

Minutes for October 17, 1958

To: Members of the Board

From: Office of the Secretary

Attached is a copy of the minutes of the Board of Governors of the Federal Reserve System on the above date.

It is not proposed to include a statement with respect to any of the entries in this set of minutes in the record of policy actions required to be maintained pursuant to section 10 of the Federal Reserve Act.

Should you have any question with regard to the minutes, it will be appreciated if you will advise the Secretary's Office. Otherwise, if you were present at the meeting, please initial in column A below to indicate that you approve the minutes. If you were not present, please initial in column B below to indicate that you have seen the minutes.

	A	B
Chm. Martin	<u><i>MS</i></u>	x <u><i>W</i></u>
Gov. Szymczak	x <u></u>	<u></u>
Gov. Vardaman <u>1/</u>	<u></u>	x <u></u>
Gov. Mills	x <u><i>[Signature]</i></u>	<u></u>
Gov. Robertson	x <u><i>R</i></u>	<u></u>
Gov. Balderston	<u><i>"</i></u>	x <u><i>CCB</i></u>
Gov. Shepardson	x <u><i>[Signature]</i></u>	<u></u>

1/ In accordance with Governor Shepardson's memorandum of March 8, 1957, these minutes are not being sent to Governor Vardaman for initial.

Minutes of the Board of Governors of the Federal Reserve System
on Friday, October 17, 1958. The Board met in the Special Library at
10:00 a.m.

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

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Fauver, Assistant Secretary
Mr. Hackley, General Counsel
Mr. Masters, Director, Division of Examinations
Mr. Solomon, Assistant General Counsel
Mr. Hexter, Assistant General Counsel
Mr. Hostrup, Assistant Director, Division of
Examinations
Mr. Davis, Assistant Counsel

Discount rates. Unanimous approval was given to telegrams to
the following Federal Reserve Banks approving the establishment without
change by those Banks on the date indicated of the rates on discounts
and advances in their existing schedules:

New York	October 16, 1958
Philadelphia	October 16, 1958
Chicago	October 16, 1958
Minneapolis	October 16, 1958

Items circulated to the Board. The following items, which had
been circulated to the members of the Board and copies of which are
attached to these minutes under the respective item numbers indicated,
were approved unanimously:

Item No.

Letter to the Federal Reserve Bank of Boston regarding
whether free armored car service constitutes an indirect
payment of interest under Regulation Q.

1

Letter to the Jenkintown Bank and Trust Company, Jenkintown,
Pennsylvania, approving the establishment of a branch in the
Baederwood Shopping Center, Abington Township. (For trans-
mittal through the Federal Reserve Bank of Philadelphia)

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Item No.

Letter to the Windber Trust Company, Windber, Pennsylvania, consenting to its absorption of The St. Michael National Bank, St. Michael, Pennsylvania, and approving the establishment of a branch in St. Michael. (For transmittal through the Federal Reserve Bank of Cleveland)

3

Letter to The Union Commerce Bank, Cleveland, extending the time for establishment of a branch in the vicinity of 5000 Turney Road, Garfield Heights. (For transmittal through the Federal Reserve Bank of Cleveland)

4

Letter to the Farmers & Merchants National Bank of Blacksburg, Blacksburg, Virginia, approving its application for fiduciary powers. (For transmittal through the Federal Reserve Bank of Richmond)

5

Letter to the Malone Insurance & Investment Corporation, Milton, Florida, advising that the company has been determined not to be a holding company affiliate except for the purposes of section 23A of the Federal Reserve Act. (For transmittal through the Federal Reserve Bank of Atlanta)

6

Letter to the Pascagoula-Moss Point Bank, Moss Point, Mississippi, approving an investment in bank premises. (For transmittal through the Federal Reserve Bank of Atlanta)

7

Letter to the Farmers and Merchants State Bank of Sebewaing, Sebewaing, Michigan, consenting to its absorption of The State Savings Bank of Gagetown, Gagetown, Michigan, and approving the establishment of a branch in Gagetown. (For transmittal through the Federal Reserve Bank of Chicago)

8

Letter to the Corydon State Bank, Corydon, Iowa, approving its request for permission to exercise fiduciary powers. (For transmittal through the Federal Reserve Bank of Chicago)

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Item No.

10

Letter to Jones & Soward, Lawyers, advising that the First Insurance Agency, Inc., Goodland, Kansas, has been determined not to be a holding company affiliate except for the purposes of section 23A of the Federal Reserve Act. (For transmittal through the Federal Reserve Bank of Kansas City)

Application of BancOhio Corporation for approval of acquisition of The Kenton Savings Bank. Prior to the meeting there had been distributed to the members of the Board memoranda from the Legal Division and the Division of Examinations dated October 8, 1958, relative to the application, pursuant to section 3(a)(2) of the Bank Holding Company Act, by the BancOhio Corporation of Columbus, Ohio, for prior approval of the acquisition of up to 100 per cent of the 3,000 outstanding shares of capital stock of The Kenton Savings Bank, Kenton, Ohio. One memorandum from the Division of Examinations provided the factual material concerning this application, including the recommendation for approval by the Superintendent of Banks for the State of Ohio. The foregoing memorandum would constitute the "record" in regard to this application for the purposes of judicial review. The other contained the comments, opinions, and recommendations of the Federal Reserve Bank of Cleveland and the Division of Examinations regarding the subject case. Both the Cleveland Bank and the Division of Examinations recommended favorable consideration of the BancOhio application. Copies of all three of the memoranda have been placed in the Board's files.

In summarizing for the Board the pertinent factors in this matter, Mr. Hostrup cited the financial history, condition, and prospects of both

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BancOhio and the Kenton bank as favorable. A feature of the application was the provision it would make for strong management succession at the Kenton bank, which had failed to provide for continuity of management, a problem accentuated by the recent death of an executive officer of the bank.

Mr. Hostrup also stated that the Division felt that The Kenton Savings Bank, operated under the control of BancOhio, would be more aggressive in serving the community than it had been in the past, and this would undoubtedly be a stimulus to other banks in the community. While the convenience, needs, and welfare factor was not particularly strong in this case, it was positive rather than negative.

With regard to the effect of the proposed expansion of BancOhio on adequate and sound banking, the public interest, and the preservation of competition, Mr. Hostrup said that the Division felt that these factors provided neither favorable nor unfavorable elements for the Board's consideration. BancOhio had a strong position in the 19 counties in Ohio in which it was presently operating and this would still be true if Hardin County were added to its area of influence. This was primarily because of the strong position that BancOhio held in the Columbus area, and the proposed acquisition would not materially alter the concentration of banking power in Ohio. The Division did not feel that acquisition of The Kenton Savings Bank would provide overwhelming competition for the existing banks in the area, and there was no indication that the acquisition would be contrary to the public interest.

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Mr. Hackley then stated that it would be possible legally to support either an approval or a disapproval of this application. While he preferred to express views only on legal matters, if the judgment of the Legal Division were to be asked, he would concur with the recommendation of the Division of Examinations. It was true that the holding company system would be extended somewhat by acquisition of the Kenton bank, but in view of the smallness of the bank being taken over it would be difficult to construe the acquisition as constituting undue expansion. He reminded the Board that in many respects this application was similar to that of Marine Midland some time ago in which it sought and received the Board's approval to acquire one of three banks in Dunkirk, New York.

Governor Mills pointed out that the evidence presented demonstrated that BancOhio had not been aggressively seeking to expand its holding company operations. It was also clear, he said, that even in those instances where it had added banks, competition by and large had not suffered. Looking to the future, however, it was his view that if BancOhio should submit additional applications, these would have to be carefully screened particularly if they involved expansion into new banking areas. On the other hand, Governor Mills noted that Ohio is a large State with many important banking areas and large financial institutions. These circumstances afforded opportunities for a counterbalancing of BancOhio operations through effective networks of correspondent banking relationships. Through correspondent banking services he felt the existing independent banks were able to compete effectively.

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Thereupon the Board unanimously approved the application of the BancOhio Corporation for permission to acquire the voting shares of The Kenton Savings Bank, Kenton, Ohio, and it was understood that the Legal Division would proceed with the drafting of a tentative decision and statement which would be considered by the Board at an early date and then released publicly in accordance with the procedure adopted by the Board on September 26, 1958.

Leave of absence for Robert E. Emmer (Item No. 11). Prior to this meeting there had been distributed a memorandum dated October 14 from Mr. Marget relating to a letter from the Federal Reserve Bank of Chicago dated October 8, 1958, concerning a leave of absence without pay for Robert E. Emmer, an economist in the Bank's research department. Mr. Emmer had been granted a leave of absence without pay for 2-1/2 years beginning March 11, 1957, in order that he might accept an assignment with the International Cooperation Administration in Pakistan, and through inadvertence the matter had not previously been brought to the Board's attention. The Division of International Finance recommended that the Board interpose no objection to this leave.

Thereupon the Board unanimously approved the letter attached to these minutes as Item No. 11 advising the Chicago Bank that it interposed no objection to the leave of absence for Mr. Emmer.

All of the members of the staff then withdrew from the meeting and the Board went into executive session.

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Outside business and teaching activities. The Secretary was informed later by Governor Shepardson that during the executive session the Board gave consideration to outside business and teaching activities reported by members of the Board's staff, as summarized in a memorandum from the Division of Personnel Administration dated September 29, 1958, and interposed no objection to the various activities reported.

In addition, no objection was interposed by the Board to service by Mr. Wendell E. Thorne, Assistant to the Director of the Division of International Finance, as a director of a newly-formed corporation known as Plasticove Sales of Salt Lake City, Utah. This matter was presented in a memorandum from Mr. Marget dated October 14, 1958.

Use of privately owned automobiles by members of the field examining staff (Item No. 12). The Secretary's Office was also advised that the members of the Board had concurred in Governor Shepardson's action approving a memorandum dated October 16, 1958, to all members of the field examining staff relating to the use of privately owned automobiles by members of the field examining staff as a means of performing official travel. A copy of the memorandum is attached to these minutes as Item No. 12.

The meeting then adjourned.

Secretary's Note: Pursuant to recommendations contained in memoranda from appropriate individuals concerned, Governor Shepardson today approved on behalf of the Board the following items affecting the Board's staff:

Appointment

Marie M. Knarr as Statistical Clerk, Division of Research and Statistics, with basic annual salary at the rate of \$3,850, effective the date she assumes her duties.

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Salary increases

Marjorie Eaton, Secretary in the Office of the Secretary, from \$5,390 to \$5,580 per annum, effective October 19, 1958.

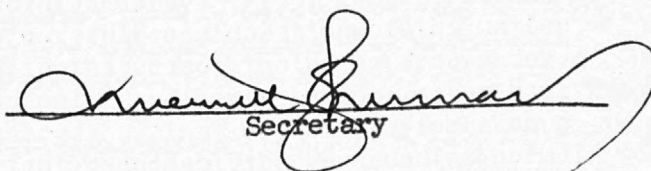
James A. McIntosh, Analyst in the Division of Bank Operations, from \$5,240 to \$5,430 per annum, effective October 19, 1958.

Transfer

Willa I. McChesney, from the position of Clerk-Stenographer in the Division of Personnel Administration to the position of Clerk-Stenographer in the Division of Administrative Services, with no change in her basic annual salary at the rate of \$3,755, effective October 19, 1958.

Outside business activity

James H. Newton, Messenger, Division of Administrative Services, to work as a Night Watchman for the Associated General Contractors.


Secretary

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON 25, D. C.

Item No. 1

10/17/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 17, 1958

Mr. J. A. Erickson, President,
Federal Reserve Bank of Boston,
Boston 6, Massachusetts.

Dear Mr. Erickson:

This is in response to your letter of September 17, 1958, asking that the Board reconsider its letter of January 23, 1957 (S-1617; F.R.L.S. #6244), particularly with reference to the question whether the use of armored car and messenger service by member banks in making free deliveries constitutes an indirect payment of interest under Regulation Q.

As indicated in the Board's January 23, 1957 letter, it was the conclusion of the Board, after careful consideration of the matter, that the various services involved in that case, including free armored car and messenger service, involved only agreements by the member bank concerned to refrain from making charges against depositors for such services and that those services might reasonably be regarded as normal banking services and therefore not as involving indirect "payments" of interest on deposits. However, as you know, the Board has for a long time been concerned because of the difficulty of applying the provisions of the Federal Reserve Act relating to indirect payment of interest on deposits. The problem was called to the attention of Congress by the Board in October 1956, as a part of its recommendations for changes in Federal banking laws submitted to the Senate Banking and Currency Committee, but the Board's recommendation for solution of the problem was not incorporated in drafts of the proposed "Financial Institutions Act".

In the light of your letter the Board has again considered the question whether free armored car service involves an indirect payment of interest on deposits. The Board fully appreciates the competitive problems that exist in your District as the result of the practice of certain banks of affording this service to their customers; and it may be assumed that the same problem also exists in other sections of the country. However, the extension of armored car service

Mr. J. A. Erickson

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to depositors has apparently become a widespread and accepted part of commercial banking practice. Consequently, while recognizing the competitive inequities that may result from this practice in the absence of a clarifying amendment to the statute, the Board feels that it would be undesirable at this time to take any action reversing the position taken by it in 1957 with respect to this matter.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

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

Item No. 2
10/17/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 17, 1958



Board of Directors,
Jenkintown Bank and Trust Company,
Jenkintown, Pennsylvania.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Philadelphia, the Board of Governors of the Federal Reserve System approves the establishment of a branch in the Baederwood Shopping Center, Abington Township, Montgomery County, Pennsylvania, by the Jenkintown Bank and Trust Company, Jenkintown, Pennsylvania, provided the branch is established within twelve months from the date of this letter.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

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

Item No. 3
10/17/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 17, 1958

Board of Directors,
Windber Trust Company,
Windber, Pennsylvania.

Gentlemen:

The Board of Governors of the Federal Reserve System hereby gives its consent under the provisions of Section 18(c) of the Federal Deposit Insurance Act to the absorption of The St. Michael National Bank, St. Michael, Pennsylvania, by Windber Trust Company, Windber, Pennsylvania, and approves the establishment of a branch in St. Michael, Pennsylvania, by Windber Trust Company, provided,

- (1) the proposed absorption and establishment of the branch are effected within six months from the date of this letter and substantially in accordance with the agreement between the parties dated July 23, 1958,
- (2) no securities or stocks are acquired from The St. Michael National Bank which are ineligible for purchase by a member bank,
- (3) investment securities and banking premises acquired from The St. Michael National Bank are not placed on the books of Windber Trust Company in amounts in excess of the market value and the depreciated value for Federal income tax purposes, respectively, and
- (4) formal approval is obtained from the State authorities.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

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

Item No. 4
10/17/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 17, 1958



Board of Directors,
The Union Commerce Bank,
Cleveland 1, Ohio.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Cleveland, the Board of Governors further extends to April 23, 1959, the time within which The Union Commerce Bank may establish a branch in the vicinity of 5000 Turney Road, Garfield Heights, Ohio.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

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

Item No. 5
10/17/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 17, 1958



Board of Directors,
Farmers & Merchants National Bank
of Blacksburg,
Blacksburg, Virginia.

Gentlemen:

The Board of Governors of the Federal Reserve System has given consideration to your supplemental application for fiduciary powers and grants you authority to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies, or other corporations which come into competition with national banks are permitted to act under the laws of the State of Virginia. The exercise of such rights shall be subject to the provisions of Section 11(k) of the Federal Reserve Act and Regulation F of the Board of Governors of the Federal Reserve System. The specific authorization granted on July 8, 1957, to act as general receiver for the Circuit Court of Montgomery County, Virginia, is now contained in the general fiduciary powers herein authorized.

A formal certificate indicating the fiduciary powers which Farmers & Merchants National Bank of Blacksburg is now authorized to exercise will be forwarded to you in due course.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

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

Item No. 6
10/17/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 17, 1958



Mr. J. C. Malone, Jr., President,
Malone Insurance & Investment Corporation,
Milton, Florida.

Dear Mr. Malone:

This refers to the request contained in your letter of July 19, 1958, submitted through the Federal Reserve Bank of Atlanta, for a determination by the Board of Governors of the Federal Reserve System as to the status of Malone Insurance & Investment Corporation, Milton, Florida, as a holding company affiliate.

From the information supplied, the Board understands that the only activity of Malone Insurance & Investment Corporation is the operation of a fire, life and casualty insurance agency; that such company owns 5,410 of the 10,000 outstanding shares of common stock of First National Bank in Milton, which stock was acquired for investment purposes only; and that such company does not, directly or indirectly, own or control any stock of, or manage or control, any banking institution other than First National Bank in Milton.

In view of these facts the Board has determined that Malone Insurance & Investment Corporation is not engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies within the meaning of section 2(c) of the Banking Act of 1933, as amended; and, accordingly, Malone Insurance & Investment Corporation is not deemed to be a holding company affiliate except for the purposes of section 23A of the Federal Reserve Act, and does not need a voting permit from the Board of Governors in order to vote the bank stock which it owns.

If, however, the facts should at any time differ from those set out above to an extent which would indicate that Malone Insurance

Mr. J. C. Malone, Jr.

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& Investment Corporation might be deemed to be so engaged, this matter should again be submitted to the Board. The Board reserves the right to rescind this determination and make a further determination of this matter at any time on the basis of the then existing facts.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

cc: Federal Reserve Bank of Atlanta
Office of the Comptroller of the Currency (3)



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

Item No. 7
10/17/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 17, 1958

Board of Directors,
Pascagoula-Moss Point Bank,
Moss Point, Mississippi.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Atlanta, the Board of Governors of the Federal Reserve System approves, under the provisions of Section 24A of the Federal Reserve Act, an additional investment in bank premises by the Pascagoula-Moss Point Bank, of not to exceed \$750,000, for the purpose of constructing a new bank building at Pascagoula, including the cost of the land and miscellaneous improvements, provided the capital structure of the bank is increased in the amount of \$600,000 through the sale of additional common stock, and with the understanding that the proceeds of the sale of the present building will be applied to a reduction of the bank premises account.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

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

Item No. 8
10/17/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 17, 1958

Board of Directors,
Farmers and Merchants State Bank
of Sebewaing, Mich.,
Sebewaing, Michigan.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Chicago, the Board of Governors hereby gives its written consent, under the provisions of Section 18(c) of the Federal Deposit Insurance Act, to the absorption by the purchase of assets of The State Savings Bank of Gagetown, Gagetown, Michigan, by the Farmers and Merchants State Bank of Sebewaing, Mich., Sebewaing, Michigan, and approves the establishment by the latter bank of a branch at 4761 State Street, Gagetown, Michigan, provided (1) the absorption is effected substantially in accordance with the agreement between the two banks submitted with your request, (2) formal approval of the appropriate State authorities is obtained, and (3) the absorption and the establishment of the branch are effected within six months from the date of this letter.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.



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

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Item No. 9
10/17/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 17, 1958

Board of Directors,
Corydon State Bank,
Corydon, Iowa.

Gentlemen:

This refers to your request for permission,
under applicable provisions of your condition of mem-
bership numbered 1, to exercise fiduciary powers.

Following consideration of the information
submitted, the Board of Governors of the Federal Reserve
System grants permission to the Corydon State Bank to
exercise the fiduciary powers now or hereafter author-
ized under the terms of its Articles of Incorporation
and the laws of the State of Iowa.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

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

Item No. 10
10/17/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 17, 1958

Jones & Soward, Lawyers,
First National Bank Building,
Goodland, Kansas.

Gentlemen:

This refers to the request contained in your letter of May 21, 1958, submitted through the Federal Reserve Bank of Kansas City, for a determination by the Board of Governors of the Federal Reserve System as to the status of First Insurance Agency, Inc., Goodland, Kansas, as a holding company affiliate.

From the information supplied, the Board understands that First Insurance Agency, Inc. is engaged in the business of selling insurance of all kinds, including casualty, fire, and life; that such company owns 706 of the 1,000 outstanding shares of common stock of First National Bank in Goodland, which stock was acquired for investment purposes only; and that such company does not, directly or indirectly, own or control any stock of, or manage or control, any banking institution other than First National Bank in Goodland.

In view of these facts the Board has determined that First Insurance Agency, Inc. is not engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies within the meaning of section 2(c) of the Banking Act of 1933, as amended; and, accordingly, First Insurance Agency, Inc. is not deemed to be a holding company affiliate except for the purposes of section 23A of the Federal Reserve Act, and does not need a voting permit from the Board of Governors in order to vote the bank stock which it owns.

If, however, the facts should at any time differ from those set out above to an extent which would indicate that First Insurance

Jones & Soward

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Agency, Inc. might be deemed to be so engaged, this matter should again be submitted to the Board. The Board reserves the right to rescind this determination and make a further determination of this matter at any time on the basis of the then existing facts.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

cc: Federal Reserve Bank of Kansas City
Comptroller of the Currency (3)

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

Item No. 11
10/17/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 17, 1958



Mr. H. J. Newman,
Vice President,
Federal Reserve Bank of Chicago,
Chicago 90, Illinois.

Dear Mr. Newman:

This letter is in reply to your letter of October 8, 1958, regarding a leave of absence, without pay, commencing March 11, 1957, for a period of 2-1/2 years for Mr. Robert E. Emmer to permit him to accept an assignment with the International Cooperation Administration in Pakistan.

It is noted that while on this assignment Mr. Emmer is a contributing member of the Civil Service Retirement and Disability Fund and that, therefore, neither the Federal Reserve Bank of Chicago nor Mr. Emmer have made or will make contributions to the System's fund for this period.

Your letter has been brought to the attention of the Board of Governors, which interposes no objection to this leave of absence for Mr. Emmer.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 12
10/17/58

DIVISION OF EXAMINATIONS

October 16, 1958.

To All Members of the Field Examining Staff

The Board of Governors recognizes the use of privately owned automobiles by members of the field examining staff as a means of performing official travel, provided it does not conflict with the proper conduct of the examination schedule. The Board is also sympathetic with the desire of the car owners to use their cars to the fullest extent possible in driving from duty station to duty station, and recognizes this circumstance as a factor for consideration in administrative actions.

It should be borne in mind, however, that the examination schedule is based on travel by railroad and that the use of an automobile in lieu thereof is at the option of the individual electing this mode of travel and for his own convenience. It should be fully understood also that there will be occasions when travel by automobile from one duty station to another duty station is not feasible and that the owner of the car must make his own arrangements for the storage or other disposition of his automobile on such occasions.

The general travel authorization issued yearly will include authorization to travel by automobile, subject, however, to the approval of the Chief Federal Reserve Examiner covering each performance of official travel (in the event the Chief Federal Reserve Examiner is unavailable, the approval of the Director or an Assistant Director of the Division of Examinations will be necessary).

Inasmuch as the use of an automobile is at the election and for the convenience of the individual examiner rather than for the convenience and advantage of the Board, he should be guided by the following principles:

1. Permission to drive does not carry with it any extra travel time allowance, except as may be authorized in accordance with the Board's leave regulations.
2. The examiner should be scrupulous to avoid any situation which disturbs the regular course of the examination schedule. For instance, he should keep his car in good mechanical condition at all times to reduce the possibility of mechanical failure while in travel.



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3. The examiner should be scrupulous to avoid embarrassing the Board in any way. For example:
 - (a) He should have adequate public liability and property damage insurance coverage;
 - (b) Facilities of the Reserve Banks are not to be used for the parking or storage of examiners' cars; except that, if the examiners have occasion to work at the Bank outside the Bank's working hours, they may, with the permission of the Bank's officials, use its parking facilities during such periods.
4. Transportation costs to be reimbursed by the Board for automobile travel should not exceed the combined cost of railroad and Pullman fares for the same trip. Hence, effective January 1, 1959, claims for reimbursement submitted by examiners should be in an amount computed on the current mileage basis, or in an amount equivalent to the total of railroad fare and allowable Pullman accommodations, whichever is lower. If, during annual leave periods, automobile travel is performed to points other than to official headquarters, reimbursement should be on the basis of the lowest amount resulting from the following alternative methods of computation:
 - (a) Travel to official headquarters and thence to next duty station--
 - i. On mileage basis;
 - ii. On basis of railroad travel;
 - (b) Travel to the actual destination point and thence to next duty station--
 - i. On mileage basis;
 - ii. On basis of railroad travel.
5. For purposes of computing per diem allowance and annual leave at the termination or commencement of duty status, when travel to or from official headquarters is involved, times of arrival at or departure from official headquarters or duty station should be in accordance with applicable railroad time tables for a direct trip by rail.

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The basis outlined above for reimbursement of transportation expense and for computing per diem allowance and annual leave accords with the Standardized Government Travel Regulations and conforms with a policy that has been applicable for more than a year to members of the Board's Washington staff who, for their personal convenience, use their automobiles in the performance of official travel.

W. B. Masters