

Minutes for June 18, 1959

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	x <u>mm</u>	_____
Gov. Szymczak	x <u>ms</u>	_____
Gov. Mills	_____	x <u>J</u>
Gov. Robertson	x <u>R</u>	_____
Gov. Balderston	_____	x <u>ccrb</u>
Gov. Shepardson	x <u>Shep</u>	_____
Gov. King	x <u>King</u>	_____

Minutes of the Board of Governors of the Federal Reserve System
on Thursday, June 18, 1959. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman 1/
Mr. Szymczak
Mr. Robertson
Mr. Shepardson
Mr. King

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Hackley, General Counsel
Mr. Farrell, Director, Division of Bank
Operations
Mr. Hostrup, Assistant Director, Division of
Examinations
Mr. Nelson, Assistant Director, Division of
Examinations
Mr. Benner, Assistant Director, Division of
Examinations
Mr. Hill, Assistant to the Secretary
Mr. Langham, Chief, Call Report Section,
Division of Bank Operations

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

	<u>Item No.</u>
Letter to the Fidelity-Philadelphia Trust Company, Philadelphia, Pennsylvania, approving the establish- ment of a branch at Roosevelt Boulevard and Welsh Road and an additional investment in bank premises.	1
Letter to the Guaranty Bank & Trust Company, Hammond, Louisiana, granting an extension of time within which to establish a branch at West Thomas Street and Richardson Avenue.	2
Letter to the National Bank of Fairbury, Fairbury, Illinois, approving its application for fiduciary powers.	3

1/ Entered meeting at point indicated in minutes.

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Application to convert into a national bank. There had been circulated to the Board a file relating to a request from the Comptroller of the Currency for the Board's recommendation on an application of the State Bank of Des Moines, Des Moines, Iowa, to convert into a national banking association and concurrently to establish a branch at Urbandale.

Since the applicant bank was owned by a bank holding company, consideration of the Comptroller's inquiry was deferred, at the request of the Division of Examinations, until the Legal Division could study whether acquisition of the stock of the national bank into which the State bank was to be converted would appear to require approval under the Bank Holding Company Act.

Possible amendment to Regulation Y. There had been circulated to the Board a memorandum from Mr. Hackley dated June 12, 1959, in which he referred to the letter dated January 22, 1958, wherein the Board advised a New York law firm that section 3(d) of the Bank Holding Company Act (the prohibition against crossing State lines) would not preclude consideration of an application by a Delaware corporation, with its principal office in that State, for the Board's approval to become a bank holding company through the acquisition of banks in Michigan. Although not so stated in the letter to the law firm, it was pointed out by the staff at that time that under Regulation Y, Bank Holding Companies, any application would have to be

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filed with the Reserve Bank of the district in which the applicant company had its principal office and that the Regulation therefore would require a Delaware corporation to file its application with the Federal Reserve Bank of Philadelphia, even though its subsidiary banks and its principal operations would be in the Chicago District. Accordingly, it was understood that the staff would study that phase of the matter further and consider whether an amendment to Regulation Y would appear desirable.

Mr. Hackley's memorandum noted that the case referred to did not result in an application being filed and that the Board had received no other application from an applicant having its principal office in one district and its principal operations in another. It was the view of the staff that there was only a remote possibility of such a situation arising in the future and that in such event it would be possible for the Board to handle the matter administratively by referring the application, wherever it might be filed, to the Reserve Bank of the district in which the applicant proposed to carry on its principal operations. Accordingly, it was the opinion of the Legal Division, in which the Division of Examinations concurred, that no amendment to Regulation Y was necessary.

Following comments by Mr. Hackley, unanimous agreement was expressed with the view stated in his memorandum.

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Mr. Nelson then withdrew from the meeting.

Processing of member bank reports (Item No. 4). There had been distributed to the Board a memorandum from the Division of Bank Operations dated June 11, 1959, proposing that key-punching of data in member bank condition and earnings reports be decentralized to the Federal Reserve Banks, with subsequent processing on the Board's computer. (This was the second step in a program to expedite the publication of data from these reports and to eliminate duplication of effort. The first step, discontinuance of editing of the reports at the Board prior to their tabulation, was covered in the Board's letter to the Federal Reserve Banks dated May 6, 1959.) There was submitted with the memorandum a draft of letter to the Presidents of all Federal Reserve Banks explaining the plan and transmitting enclosures which discussed the matter in greater detail and set forth standardized procedures to be followed by the Reserve Banks.

In commenting on the proposal, Mr. Farrell said the program had been discussed at the recent Kansas City meeting of System planning and punch card personnel and with individuals at several Reserve Banks. He noted that four of the Banks continued to hand tabulate the condition reports while the others utilized punch cards in their tabulations, each Bank having its own card format. The proposed plan contemplated a standard 14-card format, which would permit the most efficient use of

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the Board's computer, and an objection originally interposed by several Reserve Banks would be met substantially by making available member bank operating ratios to those Banks requesting them.

Chairman Martin entered the room at this point, along with Mr. Thomas, Economic Adviser to the Board, and Mr. Shay, Legislative Counsel.

In response to questions by Governor Shepardson, Mr. Langham said that the 14-card format would permit tabulation of practically all of the data presently prepared by the Reserve Banks and would eliminate several tabulations made by the Banks under current procedures. The Banks now making manual tabulations either had obtained punch card equipment or expected to have it within the next several months.

In response to Governor Shepardson's inquiry as to participation of the Comptroller's Office and the Federal Deposit Insurance Corporation, Mr. Langham stated that arrangements had been made for the Comptroller to use the Board's computer for processing cards punched by a firm under contract for the remaining calls of this year. It was hoped that the Reserve Banks would be able to key punch the national bank data beginning with the spring call of 1960. The Federal Deposit Insurance Corporation had been approached informally at staff level and interest had been displayed in formulating plans for the processing of nonmember insured bank reports beginning with the June 1960 call.

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Thereupon, unanimous approval was given to the letter to the Presidents of all Federal Reserve Banks, a copy of which is attached hereto as Item No. 4.

Messrs. Farrell, Langham, and Hill then withdrew and Messrs. Molony, Special Assistant to the Board, and Hexter, Assistant General Counsel, entered the room.

H.R. 6092 and 6093. Mr. Shay reported conversations with a staff member of the House Banking and Currency Committee concerning developments with regard to H.R. 6092 and 6093, bills to amend the national banking laws on which the Board made a report to Subcommittee No. 2 of the Banking and Currency Committee under date of June 1, 1959, in lieu of testifying. In substance, it appeared that one member of the Subcommittee, opposed to the bills on the grounds that they represented "further handouts to the banking fraternity," cited the apparent difference of opinion between the Board and the Comptroller of the Currency on certain provisions of the bills in support of his position that they should not be reported favorably. This complication was reported to be of some concern to Chairman Brown of the Subcommittee.

Mr. Shay then reviewed the four provisions of the bills on which the Board had offered comments or suggestions and described changes that had been made in two of those provisions by the Subcommittee upon consideration of the Board's comments. As to the other two provisions, he

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noted that the Board's views had resulted in no change in the bills as introduced. Mr. Shay also remarked that there had been included in the printed record of the Subcommittee hearings on the bills a letter written by the Comptroller of the Currency at the request of the Subcommittee in reply to the Board's report.

Governor Robertson then covered in more detail the provisions of the two bills that had been the subject of Board comment and stated reasons why the Board's position appeared to be sound in each instance. In this connection, he observed that the Board had commented on only four of approximately forty provisions contained in the two bills, which, according to his understanding, had been introduced at the instigation of the banking fraternity rather than the Comptroller of the Currency. He also reported telephone conversations with Deputy Comptroller of the Currency Jennings that had served to clear up apparent misunderstandings on the latter's part with respect to some of the comments included in the Board's report to the Subcommittee.

Chairman Martin then suggested that he might call upon Chairman Brown for the purpose of discussing the Board's report, the spirit in which the comments and suggestions contained therein were made to the Subcommittee, and the reasons why the Board considered its comments sound. It was Chairman Martin's thought also to indicate to Chairman Brown that the Board, in submitting comments reflecting

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its best judgment on certain provisions of the bills, did not do so with the intent of defeating favorable action on the bills as a whole, if the Subcommittee should consider such action appropriate.

There was agreement that it would be desirable for Chairman Martin to discuss the matter with Chairman Brown along the lines he had indicated.

Messrs. Hexter, Hostrup, and Benner then withdrew.

Letters from Senator Proxmire. At the meeting of the Board yesterday, reference was made to letters received from Senator Proxmire under date of June 15, 1959, by at least one Board member and several staff members, with which the Senator transmitted a questionnaire soliciting their views on monetary policy as a tool of economic policy. It appeared that the letter had been distributed widely to members of some professional society, and it was the view of the Board that each individual who had received such a letter should handle the matter in his own discretion.

It was now reported that certain Reserve Bank officers, also in receipt of the letter, had inquired as to the procedure that would seem appropriate for them to follow. Accordingly, in the light of the view expressed by the Board yesterday, there had been drafted a telegram to the Presidents of all Federal Reserve Banks which, after referring to the Proxmire letter, would state that it was the Board's reaction that such letter was sent to the addressees as individuals and not

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because of their connection with the Federal Reserve System. Therefore, the telegram would go on to say, the Board felt that whether the individuals replied, and in what tone, was a matter for each of them to decide.

Following a discussion, it was agreed unanimously that the proposed telegram should be sent.

Maximum interest rates on time and savings deposits. Chairman Martin reported having received a telephone call from Mr. John J. McCloy, Chairman of the Board of The Chase Manhattan Bank, New York City, who again suggested the need for action by the Board to increase the maximum rates of interest payable on time deposits, stating that the New York City banks were losing such deposits regularly and that the situation was becoming acute. An earlier request by Chase Manhattan, made in a letter dated January 26, 1959, was denied by the Board on March 4, 1959. Mr. McCloy now indicated that he would like the Board to give further consideration to the situation with which the New York City banks were confronted and that perhaps either Chase or one of the other New York City banks would write a letter to the Board.

Chairman Martin said he told Mr. McCloy that the Board would be glad to review the matter again in the light of whatever proposal might be received, that he would cause the earlier letter from Chase to be brought to the attention of the Board members, but that nothing further would be done for the moment.

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Chairman Martin also said that Chase Manhattan, according to Mr. McCloy, had given serious consideration to making a request for an increase in the maximum rate payable on savings deposits but that the situation in that respect was not pressing at the moment.

The Secretary reported receipt by the Board of a letter dated June 12, 1959, from the City National Bank and Trust Company, Hackensack, New Jersey, which contained the request of the Board of Directors of that bank that a poll of the membership of the Federal Reserve System be taken if and when an increase in the maximum rates payable to time depositors came under serious consideration. It was the directors' view that "a policy matter of this type affecting the earnings, reserves, and capital of commercial banks in the entire country should not be influenced by the wishes of a few banks in New York City."

A draft of reply had been prepared which would offer assurance that if any proposal of such kind were brought under serious consideration, the Board would weigh every aspect of the possible effects of such a move.

It was agreed that the proposed reply was appropriate and should be sent.

Hearings before Ways and Means Committee. Chairman Martin commented informally on certain aspects of the continued consideration by the House Ways and Means Committee of Administration proposals to eliminate the maximum interest rate payable on Treasury bonds and to increase the rates of interest on United States savings bonds.

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The meeting then adjourned.

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

Appointments

Gail J. Payne as Draftsman Trainee in the Division of Research and Statistics, with basic annual salary at the rate of \$3,495, effective the date of entrance upon duty.

Susan W. West as Research Assistant in the Division of Research and Statistics, with basic annual salary at the rate of \$4,040, effective the date of entrance upon duty.

Kay J. Maddock as Research Assistant in the Division of International Finance, with basic annual salary at the rate of \$4,980, effective the date of entrance upon duty.

Acceptance of resignation

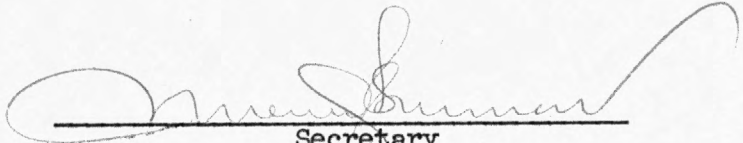
Paul G. Hutts, Operator (Tabulating Equipment), Division of Administrative Services, effective June 26, 1959.

Governor Shepardson also approved today on behalf of the Board a memorandum from the Office of the Controller dated June 12, 1959, recommending deferral of the creation of a proposed new position of Clerk-Stenographer in the Division of Bank Operations, which position was not provided for in the Board's 1959 budget.

Governor Shepardson likewise approved on behalf of the Board the recommendation contained in another memorandum from the Office of the Controller, also dated June 12, 1959, that the creation of a new position of Stenographer in the Legal Division, which was not provided for in the Board's 1959 budget, be deferred.

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In the light of the issuance of Executive Order No. 10825, dated June 12, 1959, Governor Shepardson today approved on behalf of the Board the recommendations contained in a memorandum from the Division of Personnel Administration dated June 17, 1959, with respect to excusing most Board employees from duty on Friday, July 3, 1959.


Secretary

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

Item No. 1
6/18/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 18, 1959.

Board of Directors,
Fidelity-Philadelphia Trust Company,
Philadelphia, Pennsylvania.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Philadelphia, the Board of Governors approves the establishment of a branch in the vicinity of the intersection of Roosevelt Boulevard and Welsh Road, Philadelphia, Pennsylvania, by Fidelity-Philadelphia Trust Company, Philadelphia, Pennsylvania. This approval is given provided the branch is established within one year from the date of this letter and formal approval of State authorities is effective at the time the branch is established. The Board of Governors also approves, under the provisions of Section 24A of the Federal Reserve Act, an additional investment in banking premises not to exceed \$75,000.

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
6/18/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 18, 1959.



Board of Directors,
Guaranty Bank & Trust Company,
Hammond, Louisiana.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Atlanta, the Board of Governors extends the time within which Guaranty Bank & Trust Company may establish a branch at the corner of West Thomas Street and Richardson Avenue, Hammond, Louisiana, to October 22, 1959, under the authorization contained in the Board's letter dated September 22, 1958.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

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

Item No. 3
 6/18/59

ADDRESS OFFICIAL CORRESPONDENCE
 TO THE BOARD

June 18, 1959.

Board of Directors,
 National Bank of Fairbury,
 Fairbury, Illinois.

Gentlemen:

The Board of Governors of the Federal Reserve System has given consideration to your 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 Illinois, the exercise of all such rights to 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.

A formal certificate indicating the fiduciary powers that National Bank of Fairbury 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. 4
6/18/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 18, 1959.



Dear Sir:

The Board's letter of May 6, regarding the discontinuance of editing here of reports of condition and earnings of State member banks prior to their tabulation, mentioned that this was the first step in a program to expedite the publication of data from these reports; and that the next step was consideration of the possibility of decentralizing to the Reserve Banks the key punching of condition and earnings reports of all member banks.

This matter has been considered further and the Board believes that the plan outlined below would expedite the availability of member bank condition and earnings data and also minimize the duplication of work in the System's processing of such data. The plan is as follows:

- (1) Condition data would be key punched at the Reserve Banks in the attached 14-card format, which has been designed for efficient utilization of the Board's computer.
- (2) State member bank reports would be key punched at the Reserve Banks after review and editing.
- (3) National bank reports would be key punched at the Reserve Banks from the duplicate copies and the cards forwarded to the Board's offices, without detailed editing. Present planning is that this part of the program would not begin on a full scale until the first call in 1960. For the remaining calls in 1959, national bank key punching will be done at the Service Bureau in Washington.
- (4) Data reported in Schedules H and I of reports of condition would not be tabulated; this will save considerable time in processing the reports.

- (5) Member bank operating ratios, for 1960 and subsequent years, would be prepared here, for all Reserve Banks requesting them, from the proposed 14-card format. This would minimize duplicate punching at those Reserve Banks where the 14-card format is not completely adaptable to the Bank's needs.
- (6) Reports of State member banks would be forwarded to the key punch units of the Reserve Banks as quickly as practicable, key punched, partially machine processed, and forwarded to the Board's offices on a daily basis, where they would be computer verified and written on magnetic tape. Thus, member bank call report data would be available for use at the Board approximately four hours after the last report was placed on tape.
- (7) Only calendar year earnings data would be computer processed. At least for the present, no change would be made in current procedures in processing mid-year earnings figures; they will continue to be tabulated by hand at the Board and the Office of the Comptroller of the Currency.

Two attachments discuss the plan in greater detail. Attachment A contains general comments and Attachment B contains technical instructions; instructions, similar to the latter, relative to earnings reports will be furnished later.

It is realized that the adoption of these proposals will necessitate substantial changes in processing member bank data at all of the Reserve Banks, and may increase costs at some. However, it is believed that the earlier availability of summary data and other System benefits are worth the additional effort and cost. Therefore, it is hoped that all of the Reserve Banks will be able to undertake the key punching of all member bank condition reports by the first call date in 1960.

Some of the Reserve Banks have indicated that they would be able to use the new procedures for processing the State member bank condition reports submitted in response to the recent mid-year call. This arrangement would seem desirable where possible, particularly since it will afford a testing of the new procedures before the complete change-over. However, the decision in this respect is being left to the judgment of each Bank in order to permit adequate consideration of the problems that may be involved in the change-over.

The Board would like to receive any comments your Bank may have with regard to the proposed change in procedure, including when it can be made effective at your Bank.

Very truly yours,

Merritt Sherman,
Secretary.

Enclosures

RECEIVED AND COPY OF THE LETTERS OF THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, BY MAIL, AT THE ABOVE OFFICE.

IT IS HEREBY REQUESTED THAT YOU ADVISE THE BOARD WITH RESPECT TO ANY OPINIONS OR COMMENTS YOU MAY HAVE WITH RESPECT TO THE PROPOSED CHANGE IN PROCEDURE, INCLUDING WHEN IT CAN BE MADE EFFECTIVE AT YOUR BANK.

YOUR COOPERATION IN THIS MATTER IS APPRECIATED. YOUR COMMENTS SHOULD BE RETURNED TO THE SECRETARY OF THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, 1200 PENNSYLVANIA AVENUE, N.W., WASHINGTON, D. C. 20540.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS