse competitive effects.

For notes see p. 201.

21. DESCRIPTION OF EACH MERGER, CONSOLIDATION, ACQUISITION OF ASSETS OR ASSUMPTION OF LIABILITIES APPROVED BY THE BOARD OF GOVERNORS DURING 1962¹—Continued

Name of bank, and type of transaction ² (in chronological order of determination)	Resources (in millions of dollars)	Banking offices	
		In operation	To be operated

BASIS FOR APPROVAL BY BOARD OF GOVERNORS (11-20-62)

Prospects for the continuance of successful operations by Davison State have been seriously weakened by certain irregularities in that bank that resulted in losses depleting its capital structure from approximately \$1 million to about \$330,000. As Davison State has been competitive with other banks serving the Flint-Davison area, the effect of the proposed consolidation on competition would probably not be favorable; however, consummation of the proposal would assure continuance of operations of the only banking offices located in the 3 communities served by Davison State. This consideration clearly offsets any adverse effect from the transaction upon competition.

No. 35—Walker Bank & Trust Company, Salt Lake City, Utah.	234.5	12	} 13
<i>to merge with</i> First National Bank of Price, Price, Utah.	8.2	1	

SUMMARY REPORT BY ATTORNEY GENERAL (8-8-62)

The proposed merger of Walker Bank & Trust and First National Bank of Price would appear to have adverse effects upon competition.

The merger would bring into Price a bank so much larger than the 2 remaining banks in that area as to cause serious doubts about the vigor of competition. The merger would eliminate the second largest bank in the Price area and unite it with the second largest bank in the State. Finally, the present domination of the 2 largest banks in the State would be enhanced.

BASIS FOR APPROVAL BY BOARD OF GOVERNORS (11-21-62)

Price is the county seat of Carbon County and is separated from Salt Lake City and the central Utah valley by the Wasatch mountain range. By road, the 2 cities are 121 miles apart. Walker's nearest branch is 67 miles from Price. Together, Carbon County and adjoining Emery County form a natural trade and economic area. There are 3 banks now serving the 2-county area: Price Bank, Carbon Emery Bank (also located in the city of Price), and Helper State Bank, which is located in the town of Helper, 7 miles north of Price, and is affiliated with Price Bank through common stock ownership. When Price Bank is merged into Walker, Helper State Bank will be an independent, unaffiliated unit bank.

The Price Bank has suffered during recent years from the effects of apparently irreconcilable differences of opinion between 2 groups of shareholders who together own the controlling interest in the bank. These differences have been responsible for deterioration in the bank's general condition and have made it very difficult for the board of directors to

¹For notes see p. 201.

21. DESCRIPTION OF EACH MERGER, CONSOLIDATION, ACQUISITION OF ASSETS OR ASSUMPTION OF LIABILITIES APPROVED BY THE BOARD OF GOVERNORS DURING 1962¹—Continued

Name of bank, and type of transaction ² (in chronological order of determination)	Resources (in millions of dollars)	Banking offices	
		In operation	To be operated

BASIS FOR APPROVAL BY BOARD OF GOVERNORS—Cont.

agree on management policies for the bank. In the circumstances, successor management would be almost impossible to attract.

It appears that Price Bank will be strengthened as a result of the proposed merger and that services to the communities concerned will be somewhat improved. Virtually no competition exists between the merging banks, and consequently little or no competition will be eliminated. Neither the position of Walker Bank in Salt Lake City nor its position in Price, as compared with the present position of Price Bank, will be enhanced to a degree which would damage the competitive position of other banks in the respective communities. In addition, as a result of the merger, there would be 3 alternative sources of banking facilities in the 2-county area served by the Price Bank, in contrast to 2 as at present, in view of the common ownership of Price and Helper State Bank.

No. 36—Central Trust Company Rochester, N.Y., Rochester, N.Y. <i>to merge with</i>	124.0	10	} 11
Prattsburgh State Bank, Prattsburgh, N.Y.	2.4	1	

SUMMARY REPORT BY ATTORNEY GENERAL (9-28-62)

The merger would not eliminate any significant competition between the banks seeking to merge. It would not appreciably change the competitive position of Central Trust in the Rochester area. The merger represents the replacement of still another small independent bank by a branch of a much larger Rochester bank that may further affect the ability of the remaining small banks in Prattsburgh's service area to effectively compete with branches of the large Rochester banks. However, we do not believe that the over-all effect of the proposed merger on competition would be significantly adverse.

BASIS FOR APPROVAL BY BOARD OF GOVERNORS (11-23-62)

The condition of Prattsburgh Bank was regarded as reasonably satisfactory until 1957. Since then, however, the bank has had difficulties resulting largely from poor crop prices, that led to deterioration in the asset condition of the bank, and from poor loan administration. The capital structure of Prattsburgh Bank is reasonably adequate and its earnings have been satisfactory, but heavy losses on loans have absorbed a large percentage of earnings. Consummation of the transaction would provide the office of Prattsburgh Bank, as a branch of Central Trust, with strengthened management and resources in dealing with the problems confronting the bank. Broader banking services would be offered to the banking public in Prattsburgh and vicinity without a significant effect upon banking competition.

¹For notes see p. 201.

21. DESCRIPTION OF EACH MERGER, CONSOLIDATION, ACQUISITION OF ASSETS OR ASSUMPTION OF LIABILITIES APPROVED BY THE BOARD OF GOVERNORS DURING 1962¹—Continued

Name of bank, and type of transaction ² (in chronological order of determination)	Resources (in millions of dollars)	Banking offices	
		In operation	To be operated
No. 37— Liberty Bank and Trust Company, Buffalo, N.Y. <i>to merge with</i>	242.3	28	} 29
The First National Bank of Batavia, Batavia, N.Y.	15.7	1	

SUMMARY REPORT BY ATTORNEY GENERAL (10-4-62)

Liberty is the third largest bank in Buffalo operating 28 banking offices throughout the greater Buffalo area with resources in excess of \$240 million. Since 1961 it has merged with 4 formerly independent banks, acquiring 5 offices, deposits exceeding \$32 million, and loans exceeding \$19 million.

First National is the only remaining independent bank in the city of Batavia, the other 2 banks each being a branch of the 2 largest banks in Buffalo. It has a history of prosperous and sound operations and has paid dividends continuously since its organization in 1864.

Considering Liberty's and its chief rivals' recent history of acquisitions and the existing concentration of banking resources in the Buffalo area, this merger will accelerate the trend towards concentration, eliminate a degree of competition between the merging banks, eliminate independent banking from Batavia, and enhance the competitive imbalance existing between the larger and smaller banks in the area. Thus, the effect of the merger on competition will be adverse.

BASIS FOR APPROVAL BY BOARD OF GOVERNORS (12-20-62)

Until recent years, the rate of growth of Liberty lagged substantially behind that of the 2 larger Buffalo banks, Marine Trust of Western New York, with deposits of \$800.8 million, and Manufacturers and Traders Trust, with deposits of \$515 million. Marine is a subsidiary of Marine Midland Corporation, a bank holding company which operates banking offices in all 9 banking districts in New York. While Marine and Manufacturers were establishing branches or merging with small independent banks in good locations, Liberty remained static, with many of its in-town branches located in areas which are deteriorating or where economic growth has ceased.

Liberty has recently developed a program designed to acquire deposits, add banking facilities, modernize and relocate existing offices, and improve customer relations. New branches have been established in expanding suburban areas, and several other branches have been acquired by mergers with 4 relatively small banks in the Buffalo area. Because of State law, merger is the only means by which Liberty may enter Batavia, a community of some 18,000, located about 40 miles east of Buffalo and served by First National and branches of the 2 largest Buffalo banks.

There is moderate competition between First National and Liberty's branch at Oakfield, some 7 miles north of Batavia. By consummation of the merger, such competition will be eliminated and customers who now

For notes see the following page.

21. DESCRIPTION OF EACH MERGER, CONSOLIDATION, ACQUISITION OF ASSETS OR ASSUMPTION OF LIABILITIES APPROVED BY THE BOARD OF GOVERNORS DURING 1962¹—Continued

Name of bank, and type of transaction ² (in chronological order of determination)	Resources (in millions of dollars)	Banking offices	
		In operation	To be operated

BASIS FOR APPROVAL BY BOARD OF GOVERNORS—Cont.

choose among 4 banks, that is, among First and branches of the 3 largest Buffalo banks, will have their range of choice narrowed to 3. On the other hand, analysis of the situation in Buffalo indicates a genuine need for a third large bank to compete vigorously with Marine and Manufacturers. Acquisition of First should be of some material assistance to Liberty in its current effort to place itself in a better competitive position vis-a-vis Marine and Manufacturers.

¹ During 1962 the Board disapproved 5 mergers, etc. However, under Section 18(c) of the Federal Deposit Insurance Act, only those transactions approved by the Board must be described in its annual report to the Congress.

² Except where specifically stated, the merger, etc., was effected under the charter of the first named bank.

³ The abbreviation "IPC" is used to define deposits of individuals, partnerships, and corporations.

⁴ All figures are as of Dec. 31, 1961.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

(December 31, 1962)

Term expires

WM. MCC. MARTIN, JR., of New York, <i>Chairman</i>	January 31, 1970
C. CANBY BALDERSTON of Pennsylvania, <i>Vice Chairman</i>	January 31, 1966
A. L. MILLS, JR., of Oregon	January 31, 1972
J. L. ROBERTSON of Nebraska	January 31, 1964
CHAS. N. SHEPARDSON of Texas	January 31, 1968
G. H. KING, JR., of Mississippi	January 31, 1974
GEORGE W. MITCHELL of Illinois	January 31, 1976

RALPH A. YOUNG, *Adviser to the Board*
CHARLES MOLONY, *Assistant to the Board*
ROBERT L. CARDON, *Legislative Counsel*
CLARKE L. FAUVER, *Assistant to the Board*

OFFICE OF THE SECRETARY

MERRITT SHERMAN, *Secretary*
KENNETH A. KENYON, *Assistant Secretary*
ELIZABETH L. CARMICHAEL, *Assistant Secretary*

LEGAL DIVISION

HOWARD H. HACKLEY, *General Counsel*
DAVID B. HEXTER, *Assistant General Counsel*
G. HOWLAND CHASE, *Assistant General Counsel*
THOMAS J. O'CONNELL, *Assistant General Counsel*
JEROME W. SHAY, *Assistant General Counsel*
WILSON L. HOOFF, *Assistant General Counsel*

DIVISION OF RESEARCH AND STATISTICS

GUY E. NOYES, *Director*
ALBERT R. KOCH, *Associate Director*
DANIEL H. BRILL, *Adviser*
FRANK R. GARFIELD, *Adviser*
ROBERT C. HOLLAND, *Adviser*
KENNETH B. WILLIAMS, *Adviser*
LEWIS N. DEMBITZ, *Associate Adviser*

DIVISION OF INTERNATIONAL FINANCE

RALPH A. YOUNG, *Director*
J. HERBERT FURTH, *Adviser*
A. B. HERSEY, *Adviser*
ROBERT L. SAMMONS, *Adviser*
SAMUEL I. KATZ, *Associate Adviser*
RALPH C. WOOD, *Associate Adviser*

FEDERAL RESERVE SYSTEM

**BOARD OF GOVERNORS
OF THE FEDERAL RESERVE SYSTEM—Cont.**

DIVISION OF BANK OPERATIONS

JOHN R. FARRELL, *Director*
GERALD M. CONKLING, *Assistant Director*
M. B. DANIELS, *Assistant Director*
JOHN N. KILEY, JR., *Assistant Director*

DIVISION OF EXAMINATIONS

FREDERIC SOLOMON, *Director*
ROBERT C. MASTERS, *Associate Director*
GLENN M. GOODMAN, *Assistant Director*
HENRY BENNER, *Assistant Director*
JAMES C. SMITH, *Assistant Director*
BRENTON C. LEAVITT, *Assistant Director*
ANDREW N. THOMPSON, *Assistant Director*
LLOYD M. SCHAEFFER, *Chief Federal Reserve Examiner*

DIVISION OF PERSONNEL ADMINISTRATION

EDWIN J. JOHNSON, *Director*
H. FRANKLIN SPRECHER, JR., *Assistant Director*

DIVISION OF ADMINISTRATIVE SERVICES

JOSEPH E. KELLEHER, *Director*
HARRY E. KERN, *Assistant Director*

OFFICE OF THE CONTROLLER

J. J. CONNELL, *Controller*
SAMPSON H. BASS, *Assistant Controller*

OFFICE OF DEFENSE PLANNING

INNIS D. HARRIS, *Coordinator*

FEDERAL OPEN MARKET COMMITTEE

(December 31, 1962)

MEMBERS

WM. MCC. MARTIN, JR., *Chairman* (Board of Governors)
ALFRED HAYES, *Vice Chairman* (Elected by Federal Reserve Bank of New York)
C. CANBY BALDERSTON (Board of Governors)
MALCOLM BRYAN (Elected by Federal Reserve Banks of Atlanta, St. Louis, and Dallas)
FREDERICK L. DEMING (Elected by Federal Reserve Banks of Minneapolis, Kansas City, and San Francisco)
GEORGE H. ELLIS (Elected by Federal Reserve Banks of Boston, Philadelphia, and Richmond)
W. D. FULTON (Elected by Federal Reserve Banks of Cleveland and Chicago)
G. H. KING, JR. (Board of Governors)
A. L. MILLS, JR. (Board of Governors)
GEORGE W. MITCHELL (Board of Governors)
J. L. ROBERTSON (Board of Governors)
CHAS. N. SHEPARDSON (Board of Governors)

OFFICERS

RALPH A. YOUNG, *Secretary*

MERRITT SHERMAN, <i>Assistant Secretary</i>	J. HERBERT FURTH, <i>Associate Economist</i>
KENNETH A. KENYON, <i>Assistant Secretary</i>	GEORGE GARVY, <i>Associate Economist</i>
HOWARD H. HACKLEY, <i>General Counsel</i>	W. BRADDOCK HICKMAN, <i>Associate Economist</i>
DAVID B. HEXIER, <i>Assistant General Counsel</i>	ROBERT C. HOLLAND, <i>Associate Economist</i>
GUY E. NOYES, <i>Economist</i>	ALBERT R. KOCH, <i>Associate Economist</i>
HARRY BRANDT, <i>Associate Economist</i>	FRANKLIN L. PARSONS, <i>Associate Economist</i>
DANIEL H. BRILL, <i>Associate Economist</i>	PARKER B. WILLIS, <i>Associate Economist</i>
ROBERT W. STONE, <i>Manager, System Open Market Account</i>	
CHARLES A. COOMBS, <i>Special Manager, System Open Market Account</i>	

During 1962 the Federal Open Market Committee met approximately every three weeks as indicated in the Record of Policy Actions taken by the Committee (see pp. 45-110 of this REPORT).

FEDERAL RESERVE BANKS AND BRANCHES

(December 31, 1962)

CHAIRMEN AND DEPUTY CHAIRMEN OF BOARDS OF DIRECTORS

Federal Reserve Bank of—	Chairman and Federal Reserve Agent	Deputy Chairman
Boston.....	Nils Y. Wessell.....	Erwin D. Canham
New York.....	Philip D. Reed.....	James DeCamp Wise
Philadelphia.....	Walter E. Hoadley.....	David C. Bevan
Cleveland.....	Joseph B. Hall.....	Joseph H. Thompson
Richmond.....	Alonzo G. Decker, Jr.....	Edwin Hyde
Atlanta.....	Jack Tarver.....	Henry G. Chalkley, Jr.
Chicago.....	Robert P. Briggs.....	James H. Hilton
St. Louis.....	Pierre B. McBride.....	J. H. Longwell
Minneapolis.....	Atherton Bean.....	Judson Bemis
Kansas City.....	Homer A. Scott.....	Oliver S. Willham
Dallas.....	Robert O. Anderson.....	Lamar Fleming, Jr.
San Francisco.....	F. B. Whitman.....	John D. Fredericks

CONFERENCE OF CHAIRMEN

The Chairmen of the Federal Reserve Banks are organized into a Conference of Chairmen that meets from time to time to consider matters of common interest and to consult with and advise the Board of Governors. A meeting of the Conference of Chairmen was held on November 29-30, 1962, and was attended by members of the Board of Governors and also by the Deputy Chairmen of the Federal Reserve Banks.

Mr. Reed, Chairman of the Federal Reserve Bank of New York, who was elected Chairman of the Conference and of the Executive Committee in December 1961, served in that capacity until the close of the 1962 meeting. Mr. Decker, Chairman of the Federal Reserve Bank of Richmond, and Mr.

FEDERAL RESERVE SYSTEM

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1962 — Cont

Whitman, Chairman of the Federal Reserve Bank of San Francisco, served in 1962 with Mr. Reed as members of the Executive Committee, Mr. Decker also serving as Vice Chairman of the Conference.

At the meeting held on November 30, 1962, Mr. Whitman, Chairman of the Federal Reserve Bank of San Francisco, was elected Chairman of the Conference and a member of the Executive Committee to serve for the succeeding year; Mr. Briggs, Chairman of the Federal Reserve Bank of Chicago, was elected Vice Chairman and a member of the Executive Committee; and Mr. Bean, Chairman of the Federal Reserve Bank of Minneapolis, was elected as the other member of the Executive Committee.

DIRECTORS

Class A and Class B directors are elected by the member banks of the district. Class C directors are appointed by the Board of Governors of the Federal Reserve System.

The Class A directors are chosen as representatives of member banks and, as a matter of practice, are active officers of member banks. The Class B directors may not, under the law, be officers, directors, or employees of banks. At the time of their election they must be actively engaged in their district in commerce, agriculture, or some other industrial pursuit.

The Class C directors may not, under the law, be officers, directors, employees, or stockholders of banks. They are appointed by the Board of Governors as representatives not of any particular group or interest, but of the public interest as a whole.

Federal Reserve Bank branches have either 5 or 7 directors, of whom a majority are appointed by the Board of Directors of the parent Federal Reserve Bank and the others are appointed by the Board of Governors of the Federal Reserve System.

		<i>Term expires Dec. 31</i>
DIRECTORS	District 1 — Boston	
<i>Class A:</i>		
William D. Ireland	Chairman of the Executive Committee, State Street Bank and Trust Company, Boston, Mass.	1962
Arthur F. Maxwell	President, The First National Bank of Biddeford, Maine	1963
William M. Lockwood	President, The Howard National Bank and Trust Company, Burlington, Vt.	1964

ANNUAL REPORT OF BOARD OF GOVERNORS

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1962 — Cont.

DIRECTORS — Cont.	District 1 — Boston — Cont.	<i>Term expires Dec. 31</i>
<i>Class B:</i>		
Milton P. Higgins.....	Chairman of the Board, Norton Company, Worcester, Mass.....	1962
William R. Robbins.....	Vice President and Controller, United Aircraft Corporation, East Hartford, Conn.....	1963
James R. Carter.....	President, Nashua Corporation, Nashua, N.H..	1964
<i>Class C:</i>		
Nils Y. Wessell.....	President, Tufts University, Medford, Mass....	1962
William Webster.....	President, New England Electric System, Boston, Mass.....	1963
Erwin D. Canham.....	Editor, The Christian Science Monitor, Boston, Mass.....	1964
District 2 — New York		
<i>Class A:</i>		
César J. Bertheau.....	Chairman of the Board, Peoples Trust Company of Bergen County, Hackensack, N.J.....	1962
A. Leonard Mott.....	President, The First National Bank of Moravia, N.Y.....	1963
George Champion.....	Chairman of the Board, The Chase Manhattan Bank, New York, N.Y.....	1964
<i>Class B:</i>		
Kenneth H. Hannan.....	Executive Vice President, Union Carbide Cor- poration, New York, N.Y.....	1962
Albert L. Nickerson.....	Chairman of the Board, Socony Mobil Oil Com- pany, Inc., New York, N.Y.....	1963
B. Earl Puckett.....	Chairman of the Board, Allied Stores Corpora- tion, New York, N.Y.....	1964
<i>Class C:</i>		
Philip D. Reed.....	Formerly Chairman of the Board, General Elec- tric Company, New York, N.Y.....	1962
Everett N. Case.....	President, Alfred P. Sloan Foundation, New York, N.Y.....	1963
James DeCamp Wise.....	Formerly Chairman of the Board, Bigelow-San- ford, Inc., Frenchtown, N.J.....	1964

FEDERAL RESERVE SYSTEM

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1962 — Cont.

DIRECTORS — Cont.	District 2 — New York — Cont.	<i>Term expires Dec. 31</i>
	Buffalo Branch	
<i>Appointed by Federal Reserve Bank:</i>		
Howard N. Donovan	President, Bank of Jamestown, N.Y.	1962
John M. Galvin	Chairman, Executive Committee, The Marine Trust Company of Western New York, Buffalo, N.Y.	1963
Anson F. Sherman	President, The Citizens Central Bank, Arcade, N.Y.	1964
Elmer B. Milliman	President, Central Trust Company Rochester N.Y.	1964
<i>Appointed by Board of Governors:</i>		
Raymond E. Olson	President, Taylor Instrument Companies, Roch- ester, N.Y.	1962
Thomas E. LaMont	Farmer, Albion, N.Y.	1963
Whitworth Ferguson	President, Ferguson Electric Construction Co., Inc., Buffalo, N.Y.	1964
	District 3 — Philadelphia	
<i>Class A:</i>		
Frederic A. Potts	President, The Philadelphia National Bank, Philadelphia, Pa.	1962
J. Milton Featherer	Executive Vice President and Trust Officer, The Penn's Grove National Bank and Trust Com- pany, Penns Grove, N.J.	1963
Eugene T. Gramley	President, Milton Bank and Safe Deposit Com- pany, Milton, Pa.	1964
<i>Class B:</i>		
R. Russell Pippin	Treasurer, E. I. du Pont de Nemours and Com- pany, Wilmington, Del.	1962
Leonard P. Pool	President, Air Products and Chemicals, Inc., Allentown, Pa.	1963
Frank R. Palmer	Chairman of the Board, The Carpenter Steel Company, Reading, Pa.	1964
<i>Class C:</i>		
David C. Bevan	Vice President, Finance, The Pennsylvania Rail- road Company, Philadelphia, Pa.	1962
Walter E. Hoadley	Vice President and Treasurer, Armstrong Cork Company, Lancaster, Pa.	1963
Willis J. Winn	Dean, Wharton School of Finance and Com- merce, University of Pennsylvania, Phila- delphia, Pa.	1964

ANNUAL REPORT OF BOARD OF GOVERNORS

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1962 — Cont.

DIRECTORS — Cont.	District 4 — Cleveland	<i>Term expires Dec. 31</i>
<i>Class A:</i>		
Francis H. Beam	Chairman of the Board, The National City Bank of Cleveland, Ohio	1962
Paul A. Warner	President, The Oberlin Savings Bank Company, Oberlin, Ohio	1963
C. N. Sutton	President, The Richland Trust Company, Mansfield, Ohio	1964
<i>Class B:</i>		
W. Cordes Snyder, Jr.	Chairman of the Board and President, Blaw-Knox Company, Pittsburgh, Pa.	1962
Edwin J. Thomas	Chairman of the Board and Chief Executive Officer, The Goodyear Tire & Rubber Company, Akron, Ohio	1963
David A. Meeker	President, The Hobart Manufacturing Company, Troy, Ohio	1964
<i>Class C:</i>		
Joseph H. Thompson	Chairman of the Board, The Hanna Mining Company, Cleveland, Ohio	1962
Aubrey J. Brown	Professor of Agricultural Marketing and Head of Department of Agricultural Economics, University of Kentucky, Lexington, Ky.	1963
Joseph B. Hall	Chairman of the Board, The Kroger Co., Cincinnati, Ohio	1964
Cincinnati Branch		
<i>Appointed by Federal Reserve Bank:</i>		
LeRoy M. Miles	President, First Security National Bank and Trust Company of Lexington, Ky.	1962
Logan T. Johnston	President, Armco Steel Corporation, Middletown, Ohio	1963
H. W. Gillaugh	President, The Third National Bank and Trust Company of Dayton, Ohio	1963
G. Carlton Hill	Chairman of the Board and President, The Fifth Third Union Trust Co., Cincinnati, Ohio	1964
<i>Appointed by Board of Governors:</i>		
Howard E. Whitaker	Chairman of the Board, The Mead Corporation, Dayton, Ohio	1962
Walter C. Langsam	President, University of Cincinnati, Ohio	1963
Barney A. Tucker	President, Burley Belt Plant Food Works, Inc., Lexington, Ky.	1964

FEDERAL RESERVE SYSTEM

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1962 — Cont.

DIRECTORS — Cont.	District 4 — Cleveland — Cont.	<i>Term expires Dec. 31</i>
	Pittsburgh Branch	
<i>Appointed by Federal Reserve Bank:</i>		
Samuel R. Evans.....	President and Trust Officer, Windber Trust Company, Windber, Pa.....	1962
Chas. J. Heimberger	President, The First National Bank of Erie, Pa..	1963
S. L. Drumm.....	President, West Penn Power Company, Greensburg, Pa.....	1963
James B. Grieves.....	President, Commonwealth Bank and Trust Company, Pittsburgh, Pa.....	1964
<i>Appointed by Board of Governors:</i>		
F. L. Byrom.....	President, Koppers Company, Inc., Pittsburgh, Pa.....	1962
G. L. Bach.....	Maurice Falk Professor of Economics and Social Science, Carnegie Institute of Technology, Pittsburgh, Pa.....	1963
William A. Steele.....	Chairman of the Board and President, Wheeling Steel Corporation, Wheeling, W.Va.....	1964
	District 5 — Richmond	
<i>Class A:</i>		
H. H. Cooley.....	President, The Round Hill National Bank, Round Hill, Va.....	1962
Addison H. Reese.....	President, North Carolina National Bank, Charlotte, N.C.....	1963
J. McKenny Willis, Jr....	Director, Maryland National Bank (Baltimore), Easton, Md.....	1964
<i>Class B:</i>		
R. E. Salvati.....	Chairman of the Board, Island Creek Coal Company, Huntington, W.Va.....	1962
Robert E. L. Johnson....	Chairman of the Board, Woodward & Lothrop, Incorporated, Washington, D.C.....	1963
Robert R. Coker.....	President, Coker's Pedigreed Seed Company, Hartsville, S.C.....	1964
<i>Class C:</i>		
Alonzo G. Decker, Jr....	President, The Black & Decker Manufacturing Company, Towson, Md.....	1962
William H. Grier.....	President, Rock Hill Printing & Finishing Company, Rock Hill, S.C.....	1963
Edwin Hyde.....	President, Miller & Rhoads, Inc., Richmond, Va.	1964

ANNUAL REPORT OF BOARD OF GOVERNORS

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1962 — Cont.

DIRECTORS — Cont. *Term expires Dec. 31*
District 5 — Richmond — Cont.
 Baltimore Branch

Appointed by Federal Reserve Bank:

James W. McElroy	Director, The First National Bank of Maryland, Baltimore, Md.	1962
J. N. Shumate	President, The Farmers National Bank of Annapolis, Md.	1963
Harvey E. Emmart	Senior Vice President and Cashier, Maryland National Bank, Baltimore, Md.	1964
Martin Piribek	Executive Vice President, The First National Bank of Morgantown, W.Va.	1964

Appointed by Board of Governors:

Gordon M. Cairns	Dean of Agriculture, University of Maryland, College Park, Md.	1962
Harry B. Cummings	Vice President & General Manager, Metal Products Division, Koppers Company, Inc., Baltimore, Md.	1963
Leonard C. Crewe, Jr.	President and Treasurer, Maryland Fine & Specialty Wire Company, Inc., Cockeysville, Md.	1964

Charlotte Branch

Appointed by Federal Reserve Bank:

G. Harold Myrick	Executive Vice President and Trust Officer, The First National Bank of Lincolnton, N.C.	1962
W. W. McEachern	President, The South Carolina National Bank, Greenville, S.C.	1963
Joe H. Robinson	Senior Vice President, Wachovia Bank and Trust Company, Charlotte, N.C.	1964
Wallace W. Brawley	President, The Commercial National Bank of Spartanburg, S.C.	1964

Appointed by Board of Governors:

J. C. Cowan, Jr.	Vice Chairman of the Board, Burlington Industries, Inc., Greensboro, N.C.	1962
George H. Aull	Agricultural Economist, Clemson College, Clemson, S.C.	1963
Clarence P. Street	President, McDevitt & Street Company, Charlotte, N.C.	1964

FEDERAL RESERVE SYSTEM

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1962 — Cont.

DIRECTORS — Cont.	District 6 — Atlanta	<i>Term expires Dec. 31</i>
<i>Class A:</i>		
M. M. Kimbrel	Chairman of the Board, First National Bank, Thomson, Ga.	1962
George S. Craft	President, Trust Company of Georgia, Atlanta, Ga.	1963
D. C. Wadsworth, Sr.	President, The American National Bank, Gads- den, Ala.	1964
<i>Class B:</i>		
McGregor Smith	Chairman of the Board, Florida Power & Light Company, Miami, Fla.	1962
W. Maxey Jarman	Chairman, Genesco, Inc., Nashville, Tenn.	1963
James H. Crow, Jr.	Vice President, The Chemstrand Corporation, Decatur, Ala.	1964
<i>Class C:</i>		
J. M. Cheatham	President, Dundee Mills, Incorporated, Griffin, Ga.	1962
Henry G. Chalkley, Jr.	President, The Sweet Lake Land & Oil Com- pany, Lake Charles, La.	1963
Jack Tarver	President, Atlanta Newspapers, Inc., Atlanta, Ga.	1964
Birmingham Branch		
<i>Appointed by Federal Reserve Bank:</i>		
R. J. Murphy	Executive Vice President, Citizens-Farmers & Merchants Bank, Brewton, Ala.	1962
Frank A. Plummer	Chairman of the Board and President, Birming- ham Trust National Bank, Birmingham, Ala.	1963
John H. Neill, Jr.	President, Union Bank & Trust Co., Mont- gomery, Ala.	1964
W. H. Mitchell	President, The First National Bank of Florence, Ala.	1964
<i>Appointed by Board of Governors:</i>		
Jack W. Warner	Chairman of the Board and President, Gulf States Paper Corporation, Tuscaloosa, Ala.	1962
Selden Sheffield	Cattleman, Greensboro, Ala.	1963
C. Caldwell Marks	Chairman of the Board, Owen-Richards Com- pany, Inc., Birmingham, Ala.	1964

ANNUAL REPORT OF BOARD OF GOVERNORS

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1962 — Cont.

DIRECTORS — Cont.	District 6 — Atlanta — Cont.	<i>Term expires Dec. 31</i>
	Jacksonville Branch	

Appointed by Federal Reserve Bank:

Leonard A. Usina.....Chairman of the Board, Peoples National Bank of Miami Shores, Fla.....	1962
Godfrey Smith.....President, Capital City National Bank of Tallahassee, Fla.....	1963
J. T. Lane.....Chairman of the Board, The Atlantic National Bank, Jacksonville, Fla.....	1964
Harry Fagan.....President, First National Bank in Fort Myers, Fla.....	1964

Appointed by Board of Governors:

Claude J. Yates.....Vice President and General Manager, Southern Bell Telephone and Telegraph Company, Jacksonville, Fla.....	1962
J. Ollie Edmunds.....President, Stetson University, DeLand, Fla.....	1963
Harry T. Vaughn.....President, United States Sugar Corporation, Clewiston, Fla.....	1964

Nashville Branch

Appointed by Federal Reserve Bank:

D. L. Earnest.....President, The Blount National Bank of Maryville, Tenn.....	1962
D. W. Johnston.....Executive Vice President, Third National Bank in Nashville, Tenn.....	1963
Travis Hitt.....President, Farmers National Bank, Winchester, Tenn.....	1964
Harry M. Nacey, Jr.....President, Hamilton National Bank, Knoxville, Tenn.....	1964

Appointed by Board of Governors:

Andrew D. Holt.....President, University of Tennessee, Knoxville, Tenn.....	1962
W. N. Krauth.....President and General Manager, Colonial Baking Company of Nashville, Tenn.....	1963
V. S. Johnson, Jr.....Chairman of the Board and President, Aladdin Industries, Inc., Nashville, Tenn.....	1964

FEDERAL RESERVE SYSTEM

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1962 — Cont.

DIRECTORS — Cont.	District 6 — Atlanta — Cont.	<i>Term expires Dec. 31</i>
	New Orleans Branch	
<i>Appointed by Federal Reserve Bank:</i>		
Frank A. Gallagher.....	President, Jeff Davis Bank & Trust Company, Jennings, La.....	1962
Giles W. Patty.....	President, First National Bank, Meridian, Miss.	1963
Lewis Gottlieb.....	Chairman of the Board, City National Bank, Baton Rouge, La.....	1964
John Oulliber.....	President, The National Bank of Commerce in New Orleans, La.....	1964
<i>Appointed by Board of Governors:</i>		
J. O. Emmerich.....	Editor, Enterprise-Journal, McComb, Miss....	1962
Frank A. Godchaux, III..	Vice President, Louisiana State Rice Milling Company, Inc., Abbeville, La.....	1963
Kenneth R. Giddens.....	President, WKRG-TV, Inc., Mobile, Ala.....	1964
District 7 — Chicago		
<i>Class A:</i>		
Vivian W. Johnson.....	Chairman of the Board, First National Bank, Cedar Falls, Iowa.....	1962
David M. Kennedy.....	Chairman of the Board, Continental Illinois National Bank and Trust Company of Chi- cago, Ill.....	1963
John H. Crocker.....	Chairman of the Board, The Citizens National Bank of Decatur, Ill.....	1964
<i>Class B:</i>		
William A. Hanley.....	Director, Eli Lilly and Company, Indianapolis, Ind.....	1962
G. F. Langenohl.....	Treasurer and Assistant Secretary, Allis-Chalm- ers Manufacturing Company, Milwaukee, Wis.	1963
William E. Rutz.....	Director, Giddings & Lewis Machine Tool Com- pany, Fond du Lac, Wis.....	1964
<i>Class C:</i>		
James H. Hilton.....	President, Iowa State University of Science and Technology, Ames, Iowa.....	1962
John W. Sheldon.....	President, Chas. A. Stevens & Co., Chicago, Ill.	1963
Robert P. Briggs.....	Executive Vice President, Consumers Power Company, Jackson, Mich.....	1964

ANNUAL REPORT OF BOARD OF GOVERNORS

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1962 — Cont.

DIRECTORS — Cont.	District 7 — Chicago — Cont.	<i>Term expires Dec. 31</i>
	Detroit Branch	
<i>Appointed by Federal Reserve Bank:</i>		
C. Lincoln Linderholm	President, Central Bank, Grand Rapids, Mich.	1962
William A. Mayberry	Chairman of the Board, Manufacturers National Bank of Detroit, Mich.	1963
Franklin H. Moore	President, The Commercial and Savings Bank, St. Clair, Mich.	1963
Donald F. Valley	Chairman of the Board, National Bank of Detroit, Mich.	1964
<i>Appointed by Board of Governors:</i>		
J. Thomas Smith	President, Dura Corporation, Oak Park, Mich.	1962
Max P. Heavenrich, Jr.	President and General Manager, Heavenrich Bros. & Company, Saginaw, Mich.	1963
James William Miller	President, Western Michigan University, Kalamazoo, Mich.	1964
District 8 — St. Louis		
<i>Class A:</i>		
Kenton R. Cravens	Chairman of the Board, Mercantile Trust Company, St. Louis, Mo.	1962
H. Lee Cooper	President, Ohio Valley National Bank of Henderson, Ky.	1963
Arthur Werre, Jr.	Executive Vice President, First National Bank of Steeleville, Ill.	1964
<i>Class B:</i>		
Harold O. McCutchan	Senior Executive Vice President, Mead Johnson & Company, Evansville, Ind.	1962
Edgar M. Queeny	Chairman of the Finance Committee and member of Board of Directors, Monsanto Chemical Company, St. Louis, Mo.	1963
Raymond Rebsamen	Chairman of the Board, Rebsamen & East, Inc., Little Rock, Ark.	1964
<i>Class C:</i>		
Pierre B. McBride	President, Porcelain Metals Corporation, Louisville, Ky.	1962
Jesse D. Wooten	Executive Vice President, Mid-South Chemical Corporation, Memphis, Tenn.	1963
J. H. Longwell	Director, Special Studies and Programs, College of Agriculture, University of Missouri, Columbia, Mo.	1964

FEDERAL RESERVE SYSTEM

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1962 — Cont.

DIRECTORS — Cont.	District 8 — St. Louis — Cont.	<i>Term expires Dec. 31</i>
	Little Rock Branch	
<i>Appointed by Federal Reserve Bank:</i>		
H. C. Adams	Executive Vice President, The First National Bank of De Witt, Ark.	1962
J. W. Bellamy	President, National Bank of Commerce of Pine Bluff, Ark.	1963
R. M. LaGrone, Jr.	President, The Citizens National Bank of Hope, Ark.	1963
Ross E. Anderson	President, The Commercial National Bank of Little Rock, Ark.	1964
<i>Appointed by Board of Governors:</i>		
T. Winfred Bell	President, Bush-Caldwell Company, Little Rock, Ark.	1962
Frederick P. Blanks	Planter, Parkdale, Ark.	1963
Waldo E. Tiller	President, Tiller Tie and Lumber Company, Inc., Little Rock, Ark.	1964
	Louisville Branch	
<i>Appointed by Federal Reserve Bank:</i>		
Merle E. Robertson	Chairman of the Board and President, Liberty National Bank and Trust Company of Louisville, Ky.	1962
Ray A. Barrett	President, The State Bank of Salem, Ind.	1963
John G. Russell	President, The Peoples First National Bank & Trust Company of Paducah, Ky.	1963
John R. Stroud	Executive Vice President, The First National Bank of Mitchell, Ind.	1964
<i>Appointed by Board of Governors:</i>		
William H. Harrison	President, Taylor Drug Stores, Inc., Louisville, Ky.	1962
Philip Davidson	President, University of Louisville, Ky.	1963
Richard T. Smith	Farmer, Madisonville, Ky.	1964
	Memphis Branch	
<i>Appointed by Federal Reserve Bank:</i>		
Charles R. Caviness	President, National Bank of Commerce of Corinth, Miss.	1962
John E. Brown	President, Union Planters National Bank of Memphis, Tenn.	1963
Simpson Russell	Chairman of the Board, The National Bank of Commerce of Jackson, Tenn.	1963
Leon C. Castling	President, First National Bank at Marianna, Ark.	1964

ANNUAL REPORT OF BOARD OF GOVERNORS

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1962 — Cont.

	<i>Term expires Dec. 31</i>
DIRECTORS — Cont.	
District 8 — St. Louis — Cont.	
Memphis Branch — Cont.	
<i>Appointed by Board of Governors:</i>	
William King Self President, Riverside Industries, Marks, Miss. . . .	1962
Edward B. LeMaster President, Edward LeMaster Company, Inc., Memphis, Tenn.	1963
Frank Lee Wesson President, Wesson Farms, Inc., Victoria, Ark. . .	1964
District 9 — Minneapolis	
<i>Class A:</i>	
Harold N. Thomson Vice President, Farmers & Merchants Bank, Presho, S. Dak.	1962
Harold C. Refling Cashier, First National Bank in Bottineau, N. Dak.	1963
Rollin O. Bishop Chairman of the Board, The American National Bank of Saint Paul, Minn.	1964
<i>Class B:</i>	
Alexander Warden Publisher, Great Falls Tribune-Leader, Great Falls, Mont.	1962
Ray C. Lange President, Chippewa Canning Company, Inc., Chippewa Falls, Wis.	1963
T. G. Harrison Chairman of the Board, Super Valu Stores, Inc., Minneapolis, Minn.	1964
<i>Class C:</i>	
Atherton Bean President, International Milling Company, Minneapolis, Minn.	1962
Judson Bemis President, Bemis Bro. Bag Co., Minneapolis, Minn.	1963
John H. Warden President, Upper Peninsula Power Company, Houghton, Mich.	1964
Helena Branch	
<i>Appointed by Federal Reserve Bank:</i>	
Roy G. Monroe Chairman of the Board and President, The First State Bank of Malta, Mont.	1962
Harald E. Olsson President, Ronan State Bank, Ronan, Mont. . . .	1962
O. M. Jorgenson Chairman of the Board, Security Trust and Sav- ings Bank, Billings, Mont.	1963
<i>Appointed by Board of Governors:</i>	
Harry K. Newburn President, Montana State University, Missoula, Mont.	1962
John M. Otten Farmer and rancher, Lewistown, Mont.	1963

FEDERAL RESERVE SYSTEM

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1962 — Cont.

DIRECTORS — Cont.	District 10 — Kansas City	<i>Term expires Dec. 31</i>
<i>Class A:</i>		
Burton L. Lohmuller.....	President, The First National Bank of Centralia, Kans.....	1962
Harold Kountze.....	Chairman of the Board, The Colorado National Bank of Denver, Colo.....	1963
W. S. Kennedy.....	President and Chairman of the Board, The First National Bank of Junction City, Kans.....	1964
<i>Class B:</i>		
K. S. Adams.....	Chairman of the Board, Phillips Petroleum Com- pany, Bartlesville, Okla.....	1962
Max A. Miller.....	Livestock rancher, Omaha, Nebr.....	1963
Robert A. Olson.....	President, Kansas City Power & Light Com- pany, Kansas City, Mo.....	1964
<i>Class C:</i>		
Oliver S. Willham.....	President, Oklahoma State University, Stillwater, Okla.....	1962
Homer A. Scott.....	Vice President and District Manager, Peter Kiewit Sons' Company, Sheridan, Wyo.....	1963
Dolph Simons.....	Editor and President, The Lawrence Daily Jour- nal-World, Lawrence, Kans.....	1964
Denver Branch		
<i>Appointed by Federal Reserve Bank:</i>		
J. H. Bloedorn.....	President, The Farmers State Bank of Fort Morgan, Colo.....	1962
Cale W. Carson.....	Chairman of the Board, First National Bank in Albuquerque, N. Mex.....	1962
Eugene H. Adams.....	President, The First National Bank of Denver, Colo.....	1963
<i>Appointed by Board of Governors:</i>		
R. A. Burghart.....	Ingle Land and Cattle Company, Colorado Springs, Colo.....	1962
Robert T. Person.....	President, Public Service Company of Colorado, Denver, Colo.....	1963

ANNUAL REPORT OF BOARD OF GOVERNORS

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1962 — Cont.

DIRECTORS — Cont. **District 10 — Kansas City — Cont.** *Term expires Dec. 31*

Oklahoma City Branch

Appointed by Federal Reserve Bank:

R. L. Kelsay.....Chairman of the Board and President, The First National Bank in Hobart, Okla..... 1962
 C. L. Priddy.....President, The National Bank of McAlester, Okla..... 1962
 C. P. Stuart.....Chairman of the Board, The Fidelity National Bank & Trust Company, Oklahoma City, Okla..... 1963

Appointed by Board of Governors:

Otto C. Barby.....Attorney and rancher, Beaver, Okla..... 1962
 James E. Allison.....President, Warren Petroleum Corporation, Tulsa, Okla..... 1963

Omaha Branch

Appointed by Federal Reserve Bank:

John F. Davis.....President, First National Bank, Omaha, Nebr... 1962
 R. E. Barton.....President, The Wyoming National Bank of Casper, Wyo..... 1963
 Henry D. Kosman.....Chairman of the Board and President, Scottsbluff National Bank, Scottsbluff, Nebr..... 1963

Appointed by Board of Governors:

Clifford Morris Hardin...Chancellor, The University of Nebraska, Lincoln, Nebr..... 1962
 John T. Harris.....Merchant and cattleman, McCook, Nebr..... 1963

District 11 — Dallas

Class A:

John M. Griffith.....President, The City National Bank of Taylor, Tex..... 1962
 Roy Riddel.....President, First National Bank at Lubbock, Tex.. 1963
 J. Edd McLaughlin.....President, Security State Bank & Trust Company, Ralls, Tex..... 1964

Class B:

J. B. Perry, Jr.....President and General Manager, Perry Brothers, Inc., Lufkin, Tex..... 1962
 D. A. Hulcy.....Chairman of the Board, Lone Star Gas Company, Dallas, Tex..... 1963
 H. B. Zachry.....President and Chairman of the Board, H. B. Zachry Co., San Antonio, Tex..... 1964

FEDERAL RESERVE SYSTEM

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1962 — Cont.

DIRECTORS — Cont.	District 11 — Dallas — Cont.	<i>Term expires Dec. 31</i>
<i>Class C:</i>		
Robert O. Anderson	President, Hondo Oil & Gas Company, Roswell, N. Mex.	1962
Morgan J. Davis	Chairman of the Board, Humble Oil & Refining Company, Houston, Tex.	1963
Lamar Fleming, Jr.	Member, Board of Directors, Anderson, Clay- ton & Co., Inc., Houston, Tex.	1964
El Paso Branch		
<i>Appointed by Federal Reserve Bank:</i>		
Chas. B. Perry	President, First State Bank, Odessa, Tex.	1962
Floyd Childress	Vice Chairman of the Board, The First National Bank of Roswell, N. Mex.	1963
Dick Rogers	President, First National Bank in Alpine, Tex. . .	1963
Joseph F. Irvin	President, Southwest National Bank of El Paso, Tex.	1964
<i>Appointed by Board of Governors:</i>		
Roger B. Corbett	President, New Mexico State University, Uni- versity Park, N. Mex.	1962
William R. Mathews	Editor and Publisher, The Arizona Daily Star, Tucson, Ariz.	1963
Dysart E. Holcomb	Director of Research, El Paso Natural Gas Products Company, El Paso, Tex.	1964
Houston Branch		
<i>Appointed by Federal Reserve Bank:</i>		
M. M. Galloway	President, First Capitol Bank, West Columbia, Tex.	1962
J. A. Elkins, Jr.	President, First City National Bank of Houston, Tex.	1963
John E. Gray	President, First Security National Bank of Beau- mont, Tex.	1963
J. W. McLean	President, Texas National Bank of Houston, Tex.	1964
<i>Appointed by Board of Governors:</i>		
A. E. Cudlipp	Vice President and Director, Lufkin Foundry & Machine Company, Lufkin, Tex.	1962
Max Levine	President, Foley's, Houston, Tex.	1963
Edgar H. Hudgins	Ranching — Partner in Hudgins Division of J. D. Hudgins, Hungerford, Tex.	1964

ANNUAL REPORT OF BOARD OF GOVERNORS

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1962 — Cont.

DIRECTORS — Cont. *Term expires Dec. 31*
District 11 — Dallas — Cont.

San Antonio Branch

Appointed by Federal Reserve Bank:

Dwight D. Taylor	President, Pan American State Bank, Brownsville, Tex.	1962
Donald D. James	Vice President, The Austin National Bank, Austin, Tex.	1963
Forrest M. Smith	President, National Bank of Commerce of San Antonio, Tex.	1963
Max A. Mandel	President, The Laredo National Bank, Laredo, Tex.	1964

Appointed by Board of Governors:

John R. Stockton	Professor of Business Statistics and Director of Bureau of Business Research, The University of Texas, Austin, Tex.	1962
G. C. Hagelstein	President and General Manager, Union Stock Yards San Antonio, Tex.	1963
Harold D. Herndon	Independent Oil Operator, San Antonio, Tex.	1964

District 12 — San Francisco

Class A:

M. Vilas Hubbard	President and Chairman of the Board, Citizens Commercial Trust and Savings Bank of Pasadena, Calif.	1962
Carroll F. Byrd	Chairman of the Board and President, The First National Bank of Willows, Calif.	1963
Charles F. Frankland	President, The Pacific National Bank of Seattle, Wash.	1964

Class B:

N. Loyall McLaren	Partner, Haskins & Sells, San Francisco, Calif.	1962
Joseph Rosenblatt	President, The Eimco Corporation, Salt Lake City, Utah.	1963
Walter S. Johnson	Chairman of the Board, American Forest Products Corporation, San Francisco, Calif.	1964

Class C:

F. B. Whitman	President, The Western Pacific Railroad Company, San Francisco, Calif.	1962
John D. Fredericks	President, Pacific Clay Products, Los Angeles, Calif.	1963
Frederic S. Hirschler	President, The Emporium Capwell Company, San Francisco, Calif.	1964

FEDERAL RESERVE SYSTEM

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1962 — Cont.

DIRECTORS — Cont.	District 12 — San Francisco — Cont.	<i>Term expires Dec. 31</i>
Los Angeles Branch		
<i>Appointed by Federal Reserve Bank:</i>		
Douglas Shively.....	President, Citizens State Bank of Santa Paula, Calif.....	1962
Roy A. Britt.....	President, Citizens National Bank, Los Angeles, Calif.....	1962
Ralph V. Arnold.....	President, First National Bank of Ontario, Calif.....	1963
<i>Appointed by Board of Governors:</i>		
S. Alfred Halgren.....	Vice President and Director, Carnation Com- pany, Los Angeles, Calif.....	1962
Robert J. Cannon.....	President, Cannon Electric Company, Los Angeles, Calif.....	1963
Portland Branch		
<i>Appointed by Federal Reserve Bank:</i>		
D. S. Baker.....	President, The Baker-Boyer National Bank, Walla Walla, Wash.....	1962
E. M. Flohr.....	President, The First National Bank of Wallace, Idaho.....	1962
C. B. Stephenson.....	Chairman of the Board, The First National Bank of Oregon, Portland, Oreg.....	1963
<i>Appointed by Board of Governors:</i>		
Raymond R. Reter.....	Reter Fruit Company, Medford, Oreg.....	1962
Graham J. Barbey.....	President, Barbey Packing Corporation, Astoria, Oreg.....	1963
Salt Lake City Branch		
<i>Appointed by Federal Reserve Bank:</i>		
J. E. Brinton.....	President, The First National Bank of Ely, Nev.	1962
Reed E. Holt.....	President, Walker Bank & Trust Company, Salt Lake City, Utah.....	1962
Oscar Hiller.....	President, Butte County Bank, Arco, Idaho....	1963
<i>Appointed by Board of Governors:</i>		
Thomas B. Rowland....	President and General Manager, Rowland's, Inc., Pocatello, Idaho.....	1962
Howard W. Price.....	Executive Vice President, The Salt Lake Hard- ware Co., Salt Lake City, Utah.....	1963

FEDERAL RESERVE SYSTEM

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1962 — Cont.
PRESIDENTS AND VICE PRESIDENTS

Federal Reserve Bank of—	President First Vice President	Vice Presidents	
Boston.....	George H. Ellis E. O. Latham	D. Harry Angney Ansgar R. Berge Benjamin F. Groot	O. A. Schlaikjer Charles E. Turner G. Gordon Watts
New York...	Alfred Hayes William F. Treiber	Harold A. Bilby Charles A. Coombs Howard D. Crosse Marcus A. Harris Alan R. Holmes Herbert H. Kimball	Robert G. Rouse Walter H. Rozell, Jr. H. L. Sanford Robert W. Stone Todd G. Tiebout
Philadelphia .	Karl R. Bopp Robert N. Hilkert	Hugh Barrie John R. Bunting Joseph R. Campbell Norman G. Dash David P. Eastburn	Murdoch K. Goodwin Harry W. Roeder James V. Vergari Richard G. Wilgus
Cleveland ...	W. D. Fulton Donald S. Thompson	Roger R. Clouse E. A. Fink W. Braddock Hickman	Martin Morrison Paul C. Stetzelberger
Richmond...	Edward A. Wayne Aubrey N. Heflin	Robert P. Black J. G. Dickerson, Jr. Upton S. Martin John L. Nosker	Joseph M. Nowlan Benj. U. Ratchford R. E. Sanders, Jr.
Atlanta	Malcolm Bryan Harold T. Patterson	J. E. Denmark J. E. McCorvey L. B. Raisty	Brown R. Rawlings Charles T. Taylor
Chicago.....	C. J. Scanlon Hugh J. Helmer	E. T. Baughman A. M. Gustavson Paul C. Hodge L. H. Jones C. T. Laibly	Richard A. Moffatt H. J. Newman Leland M. Ross Harry S. Schultz
St. Louis....	Harry A. Shuford Darryl R. Francis	Marvin L. Bennett Homer Jones Dale M. Lewis	Howard H. Weigel Joseph C. Wotawa Orville O. Wyrick

ANNUAL REPORT OF BOARD OF GOVERNORS

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1962 — Cont. PRESIDENTS AND VICE PRESIDENTS—Cont.

Federal Reserve Bank of—	President First Vice President	Vice Presidents	
Minneapolis .	Frederick L. Deming A. W. Mills	Kyle K. Fossum C. W. Groth M. B. Holmgren A. W. Johnson	H. G. McConnell F. L. Parsons M. H. Strothman, Jr.
Kansas City .	George H. Clay Henry O. Koppang	John T. Boysen C. A. Cravens J. R. Euans F. H. Larson	L. F. Mills Clarence W. Tow J. T. White
Dallas	Watrous H. Irons Philip E. Coldwell	James L. Cauthen Ralph T. Green Thomas A. Hardin G. R. Murff	James A. Parker Thomas W. Plant W. M. Pritchett Thomas R. Sullivan
San Francisco	Eliot J. Swan H. E. Hemmings	J. L. Barbonchielli Paul W. Cavan E. H. Galvin	A. B. Merritt John A. O'Kane D. M. Davenport ¹

¹ Assigned to Los Angeles Branch.

CONFERENCE OF PRESIDENTS

The Presidents of the Federal Reserve Banks are organized into a Conference of Presidents that meets from time to time to consider matters of common interest and to consult with and advise the Board of Governors.

Mr. Fulton, President of the Federal Reserve Bank of Cleveland, and Mr. Irons, President of the Federal Reserve Bank of Dallas, were elected Chairman of the Conference and Vice Chairman, respectively, in March 1962, and served in those capacities during 1962.

Mr. Lester M. Selby of the Federal Reserve Bank of Cleveland and Mr. Robert H. Boykin of the Federal Reserve Bank of Dallas were appointed Secretary of the Conference and Assistant Secretary, respectively, in March 1962, and served as such during the remainder of the year.

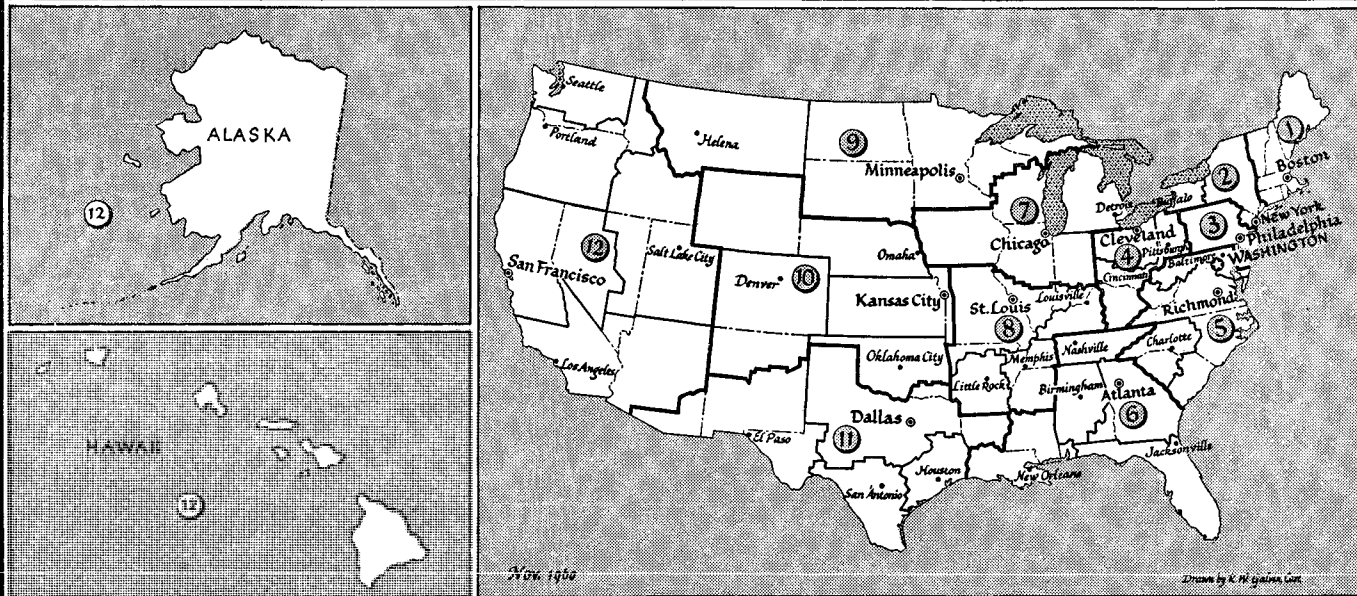
FEDERAL RESERVE SYSTEM

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1962 — Cont.
VICE PRESIDENTS IN CHARGE OF BRANCHES

Federal Reserve Bank of—	Branch	Vice President
New York.....	Buffalo	I. B. Smith
Cleveland.....	Cincinnati Pittsburgh	F. O. Kiel Clyde Harrell
Richmond.....	Baltimore Charlotte	D. F. Hagner E. F. MacDonald
Atlanta.....	Birmingham Jacksonville Nashville New Orleans	H. C. Frazer T. A. Lanford R. E. Moody, Jr. M. L. Shaw
Chicago.....	Detroit	R. A. Swaney
St. Louis.....	Little Rock Louisville Memphis	Fred Burton Donald L. Henry E. Francis DeVos
Minneapolis.....	Helena	C. A. Van Nice
Kansas City.....	Denver Oklahoma City Omaha	Cecil Puckett H. W. Pritz P. A. Debus
Dallas.....	El Paso Houston San Antonio	Roy E. Bohne J. L. Cook Carl H. Moore
San Francisco.....	Los Angeles Portland Salt Lake City Seattle	C. H. Watkins J. A. Randall A. L. Price E. R. Bargebaugh

★ THE FEDERAL RESERVE SYSTEM ★

BOUNDARIES OF FEDERAL RESERVE DISTRICTS AND THEIR BRANCH TERRITORIES



Legend

— Boundaries of Federal Reserve Districts

— Boundaries of Federal Reserve Branch Territories

⊕ Board of Governors of the Federal Reserve System

⊙ Federal Reserve Bank Cities

• Federal Reserve Branch Cities

NOTE.—District and branch territories described in ANNUAL REPORT for 1953, p. 24; later changes in branch territories, in ANNUAL REPORT for 1954, p. 57, and in Federal Reserve Bulletin for January 1959, p. 17, and September 1959, p. 1141.

Index

	Page
Acceptance powers of member banks	127
Acceptances, bankers':	
Authority to purchase, and to enter into repurchase agreements	49, 66
Federal Reserve Bank holdings	137, 144, 146
Open market transactions during 1962	152
Assets and liabilities:	
Banks, by classes	164
Board of Governors	141
Federal Reserve Banks	144-49
Balance of payments	32
Bank Examination School	129
Bank holding companies:	
Board actions with respect to	125
Litigation	134, 135
Bank Holding Company Act, proposed amendments	131
Bank mergers and consolidations	124, 169
Bank premises, Federal Reserve Banks and branches	130, 140, 144, 146, 148, 153
Bank reserves (<i>See</i> Reserves)	
Bank Service Corporation Act	131
Bank supervision by Federal Reserve System	122
Banking Markets Unit, establishment of	125
Banking offices:	
Changes in number	166
On, and not on, Par List, number	167
Board of Governors:	
Audit of accounts	140
Banking Markets Unit	125
Income and expenses	140-42
Litigation	133
Members and officers	202
Policy actions	111-21
Regulations (<i>See</i> Regulations)	
Branch banks:	
Banks, by classes, changes in number	166
Federal Reserve:	
Bank premises	153
Buildings, amendments to Sections 3 and 10 of Federal Reserve Act	130
Directors	207
Vice Presidents in charge of	227
Foreign branches:	
Member banks, number	126
National banks, powers of	130

INDEX

	Page
Buildings of Federal Reserve branch banks, amendments to Sections 3 and 10 of Federal Reserve Act.....	130
Capital accounts:	
Banks, by classes.....	164
Federal Reserve Banks.....	145, 147, 149
Capital stock of Federal Reserve Banks, issue and cancellation of, revision of Regulation I.....	120
Central reserve city classification, termination of.....	12, 115
Chairmen of Federal Reserve Banks.....	206
Check clearing and collection:	
Check mechanization program.....	138
Nonmember clearing accounts with Federal Reserve Banks, amendment of Section 210.2(a) of Regulation J.....	117
Volume of operations.....	158
Commercial banks:	
Assets and liabilities.....	164
Banking offices, changes in number.....	166
Number, by classes.....	164
Common trust funds.....	126, 130
Condition statement of Federal Reserve Banks.....	144-49
Continental Bank and Trust Company, Salt Lake City, Utah, litigation, and termination of administrative proceeding.....	133
Defense Production Act, extension of.....	131
Defense production loans.....	138, 160
Deposits:	
Banks, by classes.....	164
Federal Reserve Banks.....	145, 147, 149, 162
Foreign time deposits, interest on, amendment to Federal Reserve Act and Regulation Q.....	118, 129
Time and savings deposits, maximum permissible rates.....	13, 159
Deputy Chairmen of Federal Reserve Banks.....	206
Directors, Federal Reserve Banks and branches.....	207
Discount rates at Federal Reserve Banks.....	159
Discounts and advances by Federal Reserve Banks.....	137, 144, 146, 148, 162
Dividends:	
Federal Reserve Banks.....	136, 155, 156
Member banks.....	165
Earnings:	
Federal Reserve Banks.....	135, 137, 154, 156
Member banks.....	165
Economic review.....	1
Examinations:	
Federal Reserve Banks.....	122
Foreign banking corporations.....	128
Holding company affiliates.....	125
Member banks.....	122
State member banks.....	122

INDEX

	Page
Expenses:	
Board of Governors	140-42
Federal Reserve Banks	135, 154, 156
Member banks	165
Federal Advisory Council	205
Federal Open Market Committee:	
Foreign currency operations:	
Authorization and guidelines	51, 54-63, 66, 103
Directive	63, 66, 78, 82, 86, 97
Regulation N, amendment to	111
Review of operations	5, 10, 39, 140
Meetings	45, 204
Members and officers	204
Policy actions	45-110
Review of continuing authorizations	66
Federal Reserve Act:	
Sections 10 and 3, amendments with respect to Federal Reserve branch bank buildings	
	130
Section 11(k), with respect to trust powers of national banks, repeal of ...	130
Section 14(b), authority of Federal Reserve Banks to purchase Government obligations direct from the U. S., extension of	130
Section 19, amendment with respect to interest on foreign time deposits ...	129
Section 24, amendment with respect to real estate and construction loans by national banks	131
Section 25, amendment with respect to powers of foreign branches of national banks	130
Federal Reserve Agents	206
Federal Reserve Banks:	
Accounts with foreign banks, amendment to Regulation N	111
Assessment for expenses of Board of Governors	142
Bank premises	140, 144, 146, 148, 153
Branches (<i>See</i> Branch banks, Federal Reserve)	
Capital accounts	145, 147, 149
Capital stock, issue and cancellation of, revision of Regulation I	120
Chairmen and Deputy Chairmen	206
Check mechanization program	138
Condition statement	144-49
Directors	207
Discount rates	159
Dividends	136, 155, 156
Earnings and expenses	135, 137, 154, 156
Examination of	122
Foreign and international accounts	139
Officers and employees, number and salaries	158
Presidents and First Vice Presidents	225
Profit and loss	155

INDEX

	Page
Federal Reserve Banks—Continued	
U. S. Government securities:	
Authority to purchase direct from the U. S., extension of.....	130
Holdings of.....	137, 144, 146, 148, 150, 162
Open market transactions during 1962.....	152
Special certificates purchased direct from Treasury.....	151
Volume of operations.....	138, 158
Federal Reserve notes:	
Condition statement data.....	144-49
Cost of issue, printing, and redemption.....	142
Interest paid to Treasury.....	136, 155, 156
Federal Reserve System:	
Bank supervision by.....	122
Foreign currency operations (<i>See</i> Foreign currency operations)	
Map of Federal Reserve Districts.....	228
Membership.....	123
Financial market developments.....	13
First Oklahoma Bancorporation, litigation involving.....	135
Foreign banking and financing corporations.....	127
Foreign branches:	
Member banks, number.....	126
National banks, powers of.....	130
Foreign currency operations:	
Authorization and guidelines.....	51, 54-63, 66, 103
Directive.....	63, 66, 78, 82, 86, 97
Regulation N, amendment to.....	111
Review of operations.....	5, 10, 39, 140
Foreign time deposits, interest on, amendment to Federal Reserve Act and Regulation Q.....	118, 129
Gold certificate reserves of Federal Reserve Banks.....	144, 146, 148
Government securities (<i>See</i> U. S. Government securities)	
Holding company affiliates.....	125, 133
Income, expenses, and dividends, member banks.....	165
Insured commercial banks.....	164, 166
Interest rates:	
Discount rates at Federal Reserve Banks.....	159
Foreign time deposits, amendment to Federal Reserve Act and Regulation Q.....	118, 129
Regulation V loans.....	160
Time and savings deposits, maximum permissible rates.....	13, 159
International payments problem.....	31
Investments:	
Banks, by classes.....	164
Federal Reserve Banks.....	144, 146, 148
Legislation:	
Authority of Federal Reserve Banks to purchase Government obligations direct from the U. S., extension of.....	130

INDEX

	Page
Legislation—Continued	
Bank Holding Company Act, proposed amendments.....	131
Bank Service Corporation Act.....	131
Defense Production Act, extension of.....	131
Federal Reserve branch bank buildings.....	130
Foreign branches of national banks, powers of.....	130
Interest on foreign time deposits.....	129
Real estate and construction loans by national banks.....	131
Litigation.....	133
Loans:	
Banks, by classes.....	164
Federal Reserve Banks.....	137, 144, 146, 148, 162
National bank real estate and construction loans, amendment to Section 24 of Federal Reserve Act.....	131
Regulation V loans.....	138, 160
Margin requirements:	
Reduction in.....	13, 113
Special cash accounts, amendments to Regulation U to prevent improper use of credit to finance transactions in.....	112
Table of.....	160
Member banks:	
Acceptance powers.....	127
Assets, liabilities, and capital accounts.....	164
Banking offices, changes in number.....	166
Examination of.....	122
Foreign branches, number.....	126
Income, expenses, and dividends.....	165
Number.....	123, 164, 166
Reserve requirements:	
Reduction in.....	12, 119
Table of.....	161
Reserves:	
Regulation D and Supplement, revision of.....	115
Reserves and related items.....	162
Membership in Federal Reserve System.....	123
Mergers (See Bank mergers and consolidations)	
Monetary policy:	
Digest of principal policy actions.....	6
Review of.....	8
Mutual savings banks.....	164, 166
National banks:	
Assets and liabilities.....	164
Banking offices, changes in number.....	166
Foreign branches:	
Number.....	126
Powers of.....	130

INDEX

	Page
National banks—Continued	
Number	123, 164, 166
Real estate and construction loans, amendment to Section 24 of Federal Reserve Act.....	131
Trust powers:	
Number of banks granted powers by Board.....	126
Termination of Board's Regulation F.....	118
Transfer of authority to Comptroller of the Currency.....	126, 130
Nonmember banks:	
Assets and liabilities.....	164
Banking offices, changes in number.....	166
Clearing accounts with Federal Reserve Banks, amendment of Section 210.2(a) of Regulation J.....	117
Northwest Bancorporation, litigation under Bank Holding Company Act....	135
Open Market Committee (<i>See</i> Federal Open Market Committee)	
Open market operations:	
Foreign currency operations (<i>See</i> Foreign currency operations)	
U. S. Government securities.....	8, 45-110, 152
Par List, banking offices on, and not on, number.....	167
Policy actions, Board of Governors:	
Regulation D, Reserves of Member Banks:	
Reserve requirements, reduction in.....	119
Revision of.....	115
Regulation F, Trust Powers of National Banks:	
Termination of.....	118
Regulation I, Issue and Cancellation of Capital Stock of Federal Reserve Banks:	
Revision of.....	120
Regulation J, Check Clearing and Collection:	
Nonmember clearing accounts, amendment of Section 210.2(a).....	117
Regulation N, Relations with Foreign Banks and Bankers:	
Accounts with foreign banks, amendment with respect to.....	111
Regulation Q, Payment of Interest on Deposits:	
Interest on foreign time deposits, amendment with respect to.....	118
Regulation T, Credit by Brokers, Dealers, and Members of National Securities Exchanges:	
Margin requirements, reduction in.....	113
Regulation U, Loans by Banks for the Purpose of Purchasing or Carrying Registered Stocks:	
Amendments to prevent improper use of credit to finance transactions in special cash accounts.....	112
Margin requirements, reduction in.....	113
Rule for Classification of Reserve Cities, amendment to.....	116
Policy actions, digest of.....	6
Policy actions, Federal Open Market Committee:	
Authority to effect transactions in System Account.....	45-110

INDEX

	Page
Policy actions, Federal Open Market Committee—Continued	
Foreign currency operations:	
Authorization and guidelines.....	51, 54-63, 66, 103
Directive.....	63, 66, 78, 82, 86, 97
Review of continuing authorizations.....	66
Presidents of Federal Reserve Banks:	
Conference of.....	226
List.....	225
Salaries.....	158
Profit and loss, Federal Reserve Banks.....	155
Record of policy actions (<i>See</i> Policy actions)	
Regulations, Board of Governors:	
D, Reserves of Member Banks:	
Reserve requirements, reduction in.....	12, 119
Revision of.....	115
F, Trust Powers of National Banks:	
Termination of.....	118
I, Issue and Cancellation of Capital Stock of Federal Reserve Banks:	
Revision of.....	120
J, Check Clearing and Collection:	
Nonmember clearing accounts, amendment of Section 210.2(a).....	117
N, Relations with Foreign Banks and Bankers:	
Accounts with foreign banks, amendment with respect to.....	111
Q, Payment of Interest on Deposits:	
Interest on foreign time deposits, amendment with respect to.....	118
T, Credit by Brokers, Dealers, and Members of National Securities Exchanges:	
Margin requirements, reduction in.....	13, 113
U, Loans by Banks for the Purpose of Purchasing or Carrying Registered Stocks:	
Amendments to prevent improper use of credit to finance transactions in special cash accounts.....	112
Margin requirements, reduction in.....	13, 113
Repurchase agreements:	
Bankers' acceptances.....	49, 66, 144, 146, 152
U. S. Government securities.....	49, 66, 144, 146, 152, 162
Reserve cities:	
Central reserve city classification terminated.....	12, 115
Rule for classification of, amendment to.....	116
Termination of designation of Kansas City, Topeka, and Wichita, Kansas.....	117
Reserve requirements, member banks:	
Reduction in.....	12, 119
Regulation D and Supplement, revision of.....	115
Table of.....	161
Reserves:	
Federal Reserve Banks.....	144-49

INDEX

	Page
Reserves—Continued	
Member banks:	
Regulation D and Supplement, revision of.....	115
Reserve requirements:	
Reduction in.....	12, 119
Table of.....	161
Reserves and related items.....	162
Rule for Classification of Reserve Cities, amendment to.....	116
Salaries:	
Board of Governors.....	142
Federal Reserve Banks.....	158
Savings bond meetings.....	137
Savings deposits (See Deposits)	
State member banks:	
Assets and liabilities.....	164
Banking offices, changes in number.....	166
Examination of.....	122
Foreign branches, number.....	126
Litigation.....	133
Mergers and consolidations.....	124, 169
Number.....	123, 164, 166
System Open Market Account:	
Audit of.....	122
Authority to effect transactions in.....	45-110
Time deposits (See Deposits)	
Trust powers of national banks:	
Number of banks granted powers by Board.....	126
Termination of Board's Regulation F.....	118
Transfer of authority to Comptroller of the Currency.....	126, 130
U. S. Government securities:	
Authority of Federal Reserve Banks to purchase direct from the U. S., extension of.....	130
Bank holdings, by class of bank.....	164
Federal Reserve Bank holdings.....	137, 144, 146, 148, 150, 162
Open market operations.....	8, 45-110, 152
Repurchase agreements.....	49, 66, 144, 146, 162
Special certificates purchased direct from Treasury.....	151
V loans.....	138, 160
Voting permits issued to holding company affiliates.....	125
Whitney Holding Corporation, litigation involving.....	134