FR 609
Rev. 10/59

Minutes for November 25, 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, 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

Gov. Szymczak

Gov. Mills

Gov. Robertson

Gov. Balderston

Gov. Shepardson

Gov. King

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Minutes of the Board of Governors of the Federal Reserve System on Wednesday, November 25, 1959. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary
Mr. Riefler, Assistant to the Chairman
Mr. Thomas, Economic Adviser to the Board
Mr. Shay, Legislative Counsel
Mr. Molony, Assistant to the Board
Mr. Young, Director, Division of Research and Statistics
Mr. Hackley, General Counsel
Mr. Solomon, Director, Division of Examinations
Mr. Noyes, Adviser, Division of Research and Statistics
Mr. Koch, Associate Adviser, Division of Research and Statistics
Mr. Dembitz, Research Associate, Division of Research and Statistics
Mr. Conkling, Assistant Director, Division of Bank Operations
Mr. Nelson, Assistant Director, Division of Examinations
Mr. Goodman, Assistant Director, Division of Examinations
Mr. Landry, Assistant to the Secretary
Mr. Collier, Chief, Current Series Section, Division of Bank Operations

Discount rates. The establishment without change by the Federal Reserve Banks of Minneapolis and Atlanta on November 21 and 23, 1959, respectively, 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.

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Items circulated or distributed to the Board. The following items, which had been circulated or distributed 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 Callaway Bank, Fulton, Missouri, approving the establishment of a branch at 308 Market Street.	1
Letter to Portland Trust Bank, Portland, Oregon, approving the establishment of a branch at The Dalles, Wasco County, Oregon.	2
Letter to Portland Trust Bank, Portland, Oregon, approving the establishment of a branch in Pendleton, Umatilla County.	3
Letter to County Trust Company, Tenafly, New Jersey, approving an extension of time to establish a branch at 1 Union Avenue, Borough of Cresskill.	4
Letter to The First National City Bank of New York, New York, approving an extension of time within which the Recife, Brazil, branch may occupy temporary quarters.	5
Letter to the Comptroller of the Currency recommending favorably with regard to an application to organize a national bank at Tampa, Florida.	6
Letters to Morgan Guaranty Trust Company of New York, New York City, transmitting preliminary permits for Morgan Guaranty International Banking Corporation and Morgan Guaranty International Finance Corporation to exercise such of the powers conferred by Section 25(a) of the Federal Reserve Act as are incidental and preliminary to their organization.	7-8
Letter to the Federal Reserve Bank of Chicago approving the payment of salaries to certain nonclerical employees.	9

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Messrs. Nelson and Goodman withdrew from the meeting at this point.

Further consideration of vault cash proposals. Before this meeting there had been distributed two memoranda, both dated November 24, 1959, prepared pursuant to the understanding at the meeting of the Board on November 23, 1959, regarding the various details that would be necessary should the Board take action along the lines discussed at that meeting to permit a portion of vault cash to be counted by member banks in meeting required reserves. The first of these two memoranda was from Mr. Hackley and it presented a draft of possible amendment to Regulation D, Reserves of Member Banks, and to the supplement to that regulation; the second was from Messrs. Thomas, Hackley, and Farrell outlining procedures that would authorize central reserve and reserve city member banks to count currency and coin in excess of 2 per cent of their net demand deposits as part of their legal reserves effective December 3, 1959; and banks other than those classed as central reserve and reserve city member banks to count currency and coin in excess of 4 per cent of their net demand deposits as part of their legal reserves effective December 1, 1959. The latter memorandum was accompanied by proposed letters to the Federal Reserve Banks regarding such action and to the Bureau of the Budget regarding revised reporting forms, as well as by a draft statement for the press.

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At Chairman Martin's request, Mr. Hackley reviewed the changes that would be necessary in the Board's Regulation D in connection with any decision that the Board might reach to permit a portion of vault cash to be counted against reserve requirements. The Chairman then suggested that there be a discussion of the timing of possible actions by the Board.

Mr. Thomas said that appropriate timing would be to permit banks outside reserve and central reserve cities to count some portion of vault cash as part of their required reserves for the period beginning December 1, 1959, and to permit reserve and central reserve city banks to count a portion of their vault cash for the period beginning December 3, 1959. Mr. Thomas felt that announcement of such action could be made on November 27 or on Monday, November 30. In his view, either date would give adequate notice to the banks concerned, particularly since the action the Board had discussed would release only about $250 million of reserves, an amount not sufficiently large to have much effect in the money market, since it would be spread among several thousand banks.

In response to a question from the Chairman, Mr. Hackley stated that he knew of no reason from the legal standpoint why an announcement of Board action on vault cash should not be made on Monday, November 30, to become effective December 1.

Governor Mills stated reasons why, in his opinion, an announcement on Friday, November 27, would be preferable. He noted that the

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purpose of the action would be to inject reserves into the market, and he felt it desirable to do this in a manner that would give country banks as much advance notice as possible in order that they might transfer out of their correspondent bank balances their excess reserves so that the reserves would get to the places where they would be needed at the time withdrawals were made from tax and loan accounts on December 3 or 4. His preference, therefore, would be to have the announcement made on the 27th or even to take action today.

Chairman Martin said that this point deserved consideration but that he would prefer that action on the vault cash proposal be taken when all members of the Board could be present. Governor Robertson concurred in this view.

Governor Szymczak said that he still believed that the better course would be to delay taking any action at the present time with respect to permitting vault cash to be counted. However, if the Board decided that some portion of the vault cash should be counted at this time, he would be willing to take action today or on next Monday.

After some discussion of the question of timing, during which it developed that a quorum might not be available on November 27, Chairman Martin stated that on balance it would appear preferable that the Board meet on Monday, November 30, 1959, for the purpose of taking definite action with respect to permitting the counting of a portion of

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vault cash toward reserve requirements, and it was understood that this procedure should be followed.

The meeting then adjourned.

Secretary's Note: Governor Shepardson today approved on behalf of the Board the following items:

Memoranda from appropriate individuals concerned recommending the following actions affecting the Board's staff:

Salary increases, effective November 29, 1959

Cornelia J. Motheral, from $5,430 to $5,985 per annum, with a change in title from Research Assistant to Economist in the Division of Research and Statistics.

Elizabeth B. Sette, from $8,230 to $8,570 per annum, with a change in title from Economist to Technical Editor (Economics) in the Division of Research and Statistics.

Advance of sick leave

Thomas J. O'Connell, Assistant General Counsel, to be advanced sick leave through December 31, 1959, effective November 25, 1959.

Letter to the Federal Reserve Bank of St. Louis (attached Item No. 10) approving the appointment of Rolla Thomas Reed as examiner.

Secretary

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

Item No. 1
11/25/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 25, 1959.

Board of Directors,
The Callaway Bank,
Fulton, Missouri.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of St. Louis, the Board of Governors of the Federal Reserve System approves the establishment by The Callaway Bank, Fulton, Missouri, of a branch at 308 Market Street in Fulton, Missouri, provided the branch is established within nine months from the date of this letter.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

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

Item No. 2
11/25/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 25, 1959.

Board of Directors,
Portland Trust Bank,
Portland, Oregon.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of San Francisco, the Board of Governors approves the establishment of a branch by Portland Trust Bank in The Dalles, Wasco County, Oregon, provided the branch is established within six months from the date of this letter.

It is understood that capital funds will be increased at least $300,000 prior to the opening of the branch, and an additional $300,000 within six months from the date of the opening as required by the State Banking Department.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

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

Item No. 3
11/25/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 25, 1959.

Board of Directors,
Portland Trust Bank,
Portland, Oregon.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of San Francisco, the Board of Governors approves the establishment of a branch by Portland Trust Bank in Pendleton, Umatilla County, Oregon, provided the branch is established within six months from the date of this letter.

It is understood that capital funds are to be increased at least $300,000 prior to the opening of the branch and $300,000 within six months from the opening as required by the State Banking Department.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

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

Item No. 4
11/25/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 25, 1959.

Board of Directors,
County Trust Company,
Tenafly, New Jersey.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of New York, the Board of Governors extends to February 6, 1960, the time within which County Trust Company may establish a branch at 1 Union Avenue, Borough of Cresskill, New Jersey.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

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

Item No. 5
11/25/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 25, 1959.

The First National City Bank of New York,
55 Wall Street,
New York 15, New York.

Gentlemen:

In view of the request contained in your letter of October 26, 1959, transmitted through the Federal Reserve Bank of New York, and on the basis of the information furnished, the Board of Governors extends to September 30, 1961, the time within which your Recife, Pernambuco, Brazil, branch may occupy temporary quarters, as approved by the Board on June 12, 1957, at No. 213, Rua Vigario Tenorio, pending completion of construction of new and larger quarters at the permanent branch site, at No. 114, Avenida Marquez de Olinda.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

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

Item No. 6
11/25/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 25,1959.

Comptroller of the Currency,
Treasury Department,
Washington 25, D. C.

Attention Mr. W. M. Taylor,
Deputy Comptroller of the Currency.

Dear Mr. Comptroller:

Reference is made to a letter from your office dated July 31, 1959, enclosing copies of an application to organize a national bank at Tampa, Florida, and requesting a recommendation as to whether or not the application should be approved.

Information contained in a report of investigation of the application made by an examiner for the Federal Reserve Bank of Atlanta indicates favorable findings with respect to the proposed capital structure, earnings prospects, convenience and needs of the community to be served, and the proposed management, although definite arrangements had not been made for the executive officers. Accordingly, the Board of Governors recommends favorable consideration of the application provided arrangements for executive management are made satisfactory to your office.

The Board's Division of Examinations will be glad to discuss any aspects of this case with representatives of your office if you so desire.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

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

Item No. 7
11/25/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 25, 1959

Mr. J. Delafield DuBois,
Vice President,
Morgan Guaranty Trust Company of New York,
140 Broadway,
New York 15, New York.

Dear Mr. DuBois:

The Board of Governors has approved the Articles of Association and the Organization Certificate, dated October 22, 1959, of Morgan Guaranty International Banking Corporation, and there is enclosed a preliminary permit authorizing that Corporation to exercise such of the powers conferred by Section 25(a) of the Federal Reserve Act as are incidental and preliminary to its organization. As you are aware, the Corporation may not exercise any of the other powers conferred by Section 25(a) until it has received a final permit from the Board authorizing it generally to commence business. The steps which must be taken prior to issuance of a final permit are enumerated in Section 3(c) of the Board's Regulation K.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

Enclosure.

FRASER

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

November 25, 1959

Preliminary Permit

IT IS HEREBY CERTIFIED that the Board of Governors of the Federal Reserve System, pursuant to authority vested in it by Section 25(a) of the Federal Reserve Act, as amended, has this day approved the Articles of Association and Organization Certificate, dated October 22, 1959, of MORGAN GUARANTY INTERNATIONAL BANKING CORPORATION duly filed with said Board of Governors, and that MORGAN GUARANTY INTERNATIONAL BANKING CORPORATION is authorized to exercise such of the powers conferred upon it by said Section 25(a) as are incidental and preliminary to its organization pending the issuance by the Board of Governors of the Federal Reserve System of a final permit generally to commence business in accordance with the provisions of said Section 25(a) and the rules and regulations of the Board of Governors of the Federal Reserve System issued pursuant thereto.

BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM

By (Signed) Kenneth A. Kenyon

Assistant Secretary

(SEAL)

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

Item No. 8
11/25/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 25, 1959

Mr. J. Delafield DuBois,
Vice President,
Morgan Guaranty Trust Company of New York,
140 Broadway,
New York 15, New York.

Dear Mr. DuBois:

The Board of Governors has approved the Articles of Association and the Organization Certificate, dated October 22, 1959, of Morgan Guaranty International Finance Corporation, and there is enclosed a preliminary permit authorizing that Corporation to exercise such of the powers conferred by Section 25(a) of the Federal Reserve Act as are incidental and preliminary to its organization. As you are aware, the Corporation may not exercise any of the other powers conferred by Section 25(a) until it has received a final permit from the Board authorizing it generally to commence business. The steps which must be taken prior to issuance of a final permit are enumerated in Section 3(c) of the Board's Regulation K.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

Enclosure.

FRASER

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

November 25, 1959

Preliminary Permit

IT IS HEREBY CERTIFIED that the Board of Governors of the Federal Reserve System, pursuant to authority vested in it by Section 25(a) of the Federal Reserve Act, as amended, has this day approved the Articles of Association and Organization Certificate, dated October 22, 1959, of MORGAN GUARANTY INTERNATIONAL FINANCE CORPORATION duly filed with said Board of Governors, and that MORGAN GUARANTY INTERNATIONAL FINANCE CORPORATION is authorized to exercise such of the powers conferred upon it by said Section 25(a) as are incidental and preliminary to its organization pending the issuance by the Board of Governors of the Federal Reserve System of a final permit generally to commence business in accordance with the provisions of said Section 25(a) and the rules and regulations of the Board of Governors of the Federal Reserve System issued pursuant thereto.

BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM

By (Signed) Kenneth A. Kenyon
Assistant Secretary

(SEAL)

FRASER

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

Item No. 9
11/25/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 25, 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 salaries by the Federal Reserve Bank of Chicago to the incumbents of the positions shown below at the rates indicated, retroactive to September 28, 1959, in accordance with the request contained in your letter of November 13, 1959:

Title	Annual Salary
Janitors	$4,524.00
Janitors (6 mos. or less)	4,440.80
Paper Balers) Metal Polishers) Scrubbing Machine Opr.) Marble Maintenance)	4,659.20
Janitresses (6 mos. or less)	3,411.20
Janitresses) Matrons)	3,473.60

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 10
11/25/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 25, 1959.

Mr. Geo. E. Kroner, Vice President,
Federal Reserve Bank of St. Louis,
St. Louis 66, Missouri.

Dear Mr. Kroner:

In accordance with the request contained in your letter of November 18, 1959, the Board approves the appointment of Rolla Thomas Reed as an examiner for the Federal Reserve Bank of St. Louis. Please advise the Board if the appointment is not made effective January 1, 1960, as planned.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

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