

Minutes for October 23, 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 proposed to place in the record of policy actions required to be kept under the provisions of Section 10 of the Federal Reserve Act an entry covering the item in this set of minutes commencing on the page and dealing with the subject referred to below:

Page 13 Amendment to Regulation R

Should you have any question with regard to the minutes, it will be appreciated if you will advise the Secretary's Office. Otherwise, please initial below. If you were present at the meeting, your initials will indicate approval of the minutes. If you were not present, your initials will indicate only that you have seen the minutes.

Chm. Martin	<u> </u>
Gov. Szymczak	<u> </u>
Gov. Mills	<u> </u>
Gov. Robertson	<u> </u>
Gov. Balderston	<u> </u>
Gov. Shepardson	<u> </u>
Gov. King	<u> </u>

Minutes of the Board of Governors of the Federal Reserve System

on Friday, October 23, 1959. The Board met in the Board Room at 9:30 a.m.

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

Mr. Sherman, Secretary
Mr. Thomas, Economic Adviser to the Board
Mr. Fauver, Assistant to the Board
Mr. Young, Director, Division of Research
and Statistics
Mr. Hackley, General Counsel
Mr. Farrell, Director, Division of Bank
Operations
Mr. Noyes, Adviser, Division of Research
and Statistics
Mr. Chase, Assistant General Counsel
Mr. Daniels, Assistant Director, Division
of Bank Operations
Mr. Landry, Assistant to the Secretary

Discount rates. The establishment without change by the Federal Reserve Banks of New York, Philadelphia, Cleveland, Richmond, St. Louis, Minneapolis, and Dallas on October 22, 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.

Modernization project at the Chicago Reserve Bank (Item No. 1).

Governor Balderston referred to the discussion at the meeting on September 29, 1959, of the request of the Federal Reserve Bank of Chicago for authority to negotiate a contract with George A. Fuller Company for the remainder of the modernization work planned for the head office building of that Bank at an estimated cost of around

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\$2 million. He stated that he had discussed with President Allen the desirability of securing from a firm experienced in work of this type an independent view regarding the proposal in this particular case for negotiating a contract with the general contractor performing other work in the building, in contrast to the customary procedure of securing competitive bids for the project. Mr. Allen had concurred in the view that it would be desirable to have an independent check as to this contracting procedure, which had been suggested by the directors of the Reserve Bank. Accordingly, after investigation, Mr. Allen and Chairman Prall had secured the suggestions of Mr. Gilbert H. Scribner of Scribner & Co., Chicago, and had asked for his advice regarding the work.

Governor Balderston stated that Mr. Allen had called him on the telephone yesterday to inform him that Mr. Scribner's report dated October 21, 1959, had been received, that the latter had gone over the Chicago Bank's contract with the George A. Fuller Company dated October 3, 1957, and that he had discussed the matter fully with the Bank's architect as well as with officers of the Chicago Reserve Bank. Mr. Scribner's firm, which had been in the real estate business in downtown Chicago since 1893 and had had a great deal of experience both in building and remodeling office buildings, had expressed the opinion that it would be advisable for the Chicago Bank to negotiate with the George A. Fuller Company for the remainder of the projected modernization

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work in its head office building and not inject another general contractor into this project. Mr. Scribner also had said, according to President Allen's report, that the Fuller Company was a competent concern of good character and that he questioned whether the Chicago Bank could get as good a firm to compete with them on modernization of the present structure. Taking all the elements into consideration, Mr. Scribner recommended the use of a negotiated contract with the Fuller Company in this particular instance.

Governor Balderston went on to say that Mr. Allen had stated he would place a copy of the Scribner report in the mail yesterday, but such report had not been received up to the time this morning's meeting started. It was Governor Balderston's view that the study made by Scribner & Co. and the recommendations of that firm met the question that he had raised at the meeting on September 29 as to whether a negotiated contract for this work was in the best interests of the Bank or whether it would be preferable to call for bids from other general contractors on a competitive basis. Under the circumstances, Governor Balderston said that he would recommend that the Board authorize the Chicago Bank to proceed to negotiate a contract with the Fuller Company for the remainder of this work. He added that he was making this recommendation without having received Scribner & Co.'s written report inasmuch as President Allen was hopeful of securing the Board's approval today.

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Governor Shepardson inquired whether it was contemplated that Scribner & Co. would also review the contract that might be proposed by Fuller and Company before it was accepted as a check on whether the costs were in line.

Governor Balderston replied that when he suggested an independent review of the procedure contemplated, he did not have in mind a review of the actual figures in the contract that would be negotiated.

In a discussion of this question, it was pointed out that a review of the costs that might be contained in a negotiated contract would necessitate substantially a duplication of the contractor's estimates, and Governor Shepardson indicated that while a check of that type would help make a more complete record, he would not press the point.

Governor King inquired whether the Board would stipulate a maximum cost within which the contract might be negotiated, in response to which the Secretary read the draft telegram that would authorize the Chicago Bank to proceed at a total cost not in excess of \$2,090 thousand, exclusive of architects fees, which amount was to include a contingency allowance of \$100,500.

Thereupon the Board approved unanimously the sending of a telegram to the Federal Reserve Bank of Chicago authorizing it to negotiate a contract for the proposed work. A copy of the telegram is attached to these minutes as Item No. 1.

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Secretary's Note: During the meeting a letter was received from President Allen, dated October 22, 1959, transmitting a copy of the report of Mr. Gilbert H. Scribner of Scribner & Co., dated October 21, 1959. The letter and report, which stated in somewhat greater detail the information that Governor Balderston had presented at the meeting, has been placed in the Board's files.

Purchase of property adjoining Pittsburgh Branch (Item No. 2).

A memorandum from the Division of Bank Operations dated October 16, 1959, had been circulated to the Board regarding the request by the Federal Reserve Bank of Cleveland dated October 9, 1959, for Board approval of the purchase from the Pennsylvania Railroad Company of property adjoining the Pittsburgh Branch building at a price of \$411,000.

After reviewing the reasons for acquiring the property and comparative costs, the memorandum presented a draft telegram that would inform the Cleveland Bank that the Board interposed no objection to proceeding with the purchase.

Mr. Daniels stated that the property proposed for purchase was a 50-foot strip of land immediately adjoining the branch building, that it was desired for off-street parking of armored trucks and other vehicles awaiting entrance to the security court of the branch, that none of the area was to be used for employee parking, and that it was not now legally permissible for trucks to park on the street, which was narrow and heavily traveled. He called attention to the appraised value of \$40 per square foot for this 50-foot strip and to the offer

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for sale by the Pennsylvania Railroad Company of \$42.50 per square foot. He then compared that offer with the price of the next adjoining parcel recently purchased by General Services Administration, where the appraisal was \$30.75 per square foot and the actual cost averaged about \$30 per square foot.

Governor Robertson observed that this sort of relationship looked bad on the record, whereupon Mr. Farrell commented that the almost triangular shape of the lot purchased by General Services Administration had involved their paying \$15 per square foot near the apex of the triangle and \$45 per square foot for land at the base of the triangle, and that \$30 per square foot was an average cost incorporating these two figures. He noted that the purchase price of \$411,000 was a good deal to pay for a parking lot that was not commercial in nature and that perhaps the Reserve Bank had the alternative of closely scheduling the arrivals and departures of trucks at its Pittsburgh Branch. Essentially what was involved, Mr. Farrell said, was pitting the judgment of the Board against that of the Reserve Bank in this matter.

Governor Robertson said that on the basis of the information before the Board, he was unable to say with certainty whether the proposed property purchase was good or bad. He would vote to approve, but in doing so he would be relying upon the business judgment of the directors and officers of the Cleveland Bank, and he would also look

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to them to justify the terms of the purchase in case justification was called for.

Governor King said that he also would vote to approve the request. An important consideration in his view was that this would be an investment in a tangible asset that could be resold later if necessary at a price close to original cost, unless real estate developments within Pittsburgh caused this location to be classed as part of a substandard area.

Unanimous approval was then given to a telegram in the form attached to these minutes as Item No. 2, to be sent to the Cleveland Bank indicating that the Board would interpose no objection to purchase of the property concerned.

Letter to Mr. Willard, Vice President, Armored Car, Inc., New Orleans, Louisiana (Item No. 3). Mr. Dozier Willard, Vice President, Armored Car, Inc., New Orleans, Louisiana, had written to the Board under date of September 3, 1959, requesting information concerning shipments of new Federal Reserve notes during any calendar or fiscal year to all Federal Reserve Banks and Branches. His letter stated that for the past three years his company had been working with the Treasury exploring the feasibility of distributing new currency from the Treasury vaults in Washington to the Federal Reserve Banks and Branches via armored cars and that in order to complete these studies, which were being prepared in conjunction with Brinks, Inc., it would be

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desirable to have the information requested. A memorandum from the Division of Bank Operations had been circulated under date of September 23, 1959, concerning this request, and a draft reply that would furnish most of the material sought by Mr. Willard was attached.

Both Governor Mills and Governor Robertson indicated that they would approve furnishing Mr. Willard with the information that had been assembled. Governor Robertson noted, however, that his approval of the letter did not indicate that he would vote to approve the use of armored cars for this service, it being his feeling that there were strong arguments for continuing to use the facilities of the United States Post Office, which it could be assumed would not be subject to interruptions in service that might result from strikes against private carriers.

Governor King also indicated that he would approve the request.

Governor Balderston questioned the propriety of Mr. Willard's request for data on postage costs, noting that the draft reply stated these were not available in the Board's offices.

Mr. Farrell said that the postage data requested were not in the Board's records and would have to be obtained from the Post Office Department. He also said that in a discussion with Mr. Willard held in Governor King's office in late August 1959, Mr. Willard was informed that the Board did not have the postal charges on these shipments of currency.

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Governor King added that he had suggested to Mr. Willard that this item be left out of his request but that he apparently felt it was necessary to his study, which he had discussed some time ago with President Bryan of the Atlanta Bank and Mr. Leonard of the Board's staff.

After some further discussion relating to the comparative costs of shipping currency by armored car and through the Post Office, a letter to Mr. Willard transmitting the information that had been prepared in response to his letter of September 3, 1959, was unanimously approved in the form attached as Item No. 3.

Mr. Daniels then withdrew from the meeting.

Expense allowance for Reserve Bank directors and Federal Advisory Council members. A memorandum from the Secretary dated October 15, 1959 had been circulated, attaching a copy of the Board's letter S-1609 of December 6, 1956, which informed the Reserve Banks of a revised schedule of maximum fees and allowances then authorized by the Board for directors of the Banks and their Branches and members of the Federal Advisory Council. The memorandum stated that, reflecting increases in hotel and other costs, it would seem desirable to permit the Reserve Banks to take care of occasional instances where expenses ran over the present subsistence allowance of \$20 per day by permitting directors or Council members the option of claiming either (a) the presently authorized subsistence allowance of \$20, or (b) actual

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necessary travel expenses. Should the Board take this view, the outstanding letter to the Federal Reserve Banks would be revised to add the alternative of claiming actual necessary travel expenses.

Governor Mills commented briefly to the effect that he felt the present fee of \$75 for each day engaged on official Federal Reserve business and the allowance for travel expenses was about in line for the character of the meetings involved and that he would be inclined to leave the authorization where it is.

Governor King recalled that while he was a member of the board of directors of the New Orleans Branch, Federal Reserve Bank of Atlanta branch directors received a maximum fee of \$50 per day except when they went to meetings at the Head Office, in which instance they received \$75, and he wondered just how prevalent this practice was within the System.

The Secretary stated that the Board's letter of December 6, 1956, authorized maximum fees and allowances for directors without regard to whether they were head office or branch directors but that there was nothing to prevent a Federal Reserve Bank from setting the fees and allowances below the maximum or for having different fees for branch directors. He noted that his memorandum did not contemplate any change in the \$75 maximum fee established in 1956 but was concerned only with the reimbursement of directors and Advisory Council members for expenses incurred in connection with official Federal Reserve business. The

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question had arisen because some members of the Federal Advisory Council at its meeting in September had paid \$18 per day for a hotel room, leaving them very little from their \$20 per diem subsistence allowance to cover meals and incidental expenses, and at least one Council member had presented the Reserve Bank with a request to reimburse him for his actual out of pocket expenses in excess of the \$20 maximum. He also noted that the Board's travel regulations made provision for reimbursement of actual expenses as an alternative to a per diem allowance.

Governor Robertson commented that he would vote against the proposal to permit recovery of actual necessary travel expenses as an option to the present \$20 per diem expense allowance, because he believed the timing was bad. He stressed that this did not mean he would vote against the proposal if the Congress should act to raise the per diem for Federal agencies generally from the present level.

Governor Shepardson said that the proposal appeared to be a reasonable recommendation, although there might be a question as to timing. He did not think the matter would be of material significance and he would go ahead and approve it now. However, he would not object to deferring action until a better time. He then suggested that it might be desirable to set a ceiling figure on the recovery of actual necessary travel expenses, if such an option were provided.

Governor King said that a relatively small dollar amount was involved in the proposal, especially in view of the economic status

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of the individuals who would be affected. He added that he believed there should eventually be an increase in the per diem allowance, but it might be better to effect this simultaneously with an increase in such an allowance throughout the Government. Further, his inclination would be to stay with a per diem rather than to permit recovery of actual necessary expenditures.

Governor Szymczak said that he would be willing to approve the proposal at this time. His view was that this was a matter within the Board's judgment and that if it was a reasonable proposal the Board need not be deterred from acting at this time.

Governor Shepardson pointed out that staff members had informed him that a bill to raise the Government's per diem might be passed in the next session of Congress and that the matter could be brought up at that time.

At Governor Balderston's suggestion, it was then agreed that action on this question would be deferred until a later date.

The following Item No. 4, which had been distributed to the Board, was unanimously approved:

Letter to the Federal Reserve Bank of Richmond approving payment of salary to one of its officers.

Messrs. Koch, Associate Adviser, Keir, Chief, Government Finance Section, and Ford, Economist, Banking Section, Division of Research and Statistics, then entered the room.

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Amendment to Regulation R (Item No. 5). A letter from C. Richard Youngdahl, Vice President, Aubrey G. Lanston and Co., Inc. New York, dated October 19, 1959, renewed a request for an amendment to Regulation R, Relationships with Dealers in Securities under section 32 of the Banking Act of 1933, to broaden exceptions relating to dealings in Federal agency securities so as to except dealings in issues of the Federal National Mortgage Association, the Federal Home Loan Banks, and the Central Bank for Cooperatives, in addition to those presently excepted (United States direct and fully guaranteed obligations, debentures issued by Federal Intermediate Credit Banks, bonds issued by Federal Land Banks, and general obligations of Territories, dependencies, and insular possessions of the United States). The effect of such a broadening of the exceptions would be to permit an officer, director, or employee of a firm such as Lanston also to be at the same time an officer, director, or employee of any member bank. Following reference to this letter at the meeting on October 21, 1959, copies of memoranda dated January 19, 1959, and October 10, 1958, from the Legal Division had been recirculated, along with excerpts from the Board's minutes for February 9, 1959, and November 7, 1958, when a somewhat similar proposal for amending Regulation R was considered and rejected.

Governor Mills said that he was now inclined to take a more liberal approach than he had taken earlier on the question of amending Regulation R so as to except from its effect dealings in additional

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Federal agency issues. The fact that national banks could invest up to 10 per cent of their capital in any of these agency issues clothed such securities with a degree of respectability. Further, unlike Mr. Youngdahl's earlier proposal, the current proposal did not request an exception for obligations of the International Bank for Reconstruction and Development, which in Governor Mills' opinion was wise. Whatever reservations he continued to have in this connection arose from the fact that the current proposal for amendment of the regulation came at the instance of a single dealer, rather than because of evidence of a pressing need from the industry as a whole. Governor Mills said that this was not an insurmountable reservation, however, and that he was disposed to exempt from the effects of the regulation the Federal agency issues mentioned in the letter from Lanston & Company. Governor Mills went on to speak of what he believed to be a more fundamental problem that deserved the Board's consideration, namely the problem of whether there was any conflict of interest in a holding company engaging in a security operation to the extent that would result if Mr. George S. Eccles of First Security Corporation, referred to in Mr. Youngdahl's letter, also became a director of Aubrey G. Lanston and Company. His specific suggestion was that the entire scope of the operations of First Security Corporation deserved an early and complete review by the Board.

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Governor Robertson said that when he first reviewed the suggested change in the provisions of Regulation R he felt much as Governor Mills had indicated, that is, that the Board either should eliminate the present exemption of any securities other than direct U. S. Government obligations from the effects of the regulation or it should go forward and permit additional similar obligations to have the same privilege. As he had studied the matter further, he had come to the conclusion that it was not desirable to move forward in extending the exemptions from the regulation but neither was he now inclined to move back and remove the exemption from the Federal agency issues which had had that privilege for more than twenty years. Governor Robertson said that he did not believe that a case had been made for extending further the exemption, and he outlined reasons why additional exemptions of Federal agency issues from the regulation might open the way for a dealer in Government securities to overreach in attempting to market those securities if there were an interlocking directorship between his firm and that of a bank. He would be perfectly willing to have a member of the staff designated to go into the question whether it would be possible for a single firm to control the market in a certain class of Federal agency issues and, in the light of a study of actual market conditions, to give consideration to an amendment such as that requested by Lanston and Company. In concluding that he could

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not vote to broaden the exemption from the terms of Regulation R at this time, Governor Robertson said that he did so recognizing that the Board could be charged with being inconsistent in granting such exemption to certain Federal agency issues and not extending it to others, but in his view no sufficient case had been made for going further in the direction of exempting these securities from the prohibitions of the market.

Governor Balderston then requested Mr. Thomas to comment regarding transactions in Government and other Federal agency issues, and Mr. Thomas outlined possible effects on the market of having as a director of a firm dealing in such issues a person who was also a director of a commercial bank. It was Mr. Thomas' conclusion, in which he was joined by Mr. Young, that if the proposed broadening of Regulation R were adopted, such an amendment would not increase the likelihood of rigging a market or of carrying on other activities of an undesirable character that were sought to be prohibited by Regulation R.

Governor Balderston said that his fundamental approach was the same as that indicated by Governor Robertson but that it appeared that the law had settled the question in 1929 by permitting certain classes of common directors. Accordingly, he was prepared to vote to approve an amendment to Regulation R that would grant additional Federal agency issues the exemption. He was not sure that banks

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ought to be in the business of distributing Government bonds, but this question was not before the Board and he, therefore, would vote to approve the proposed amendment.

Governor Mills said that the problem of potential evil seemed to him to be remote in extending to certain additional Federal agency issues the exemption already existing in Regulation R for two classes of issues of that type. Securities of States and municipalities could be acquired by banks and traded in without limitation. If there were an evil in the relationship between a bank and a dealer in Government securities, he would think that manipulations were much more likely to result in the dealing in this type of issue than in obligations of Federal Government agencies.

Following a further discussion, approval was given to an amendment to Regulation R to add to the list of securities contained in Section 2, Exceptions, obligations of the Central Bank for Cooperatives, the Federal Home Loan Banks, and the Federal National Mortgage Association. On this action, Governor Robertson dissented for the reasons he had indicated. In taking this action, it was understood that the Federal Reserve Banks would be advised of the amendment and that the customary notice would be filed in the Federal Register. A copy of the telegram sent to the Presidents of all Federal Reserve Banks on October 28, 1959, informing of this action is attached to these minutes as Item No. 5.

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Mr. Keir withdrew from the meeting at this point.

Further consideration of maximum permissible rates of interest under Regulation Q. Governor Balderston said that President Hayes of the Federal Reserve Bank of New York had telephoned him urging Board action with respect to raising the rate of interest on foreign time deposits at the New York City banks, regarding which Mr. Hayes had written the Board most recently in his letter of October 2, 1959. He then suggested that the question might be taken up at the meeting on Monday, November 2, 1959.

Mr. Chase withdrew from the meeting at this point.

Revised draft of answers to questions from Senator Douglas.

There had been distributed a revised draft of answers to questions from Senator Douglas, Chairman of the Joint Economic Committee, in a letter dated October 13, 1959, along with a memorandum from Mr. Young dated October 22, 1959. In commenting on this revised draft, Mr. Young called attention to the fact that there were alternative drafts, one long and one short, of the answers to Senator Douglas' question with regard to the operating policy of the Federal Open Market Committee whereby its operations are confined to short-term securities, preferably Treasury bills. He said this had been done because of the impression gained by some people that the speculative excesses in the Government securities market in the summer of 1958 might have been prevented had the System not adhered to the "bills only" policy.

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Mr. Koch said there had been some disagreement within the staff as to the advantage of the longer answer regarding the "bills only" policy, although he recognized that the more discussion regarding this point, the better. However, the longer draft was not a definitive treatment since it did not deal with the administrative or reserve effects of the policy. He expressed the opinion that a complete answer on this point would be much longer, similar to Mr. Riefler's Federal Reserve Bulletin article in the fall of 1958 and his talk at Stanford University last summer. He expressed the fear that the longer answer could be misinterpreted as representative of the Board's official position.

Mr. Young observed that more complete statements of the Board's official position on the "bills only" doctrine were matters of record and, since another statement was being planned and since the speculative episode of 1958 was the reason for Senator Douglas' having raised the question, he believed the longer answer was preferable, and Mr. Thomas concurred.

Mr. Young went on to say that the Board was somewhat ahead of the Treasury in preparing its replies to Senator Douglas' questions and that since it would seem desirable to synchronize the delivery of the two sets of answers, their actual submission might be deferred a few days.

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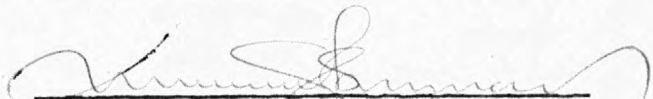
Unanimous approval was given to the transmittal to Senator Douglas of the answers, including the longer version of the answer to question # III F-4, regarding the so-called "bills only" policy.

Secretary's Note: Pursuant to this action, the answers to Senator Douglas's questions were sent to him on October 27, 1959.

The meeting then adjourned.

Secretary's Notes: On the basis of information contained in a memorandum dated October 21, 1959, from Mr. Johnson, Director, Division of Personnel Administration, Governor Shepardson, acting on behalf of the Board, concurred in the designation by the Board's physician and the Division of Personnel Administration of Dr. Douglas Noble as referral and consultant psychiatrist. The arrangement with Dr. Noble contemplated that he would be available for consultation by the Board in connection with work-situation problems of a psychiatric nature and that he would bill the Board for such services at rates currently applicable in this area for such consultation. It was also contemplated that the Board's physician might refer Board employees to Dr. Noble for treatment at the expense of the employee.

Governor Shepardson approved on behalf of the Board on October 21, 1959, acceptance by Mr. Stanley Sigel of the Division of Research and Statistics of an invitation to give two seminars on January 7 and 8, 1960, at Vanderbilt University and his accepting an honorarium of \$150 plus expenses in this connection.


Secretary

TELEGRAM
LEASED WIRE SERVICE

Item No. 1
10/23/59

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON

October 23, 1959.

Allen - Chicago

Reurlet September 3, Board authorizes completion of the remaining modernization projects, as described in the attachment to your letter, at a total cost not to exceed \$2,090,000 exclusive of architects' fees, which amount includes a contingency allowance of \$188,500. Board also authorizes negotiation with the general contractor, George A. Fuller Company, as recommended by your Bank's Board of Directors.

It is understood that projects involving expenditure of a substantial amount or significant changes in contemplated expenditures will be reviewed with the Division of Bank Operations before work is commenced.

(Signed) Merritt Sherman
Sherman

T E L E G R A M
LEASED WIRE SERVICEBOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTONItem No. 2
10/23/59

October 23, 1959.

Fulton - Cleveland

Reurlet October 9, 1959, Board will interpose no objection to purchase of property adjoining Pittsburgh Branch as described in your letter at a price of approximately \$411,000.

(Signed) Merritt Sherman

Sherman

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

Item No. 3
10/23/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



October 23, 1959

Mr. Dozier Willard,
Vice President,
Armored Car, Inc.,
2654 Poydras Street,
New Orleans 19, La.

Dear Mr. Willard:

This refers to your letter of September 3, 1959, requesting information concerning shipments of new Federal Reserve notes during any calendar or fiscal year to all Federal Reserve Banks and Branches.

In compliance with your request, there are enclosed tabulations for each Reserve Bank and Branch showing, by months and denomination, the amount of shipments of new Federal Reserve notes from Washington. Since pouches do not always contain the same number of packages, the number of pouches in the shipments has not been shown. The physical volume of the shipments can easily be computed, however. There are 4,000 notes in an original package of new currency. A package of \$5 notes thus contains \$20,000, \$10 notes \$40,000, and so on. The average weight of a package of notes is considered to be 8 lbs., 6 oz. Figures for the postage charges on the various shipments of Federal Reserve notes from Washington are not available in the Board's offices.

Referring to the offer in your letter of September 3 to Mr. Farrell to submit a proposal on transporting Federal Reserve notes now stored at Fort Knox, it would be appreciated if you will supply a quotation for moving these notes (1) to Washington and (2) to the Bank of issue. The amounts, number of packages, and Bank of issue are shown in the enclosed tabulation.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

Enclosures

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

Item No. 4
10/23/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 23, 1959



Mr. Edward A. Wayne,
First Vice President,
Federal Reserve Bank of Richmond,
Richmond 13, Virginia.

Dear Mr. Wayne:

Pursuant to your telephone request of October 21, the Board approves an increase in annual salary from \$10,000 to \$10,500, effective January 1, 1960, for Mr. Robert R. Fentress, presently an Assistant Cashier at Richmond, who is being assigned to a similar position at the Charlotte Branch commencing about that date.

It is understood that the vacancy created at Richmond by the transfer of Mr. Fentress is not being filled at this time, and that the amount provided in the 1960 budget for that position is being used for the additional official position at the Charlotte Branch.

Very truly yours,

A handwritten signature in cursive script, reading "Merritt Sherman". The signature is written in dark ink and is positioned above the typed name of the signatory.

Merritt Sherman,
Secretary.

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T E L E G R A M
LEASED WIRE SERVICE

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 5
10/23/59

October 28, 1959.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

For your information, Board has given further consideration to its Regulation R, Relations with Dealers in Securities under Section 32 of the Banking Act of 1933, and has adopted an amendment to include obligations of three additional Federal agencies in the section that exempts relationships with firms dealing only in certain types of obligations. Specifically, section 2 has been amended effective October 23, 1959, by striking out the words "debentures issued by Federal Intermediate Credit Banks, bonds issued by Federal Land Banks," and substituting therefor "obligations of Federal Intermediate Credit Banks, Federal Land Banks, Central Bank for Cooperatives, Federal Home Loan Banks, and the Federal National Mortgage Association,". Regulation will be reprinted. Copy of amendment as submitted for publication in Federal Register is being sent to you by air mail today, and transmittal letter requests advice as to number of copies needed by your Bank for making appropriate distribution of reprinted Regulation in your district.

(Signed) Merritt Sherman

SHERMAN