

Minutes for December 11, 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

Minutes of the Board of Governors of the Federal Reserve System

on Friday, December 11, 1959. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Szymczak, Acting Chairman
 Mr. Mills
 Mr. Robertson
 Mr. Shepardson 1/

Mr. Sherman, Secretary
 Miss Carmichael, Assistant Secretary
 Mr. Hackley, General Counsel
 Mr. Solomon, Director, Division of Examinations
 Mr. Nelson, Assistant Director, Division of Examinations
 Mr. Hooff, Assistant Counsel

Discount rates. The establishment without change by the Federal Reserve Banks of New York, Cleveland, Richmond, Atlanta, St. Louis, Kansas City, and Dallas on December 10, 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 or distributed to the Board. The following items, which had been circulated or distributed to the Board and copies of which are attached to these minutes under the respective item numbers indicated, were approved unanimously:

	<u>Item No.</u>
Letter to the Federal Reserve Bank of Boston regarding the applicability of the reporting requirements of section 5, Regulation O, to borrowing by an officer of a member bank at a mutual savings bank.	1

1/ Withdrew and re-entered meeting at points indicated in minutes.

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Item No.

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| Letter to The Hanover Bank, New York, New York, approving an extension of time to establish a branch at 401 Madison Avenue. | 2 |
| Letter to People's Trust Company, Dunellen, New Jersey, approving an investment in bank premises. | 3 |
| Letter to The Niles Bank Company, Niles, Ohio, approving the establishment of a branch in Weathersfield Township. | 4 |
| Letter to The Peoples State Bank, Wauseon, Ohio, approving the establishment of a branch at Fulton and Jefferson Streets. | 5 |
| Letter to the Federal Deposit Insurance Corporation regarding the application of Chicago City Bank and Trust Company, Chicago, Illinois, for continuation of deposit insurance after withdrawal from membership in the Federal Reserve System. | 6 |
| Letter to Mr. Marion E. Sibley, Attorney, regarding a petition to deny an application for a voting permit to Sottile, Inc., Miami, Florida, to vote the stock of Pan American Bank of Miami. | 7 |

In connection with the foregoing Item No. 7, it was noted that a limited voting permit had been issued to Sottile, Inc., on December 1, 1959, and the petition submitted did not set forth any basis for revocation of this permit.

Mr. Noyes, Adviser, Division of Research and Statistics, entered the meeting after action was taken on Item No. 1.

Messrs. Hackley, Solomon, Nelson, and Hooff then withdrew from the meeting.

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Retail trade statistics. Mr. Noyes referred to the Board's earlier authorization for members of the staff to confer with representatives of the Bureau of the Budget and the Bureau of the Census looking toward transfer of the collection of department store trade statistics from the Federal Reserve to the Bureau of the Census. Mr. Noyes said that on December 10 he attended a meeting at the Bureau of the Budget, at which time the proposed program for collection of department store statistics by the Census Bureau was outlined to a group representing a major section of the country's leading department stores. The group, which was outspoken in its desire to have the Federal Reserve continue compiling department store data, indicated that it would oppose having the Census Bureau take over this work. Mr. Noyes expressed the thought that the Board would probably receive numerous requests from department stores to continue compiling figures in this area.

Governor Mills inquired as to the exact status of the proposed transfer. Mr. Noyes replied that the Bureau of the Budget and the Bureau of the Census planned to seek a \$400,000 budget appropriation for the fiscal year 1961 to enable the Census Bureau to take over added responsibility for the retail trade statistics program. The scope of the Bureau's program would be much broader in terms of measures of total retail trade, but the figures published would be of less value to department stores than those they were now receiving from the Reserve Banks. For example,

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the Census Bureau does not plan to publish detailed local data, nor does it contemplate departmental statistics such as are now prepared. If desired, however, it would be possible for the Reserve Banks to purchase from the Bureau for their own use data with greater geographical detail.

Governor Shepardson withdrew from the meeting during the above discussion.

In response to a further question from Governor Mills as to what would happen if the appropriation were not approved, Mr. Noyes replied that the Board was uncommitted; members of the staff had merely indicated that the Board would like to withdraw from the department store sales field as soon as feasible. In any event, Mr. Noyes said, it had been thought that at some appropriate time (possibly in May 1960) the Federal Reserve Banks might discontinue their departmental report.

Governor Mills then asked whether the matter would come back to the Board for consideration if the total amount were not appropriated. Mr. Noyes said it was understood clearly that the proposed arrangement would be made only if the full amount were appropriated. If not, it would be necessary to review the matter further. He also indicated that if the total \$400,000 were not appropriated, the cost of regional data to be purchased by the Reserve Banks would probably be higher. If this were the case, the System would be under no obligation to purchase these data.

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Governor Robertson inquired as to the cost of the System's present departmental report, and Mr. Noyes replied that the Federal Reserve Bank of Chicago has estimated that two-thirds of the total cost of the program was represented by the departmental report. For the System as a whole, Mr. Noyes estimated the total cost might be around \$300,000, with \$200,000 approximating the cost of the departmental data.

Governor Shepardson returned to the meeting at this point.

Governor Robertson then asked whether the saving that would result from the System's withdrawal from the department store trade area would be worth the loss in good will. Mr. Noyes commented that it had been agreed to defer any announcement of withdrawal from this field and that there would be ample opportunity for considering the views of those opposing the transfer of the retail trade program to the Census Bureau.

Governor Shepardson asked whether there was any comment at the December 10 meeting on the accuracy of department store sales data. Mr. Noyes replied that the question was discussed, that the department store representatives agreed that there were some defects in the series, and that they said they would cooperate fully in correcting them. The other defects, which involve the significance of department store sales data as an economic series, were not considered important from their point of view.

The meeting then adjourned.

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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 December 13, 1959:

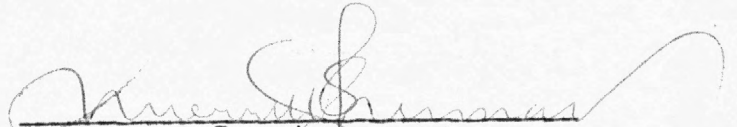
<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Office of the Secretary</u>			
Mary Jane Heiss, Administrative Assistant (Change in title from Clerk)		\$4,640	\$4,790
<u>Research and Statistics</u>			
Carolyn A. Beck, Statistical Assistant		4,340	4,490
Caroline M. Burgess, Assistant Chief Librarian		7,030	7,270
Evelyn M. Hurley, Economist		7,030	7,270
<u>Bank Operations</u>			
D. Lewis McKee, Technical Assistant		7,270	7,510
Mary Malinchock, Statistical Clerk		4,490	4,640
<u>Examinations</u>			
Att. W. Hammons, Jr., Assistant Federal Reserve Examiner		6,435	6,585
<u>Administrative Services</u>			
Paul L. Tedrow, Guard		3,255	3,350
<u>Transfer</u>			

Henry N. Goldstein, from the position of Economist in the Division of International Finance to the position of Economist in the Division of Research and Statistics, with no change in his basic annual salary at the rate of \$7,030, effective the date he assumes his new duties.

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Letter to the Federal Reserve Bank of Cleveland (attached Item No. 8)
approving the appointment of Howard Lewis Morman, Jr., as assistant examiner.



Secretary

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

Item No. 1
12/11/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 11, 1959.



Mr. Laurence H. Stone,
Secretary and Assistant Counsel,
Federal Reserve Bank of Boston,
Boston 6, Massachusetts.

Dear Mr. Stone:

This is in response to your letter of November 13, 1959, to the Board's General Counsel, regarding the reporting requirements of section 5 of Regulation O as they apply to an officer of a member bank who has preferred to borrow from a mutual savings bank on his passbook rather than withdraw his savings and lose the interest shortly to be paid. You indicate that the officer, in these circumstances, considers that either an exception should be made insofar as reports to his own bank of such borrowing are concerned, or that the regulation should be amended so as to exempt such indebtedness from the reporting requirements of the regulation.

You are correct in the opinion which you gave the bank officer that the Board in such cases has made no exception to the reporting requirements of the regulation. Insofar as the Board is aware, there have been few if any complaints regarding the paper work involved in making the required reports. Also, as you may know, while there have been proposals from time to time in Congress to amend certain provisions of section 22(g) of the Federal Reserve Act, these proposals have not been concerned with the reporting provisions of that section.

In the circumstances, the Board would not be disposed to amend the regulation so as to grant an exception in the situation you have described.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 2
12/11/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 11, 1959.

Board of Trustees,
The Hanover Bank,
New York 15, New York.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of New York, the Board of Governors of the Federal Reserve System extends until December 31, 1960, the time within which The Hanover Bank may establish a branch at 401 Madison Avenue, New York, New York, under authority contained in the Board's letter of April 17, 1958.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.



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

Item No. 3
12/11/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 11, 1959.

Board of Directors,
People's Trust Company,
Dunellen, New Jersey.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of New York, the Board of Governors of the Federal Reserve System approves, under Section 24A of the Federal Reserve Act, an additional investment in bank premises of not to exceed \$109,129 by People's Trust Company, Dunellen, New Jersey, for the purpose of renovating and expanding its banking quarters.

It is understood that this amount included \$49,245 already expended for remodeling banking quarters and approximately \$59,884 for the cost of acquisition of two adjoining properties and the construction of a parking lot and a walk-up window. It is understood also that aggregate investment in bank premises upon completion of these expenditures will not exceed \$150,000.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

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

Item No. 4
12/11/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 11, 1959.

Board of Directors,
The Niles Bank Company,
Niles, Ohio.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Cleveland, the Board of Governors approves the establishment of a branch in Weathersfield Township, Ohio, at the intersection of the Warren-Youngstown Road and Robbins Avenue, by The Niles Bank Company, Niles, Ohio. This approval is given provided the branch is established within six months from the date of this letter and formal approval of State authorities is effective at the time the branch is established.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.



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

Item No. 5
12/11/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 11, 1959.

Board of Directors,
The Peoples State Bank,
Wauseon, Ohio.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Cleveland, the Board of Governors of the Federal Reserve System approves the establishment of an in-town branch at the southwest corner of Fulton and Jefferson Streets by The Peoples State Bank, provided the branch is established within one year from the date of this letter and State approval is in effect as of the date of the establishment of the branch.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

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

Item No. 6
12/11/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 11, 1959.

The Honorable Jesse P. Wolcott,
Chairman,
Federal Deposit Insurance Corporation,
Washington 25, D. C.

Dear Mr. Wolcott:

Reference is made to your letter of November 19, 1959, concerning the application of Chicago City Bank and Trust Company, Chicago, Illinois, for continuance of deposit insurance after withdrawal from membership in the Federal Reserve System. You inquire whether there have been any corrective programs urged upon the bank which have not been fully consummated.

At the time of the last examination of this bank as of May 4, 1959, its capital structure appeared to be inadequate and representatives of the Federal Reserve Bank of Chicago requested an increase in the amount of \$1,200,000. We have no evidence of compliance with this corrective program and it is assumed that you will wish to take this into account in connection with the application before the Corporation.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 7
12/11/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 11, 1959.



Mr. Marion E. Sibley,
Sibley, Grusmark, Barkdull & King,
Attorneys at Law,
605 Lincoln Road,
Miami Beach, Florida.

Dear Mr. Sibley:

This refers to your letter of December 2, 1959, to Mr. Malcolm Bryan, President, Federal Reserve Bank of Atlanta, enclosing a petition urging the Board of Governors to deny the application for a voting permit authorizing Sottile, Inc., to vote the stock owned by it of Pan American Bank of Miami to increase the capital of the bank. Such permit was issued on December 1, 1959.

Although an outstanding voting permit may be revoked by the Board, a revocation must be based upon a violation of the provisions of the Banking Act of 1933 or of any agreement made pursuant to the law authorizing the issuance of voting permits. In the present case, it does not appear that the petition sets forth any basis for revocation of the permit issued on December 1, 1959.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.



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

Item No. 8
12/11/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 11, 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 December 7, 1959, the Board approves the appointment of Howard Lewis Morman, Jr., 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.