

Minutes for June 30, 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	<u>                    </u>	x <u>                    </u>
Gov. Szymczak	x <u>                    </u>	<u>                    </u>
Gov. Mills	x <u>                    </u>	<u>                    </u>
Gov. Robertson	<u>                    </u>	x <u>                    </u>
Gov. Balderston	x <u>                    </u>	<u>                    </u>
Gov. Shepardson	x <u>                    </u>	<u>                    </u>
Gov. King	<u>                    </u>	x <u>                    </u>

Minutes of the Board of Governors of the Federal Reserve System  
on Tuesday, June 30, 1959. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Balderston, Vice Chairman  
Mr. Szymczak  
Mr. Mills  
Mr. Shepardson

Mr. Sherman, Secretary  
Mr. Kenyon, Assistant Secretary  
Mr. Riefler, Assistant to the Chairman  
Mr. Molony, Special Assistant to the Board  
Mr. Robinson, Adviser, Division of Research and  
Statistics  
Mr. Solomon, Assistant General Counsel  
Mr. Nelson, Assistant Director, Division of  
Examinations  
Mr. Benner, Assistant Director, Division of  
Examinations  
Mr. Smith, Assistant Director, Division of  
Examinations  
Mr. Young, Assistant Counsel

Discount rates. The establishment without change by the  
Federal Reserve Banks of Boston, Atlanta, and Minneapolis on June 29,  
1959, of the rates on discounts and advances in their existing schedules  
was approved unanimously, with the understanding that appropriate advice  
would be sent to those Banks.

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 Greenfield State Bank, Bakersfield,  
California, approving the establishment of branches  
in East Bakersfield and Oildale.

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Item No.

Letter to the Federal Reserve Bank of Chicago approving the payment of salary to the Bank's engineers and firemen at specified annual rates.

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Motion to disqualify in the matter of Continental Bank and Trust

Company (Items 3 and 4). Pursuant to the action taken by the Board at the meeting on June 23, 1959, there had been distributed, with a memorandum from the Legal Division dated June 29, 1959, a draft of statement and order denying the motion of Respondent to disqualify Governor Robertson as a member of the Board of Governors to review the Report and Recommended Decision of the Trial Examiner in the matter of The Continental Bank and Trust Company, Salt Lake City, Utah, or otherwise to participate in the decision on that case. In accordance with the understanding at the meeting on June 25, 1959, there had also been distributed to the Board copies of the statement filed by Governor Robertson withdrawing voluntarily from participation in the proceeding. The memorandum from the Legal Division recommended that the statement and order, if approved, be dated as of the day of Board approval and, together with a copy of Governor Robertson's statement, be sent to counsel for the parties to the proceeding and to the Federal Reserve Banks. In addition, copies of both the statement and order and Governor Robertson's statement would be available to the public upon request through the office of Mr. Thurston, Assistant to the Board.

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In discussion of the matter, it was pointed out by the Secretary that the contemplated procedures would be in line with those followed thus far by the Board in connection with the Continental proceeding. He also noted that the proposed handling of Governor Robertson's statement had been discussed with the Governor and would be satisfactory to him.

Question was raised, however, whether the Board's statement and order and Governor Robertson's statement should not be the subject of a press release, issued at the same time as the transmittal of the documents to counsel for the parties. Since Respondent had given publicity to the motion that Governor Robertson be disqualified, the thought was expressed that interested persons should be advised of the outcome of the matter through positive action on the part of the Board.

Mr. Molony then suggested that a press statement, if desired by the Board, be directed primarily to the fact that oral argument in the Continental matter had been ordered by the Board to be held on July 22, 1959. In that connection, reference could be made to attached documents indicating the disposition of the motion to disqualify.

There being agreement on the part of the Board that the matter should be handled in the manner outlined by Mr. Molony, unanimous approval was given to the issuance of the proposed

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statement and order denying the motion to disqualify in the form submitted with the Legal Division's memorandum of June 29. A copy of the statement and order is attached as Item No. 3, and attached as Item No. 4 is a copy of the press statement issued on July 1, 1959. On that date copies of the Board's statement and order and of Governor Robertson's statement were sent to counsel for the parties to the proceeding and copies of the press release and its attachments were sent to all of the Federal Reserve Banks.

Mr. Nelson then withdrew from the meeting.

Request for increase in maximum rates of interest payable on time deposits (Item No. 5). There had been distributed to the Board copies of a letter from The First National City Bank of New York to the Federal Reserve Bank of New York dated June 17, 1959, suggesting an amendment to Regulation Q, Payment of Interest on Deposits, to permit payment of interest up to 3-1/4 per cent on time deposits maturing between 90 days and six months and up to 3-1/2 per cent on time deposits maturing in six months or more. No change was suggested in the maximum rate on savings deposits. The bank's letter pointed out that since March of this year, when the Board rejected a suggestion to increase to 3 per cent the maximum rate of interest payable on time deposits maturing between 90 days and six months, there had been a further substantial rise in short-term market rates, the prime loan rate had gone up from 4 per cent to

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4-1/2 per cent, and the discount rate of the Federal Reserve Banks had been raised from 3 per cent to 3-1/2 per cent. As other rates had gone up, the letter stated, time deposits had become less and less competitive, particularly in comparison with Treasury bills and bankers' acceptances, and First National City alone had lost time deposits to the extent of \$50 million since January. It was noted that the bulk of the bank's time deposits were for foreign account, and the statement was made that banks abroad had been offering to foreign depositors, and in some cases even to American depositors, rates for United States dollar time deposits in excess of 2-1/2 and 3 per cent. Canadian banks were said to have attracted a large volume of such funds, and British and continental European banks somewhat lesser amounts. This development, First National City stated, demonstrated clearly the growing freedom of movement of funds in the international money market, which was stimulated by the convertibility moves taken at the end of 1958, and the maximum rates under Regulation Q placed American banks in the position of being unable to compete with foreign banks for dollar funds. There followed a discussion of distinctions between time and savings deposits, from which the bank concluded that it might be timely to recognize those differences and accord higher maximum rates to time deposits than to savings deposits.

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In transmitting First National City Bank's letter under date of June 25, 1959, the Federal Reserve Bank of New York commented that in a letter dated February 18, 1959, it had set forth its views on maximum interest rates under Regulation Q and had explained why the Bank considered it appropriate to establish a higher maximum rate for time deposits than for savings deposits. The Reserve Bank stated that it still subscribed to those views. After noting the recent general increase in interest rates, the Reserve Bank commented that although the current problem in New York City related primarily to foreign time deposits, it saw evidence that Second District country member banks were losing time deposits of states and municipalities as those entities shifted funds from the banks to the market to take advantage of higher available rates. In conclusion, the Reserve Bank recommended that the request of First National City Bank be given favorable consideration. Copies of the Reserve Bank's letter also had been distributed to the members of the Board.

Distribution had likewise been made to the Board of a letter dated June 24, 1959, from the Westbrook Trust Company, Westbrook, Maine, a nonmember insured bank, suggesting an increase in the maximum rate of interest payable on savings deposits in order that commercial banks might have an opportunity to compete more effectively with other media for investment of savings funds.

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Mr. Riefler opened the discussion of First National City Bank's request by commenting that it brought out clearly certain distinctions between time and savings deposits. Time deposits held by the New York City banks were largely foreign in ownership, they were more volatile in nature than savings deposits, and the City banks apparently had to have the benefit of higher maximum rates if they were going to continue actively in the business of holding foreign time deposits in a period when competitive rates of interest had moved higher. A similar situation appeared to prevail with respect to time deposits of states and municipalities. However, it had been the Board's position in the past that allowance of the payment of interest on time and other savings deposits, as opposed to demand deposits, reflected the fact that the former represented savings funds of a less volatile nature than demand deposits, and that commercial banks should be allowed to compete for those less volatile funds by the payment of interest within limitations. Mr. Riefler said that he found the argument of First National City interesting, but on the other hand he did not see how it could be considered compatible with the fundamental reason for limiting the payment of interest on deposits. His conclusion was that savings deposits should continue to be the guide and that a higher maximum rate of interest should not be permitted for time than for savings deposits. If, however, the Board adopted such a position, it would have to recognize that in times like the present the banks were going to have difficulty in maintaining their time deposit business.



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Mr. Robinson's position was substantially similar to that of Mr. Riefler. He pointed out that the issue was now more sharply drawn than when considered previously by the Board. Earlier, the structure of interest rates was such as to admit the possibility that the banks could still compete effectively for time deposits, at least on narrow margins, but interim interest rate developments now presented the Board with a clear question of principle, not only because of the advance in Treasury bill rates but because of the attractiveness of rates offered by Canadian and other foreign banks. In fact, it was difficult to see how the New York City banks could continue to be competitive even if the maximum rates suggested by First National City were granted.

At the heart of the problem, Mr. Robinson suggested, was the prohibition of the payment of interest on demand deposits. Prior to the Banking Act of 1933, the time deposits now under consideration would have been carried as demand deposits, and since that time the question had not arisen seriously because the maximum rates of interest presented no practical problem until recently. Unless there was a disposition to reconsider the whole problem of the prohibition against the payment of interest on demand deposits, Mr. Robinson felt that the Board must continue to face the question whether time deposits were entirely appropriate for commercial banks.

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At the same time there would continue to be the likelihood that other vehicles of investment might be able to take time deposit funds away from the banks in times like the present.

Mr. Robinson then summarized his views in the following terms. First National City did not ask for an increase in the maximum rate on savings deposits, and the New York Reserve Bank, in a letter dated February 18, 1959, had expressed doubt whether banks generally could afford to pay higher than the present maximum rate of interest permissible on savings deposits. Also, there was now before the Congress a proposal to increase the rates of interest payable on United States savings bonds. In these circumstances, action to increase the maximum rate on savings deposits would seem inappropriate, and if such action were not taken it would be hard to see the logic of changing the maximum rate on time deposits. Accordingly, Mr. Robinson concluded, he would recommend no change in the maximum rate on either time or savings deposits.

Mr. Benner indicated that the Division of Examinations would have the same view. With the exception of a few larger banks, he did not feel that member banks could very well afford at this time an increase in the rates paid on savings accounts, which he noted constitute a large proportion of total deposits at many country banks. From the supervisory standpoint, an increase in rates would create a problem because current bank earnings would not appear to justify such an

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increase and the tendency of the banks might well be to reach out into higher-yielding assets that would carry a greater risk and perhaps a lower degree of liquidity. Mr. Benner also expressed doubt as to the wisdom of permitting an increase in rates for the benefit of one group of large banks when the effect of such action upon banks generally was likely to be adverse. For this reason, he thought it might be desirable to consult all of the Federal Reserve Banks before any action was taken. A change in the ceiling rate, he noted, posed difficult problems from the standpoint of relationships between banks and their depositors.

There followed discussion of the trend in interest rates paid on savings deposits since the maximum was increased to 3 per cent effective at the beginning of 1957, from which it appeared that the majority of banks were still paying 2-1/2 per cent or less and that the average rate of approximately 2.20 per cent in 1958 probably had now increased to around 2.35 or 2.40 per cent.

Governor Mills commented that according to his recollection the payment of interest on time and savings deposits represented the greatest single cost of operations to member banks outside of the payment of salaries. It was also his recollection that over the past year the earnings of smaller banks, particularly those in country areas carrying a large proportion of time deposits, did not rise comparably with the earnings of central reserve and reserve city banks.

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Mr. Robinson added the comment that most banks elected to take capital gains on securities in 1958, so that the favorable profits record in that year reflected to a large extent capital gains rather than increased earnings from current operations. This indicated the possibility of declining profits in 1959.

Governor Mills then read a statement reflecting his conclusions on the question before the Board. It was understood that copies of this statement, attached hereto as Item No. 5, would be distributed to the members of the Board for further study.

At this point Mr. Marget, Director of the Division of International Finance, was called into the meeting and the Vice Chairman directed to him a series of questions relating to the request of First National City Bank as viewed in its international aspects. In response to those questions, Mr. Marget said that consideration must always be given to investment alternatives and that foreign funds not placed on time deposit appeared likely to be placed in Treasury bills. With the Treasury bill alternative available, he doubted whether any basic problem in terms of the international flow of capital was posed by the present maximum rates on time deposits. Offhand, he did not see what advantages there would be, in terms of the public interest, from having foreign funds held in the form of time deposits rather than Treasury bills.

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Informed by the Chair that the Board appeared to be coming to a conclusion against taking any action on the maximum time deposit rates at this time, Mr. Marget said he did not perceive that such a decision would present difficulties from the standpoint of the international position of the United States as long as the alternative of investment of foreign funds in Treasury bills remained. With respect to rates offered by Canadian and other foreign banks, he said that this raised the question whether it was necessary for the United States always to compete with every form of investment that might be available elsewhere. The question of encouraging time deposits as against Treasury bills appeared to him to be a separate matter. As of the moment, he said, he could think of no strong reason for differentiating in the Board's regulations between the maximum rates payable on time and on savings deposits.

Governor Szymczak then expressed the view that the Board was not in a position to take any action at this time. Although he felt that sooner or later, depending on when a number of other questions were resolved, it might be necessary to increase the maximum rates on both time and savings deposits, he believed that such action at the present time would be unfortunate. In his opinion it was helpful for the New York City banks to hold foreign deposits, but he could not find a basis for distinguishing in the Board's regulations or in

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the law between the permissible rates on such deposits and on domestic savings deposits.

Following further comments, Governor Balderston summarized the discussion by saying he understood it to be the view of the Board that no action should be taken at this time on the request of The First National City Bank. While there was no disagreement with this statement, question was raised as to what response would be appropriate if the New York Reserve Bank should make inquiry regarding the status of the matter. It was agreed that it would be appropriate, if such inquiry should be made, to reply that the matter was under study.

With respect to the letter from the Westbrook Trust Company, the view was expressed that an acknowledgment should be made in the form of replies ordinarily given to general correspondence regularly received at the Board's offices.

Question then was raised whether there were any further studies that the Board would like the staff to undertake. Several items of information that would be useful in consideration of the problem were mentioned, following which Messrs. Riefler, Marget, and Robinson were requested to confer with other members of the staff with a view to determining the availability of such data and making such recommendations to the Board as they deemed appropriate. The Vice Chairman then requested the Secretary to bear in mind that the subject should be listed on the agenda for further consideration at such time as the staff had had an opportunity to develop material for the Board's use.

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All of the members of the staff except Messrs. Sherman, Smith, and Young then withdrew from the meeting.

Report on Crowe matter. Mr. Smith summarized the results of the visit that he and Mr. Young made to St. Louis, Missouri, last week, pursuant to the understanding at the meeting on June 12, 1959, for the purpose of reviewing the files of the Federal Reserve Bank of St. Louis relative to the allegations of Mr. Eugene Crowe concerning the mis-handling of a V-loan and visiting Mr. Crowe to allow him to make a statement on the matter. Mr. Smith's comments included reference to conversations with officers of the Reserve Bank as well as with Mr. Crowe. From the discussion with the latter, it appeared to Messrs. Smith and Young that his allegations were without substance.

It was understood that a more detailed report on the matter would be submitted to the Board in writing by Messrs. Smith and Young and placed in the Board's files.

The meeting then adjourned.

Secretary's Notes: Following a meeting of the Board in executive session yesterday afternoon, the Secretary was informed by the Vice Chairman that the Board, among other things, gave consideration to the request of the Treasury that the Federal Reserve Banks perform certain fiscal agency functions in connection with the handling of tax remittances from individuals, as discussed at the meeting on June 22, 1959, and designated Governor Mills

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as the Board's representative to join designated members of the Presidents' Conference at a meeting to discuss this matter with the Fiscal Assistant Secretary of the Treasury. It was understood that the meeting would be held at the Federal Reserve Building at 3:00 p.m. on July 7, 1959, and that a joint meeting of the Board and the Presidents would be held on the same day at 1:45 p.m. for discussion of the same matter. It was also understood that the Presidents' Conference would be represented by the members of the Committee on Fiscal Agency Operations, Messrs. Leach, Fulton, and Mangels.

Governor Shepardson today and on June 29, 1959, approved on behalf of the Board letters to the Federal Reserve Banks of Cleveland and Dallas (attached Items 6 and 7) approving the appointment of Robert Louis Lett and Jennings B. LeFlore as assistant examiners for the respective Banks, and a letter to the Federal Reserve Bank of San Francisco (attached Item No. 8) approving the appointment of eleven persons as special assistant examiners.

Governor Shepardson approved today on behalf of the Board the following items affecting the Board's staff:

Appointment

Charles H. Sims as Messenger in the Division of Administrative Services, with basic annual salary at the rate of \$2,960, effective the date of entrance upon duty.

Promotion

William F. Becker, from the position of Sergeant, Guard Force, to the position of Captain, Guard Force, Division of Administrative Services, with an increase in his basic annual salary from \$4,040 to \$4,490, effective July 1, 1959.



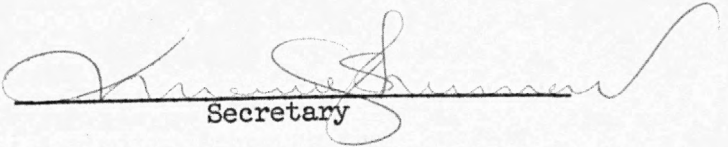
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Acceptance of resignation

Robert L. Hill, Assistant to the Secretary, effective June 30, 1959.

On the basis of a memorandum from the Division of Personnel Administration dated June 19, 1959, Governor Shepardson approved today on behalf of the Board the use of Form FR-711, Oath of Office and Personnel Affidavit, a form that had been developed to replace two existing forms.



Secretary

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

Item No. 1  
6/30/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

June 30, 1959

Board of Directors,  
Greenfield State Bank,  
Bakersfield, California.

Gentlemen:

Pursuant to your requests submitted through the Federal Reserve Bank of San Francisco, the Board of Governors approves the establishment of two branches by Greenfield State Bank, Bakersfield, California. One of these branches is to be located on Baker Street in the vicinity of either Kentucky or Lake Street, East Bakersfield, California, and the other is to be located in the vicinity of the intersection of North Chester Avenue and Francis Street, Oildale, California. This approval is given provided the branches are established within six months from the date of this letter and formal approval of State authorities is effective at the time the branches are established.

It is noted that capital funds are to be increased by not less than \$400,000 prior to establishment of the two branches and that branch quarters are to be leased.

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  
6/30/59



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

June 30, 1959

CONFIDENTIAL (FR)

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

Dear Mr. Newman:

The Board of Governors approves the payment of salary by the Federal Reserve Bank of Chicago to the Bank's Engineers and Firemen at the annual rates of \$6,593.60 and \$5,003.20, respectively, retroactive to March 2, 1959, in accordance with the request contained in your letter of June 15, 1959.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

UNITED STATES OF AMERICA

Item No. 3  
6/30/59

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

In the Matter of

THE CONTINENTAL BANK  
AND TRUST COMPANY  
Salt Lake City, UtahSTATEMENT AND ORDER ON RESPONDENT'S  
MOTION TO DISQUALIFY

On June 3, 1959, respondent filed with the Board, pursuant to Section 7(a) of the Administrative Procedure Act (5 U.S.C. § 1006(a)), a motion to disqualify Governor J. L. Robertson as a member of the Board of Governors to review the Report and Recommended Decision of the Trial Examiner in the above-entitled matter, or otherwise to participate in the decision therein. Accompanying respondent's motion to disqualify was an affidavit of its President asserting his belief as to the personal prejudice of Governor Robertson against respondent and affiant, and incorporating by reference in support of the affidavit designated portions of testimony given by affiant during the hearing in this matter, correspondence between Governor Robertson and the respondent exchanged in a period during which the Governor was in the office of the Comptroller of the Currency, and a finding by the Trial Examiner that "'patent bad blood' exists between said Robertson and affiant." Special counsel to the Board filed a memorandum in opposition to respondent's motion to disqualify.

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The aforementioned affidavit, correspondence, portions of testimony, and finding of the Hearing Examiner having been carefully considered by the Board (Governor Robertson not participating), the Board finds that the respondent has failed to establish a personal bias, prejudice, or animosity against respondent or affiant on the part of Governor Robertson.

The Board finds nothing in the evidence to support affiant's assertion that Governor Robertson would be prevented from considering the evidence and issues in this proceeding in a fair and impartial manner.

ORDER

In accordance with the foregoing statement, IT IS ORDERED,  
That respondent's motion to disqualify be, and the same hereby is, denied.

This 30th day of June 1959.

By order of the Board of Governors.

(Signed) Merritt Sherman

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Merritt Sherman,  
Secretary.

(SEAL)

Washington, D. C.  
June 30, 1959.

BOARD OF GOVERNORS OF THE  
FEDERAL RESERVE SYSTEM

Item No. 4  
6/30/59

Statement for the Press

For immediate release

July 1, 1959

The Board of Governors of the Federal Reserve System has ordered oral argument to be held before the Board on July 22 In the Matter of The Continental Bank and Trust Company, Salt Lake City, Utah, a proceeding relating to a determination of the adequacy or inadequacy of the net capital stock and surplus of that bank. There is attached a copy of that order; a Statement and Order by the Board denying respondent's motion to disqualify Governor J. L. Robertson from participating in the decision of this matter, and a subsequent statement by Governor Robertson voluntarily withdrawing from participation.

Attachments

TIME DEPOSIT RATES

The First National City Bank of New York has submitted a request that the Board of Governors increase the ceiling rate of interest allowable on time deposits as follows:

From 3 to 3-1/4 per cent on time deposits maturing between 90 days and 6 months;

From 3 to 3-1/2 per cent on time deposits maturing in 6 months or more.

It is the writer's judgment that the request should be tabled at this time. If and when the ceiling rate on time deposits should be raised, an over-the-board increase to include savings deposits should be approved. However, consideration of an increase in the ceiling rate of interest allowable on savings deposits should take into account the position of the smaller commercial banks who presently carry a substantial proportion of savings deposits and whose earning opportunities are not such as to permit them to absorb a higher interest rate on saving deposits if competition should compel an increase in such rates. On the basis of information now available, an increase in the ceiling rate of interest on savings deposits should not be approved for to do so would either compel the smaller banks to acquire high-yield and low-quality assets in order to cover the costs of a higher rate of interest on savings deposits or to lose such deposits to larger banks better able to afford a higher rate of interest on savings deposits without taking undue credit risks.

To consider raising the ceiling rate of interest allowable on time deposits but leaving the ceiling rate of interest on savings deposits at the present level of 3 per cent would be undesirable, in that there is no appropriate distinction between savings deposits and time deposits as far as an allowable rate of interest is concerned, and if a higher rate on time deposits was permitted, the transfer of funds from savings deposits to time deposits would be set up whose damaging consequences to the smaller banks would be comparable to the effects of raising the ceiling rate of interest on savings deposits. As a matter of pure principle, a higher rate of interest would be allowed on savings deposits as against time deposits in order to reward the thrift incentive of the individual saver.

As regards limiting an increase in the ceiling rate of interest allowable by Board regulation solely to time deposits, the arguments against such action are several:

1. Any such action taken at this time would tend to encourage mutual savings banks to raise their rates of interest on time and savings deposits and, in consequence, would leave the commercial banks in a more

unsatisfactory competitive position than at present. Should the mutual savings banks raise their rates reconsideration should be given to the present situation of the commercial banks.

2. By and large, it is preferable to have foreign and corporation funds invested in Treasury bills rather than in time deposits because:

- (a) such investments in Treasury bills are of distinct assistance in the Treasury's present financing operations. Although commercial banks presumably would invest foreign and corporation funds in Treasury bills, there is no assurance that they would do so;
- (b) the Federal Reserve System's current policy of credit restraint is in effect strengthened by the withdrawal and transfer of time deposits out of the commercial banks into Treasury bills, in that such transactions exert pressure on the deposit position of the commercial banks thus affected.

3. The transfer of corporation funds into time deposits should not be encouraged. It is preferable, as pointed out, that they should be invested in Treasury bills when expected to be idle for any considerable period of time and, in any event, it is unlikely that an interest rate could be allowed on time deposits that would compete for corporate funds with the yield rates obtainable on commercial paper, Treasury bills and, to some degree, bankers' acceptances.

4. It would be imprudent to consider an increase in the ceiling rate of interest allowable on time deposits in order to permit commercial banks to compete on better terms with savings and loan associations. The present rate differential between the time deposit rate for commercial banks and the rate of interest paid by conservative savings and loan associations is not out of line and, in any event, it would be impossible to allow a rate of interest on time deposits high enough to compete with the rate paid by the promotional savings and loan associations. As a practical matter, the promotional savings and loan associations are coming into discredit because of the problems in which they have become involved due to loose financial practices.

A. L. Mills, Jr.



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

Item No. 6  
6/30/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD



June 30, 1959

Mr. Paul C. Stetzelberger, Vice President,  
Federal Reserve Bank of Cleveland,  
Cleveland 1, Ohio.

Dear Mr. Stetzelberger:

In accordance with the request contained  
in your letter of June 24, 1959, the Board approves  
the appointment of Robert Louis Lett as an assistant  
examiner for the Federal Reserve Bank of Cleveland.  
Please advise as to the date on which the appointment  
is made effective.

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. 7  
6/30/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD



June 29, 1959

Mr. L. G. Pondrom, Vice President,  
Federal Reserve Bank of Dallas,  
Dallas 2, Texas.

Dear Mr. Pondrom:

In accordance with the request contained  
in your letter of June 23, 1959, the Board approves  
the appointment of Jennings B. LeFlore as an assist-  
ant examiner for the Federal Reserve Bank of Dallas,  
effective today.

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  
6/30/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD



June 30, 1959

Mr. R. H. Morrill, Vice President,  
Federal Reserve Bank of San Francisco,  
San Francisco 20, California.

Dear Mr. Morrill:

In accordance with the request contained  
in your letter of June 25, 1959, the Board approves  
the designation of the following employees as special  
assistant examiners for the Federal Reserve Bank of  
San Francisco for the purpose of participating in the  
examination of State member banks only:

- |                 |              |               |
|-----------------|--------------|---------------|
| C. L. Blackburn | D. B. Butler | D. S. Gray    |
| B. G. Booth     | R. C. Cromer | C. E. McKowan |
| H. M. Brown     | H. L. Denny  | H. H. Morse   |
| H. R. Brown     |              | R. B. Naylor  |

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.