

Minutes for January 14, 1960.

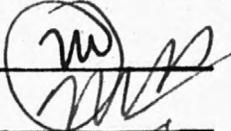
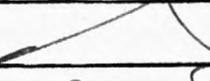
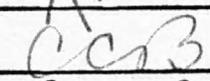
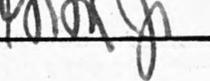
To: Members of the Board

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	<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 Thursday, January 14, 1960. The Board met in the Board Room at
10:00 a.m.

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

Mr. Sherman, Secretary
Miss Carmichael, Assistant Secretary
Mr. Fauver, Assistant to the Board
Mr. Hackley, General Counsel
Mr. Farrell, Director, Division of Bank Operations
Mr. Hexter, Assistant General Counsel
Mr. Chase, Assistant General Counsel
Mr. Conkling, Assistant Director, Division of
Bank Operations
Mr. Masters, Associate Director, Division of
Examinations
Mr. Nelson, Assistant Director, Division of
Examinations

Discount rates. The establishment without change by the
Federal Reserve Bank of San Francisco on January 13, 1960, of the
rates on discounts and advances in its existing schedule was approved
unanimously, with the understanding that appropriate advice would be
sent to the Bank.

Item circulated to the Board. The following item, which had
been circulated to the Board and copy of which is attached to these
minutes as Item No. 1, was approved unanimously:

Letter to Bank of America, New York City,
approving an extension of time to purchase
shares of Malaya Industrial Development
Finance Limited, Kuala Lumpur, Malaya.

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Report on S. 2609, Federal Deposit Insurance Corporation assess-
ment base bill. There had been distributed under date of January 4, 1960, a memorandum from Messrs. Conkling and Chase with draft letters to Senator Robertson of Virginia, Chairman of the Senate Banking and Currency Committee, and Mr. Wolcott, Chairman of the Federal Deposit Insurance Corporation, concerning proposed legislation that would amend the Federal Deposit Insurance Act. In a letter dated August 4, 1959, Chairman Wolcott sent the Board copies of the latest draft of the proposed legislation and asked for comments; on August 28, the Senate Banking and Currency Committee requested the Board's views on bill S. 2609, introduced by Senator Robertson on August 27. It was noted in the memorandum that the main portion (section 1) of S. 2609 was the same as the Federal Deposit Insurance Corporation draft except for the effective date, which had been advanced to February 1, 1961. In section 1, the Federal Deposit Insurance Corporation proposed that as a simplified method for the computation of assessments, banks should use reports of condition for reporting deposit liabilities and take standard percentage deductions in place of the present alternative methods of deducting float and the present deduction or exclusion of cash collateral. This proposal would require each insured bank to submit two reports of condition in each semiannual period to its Federal supervisory agency on dates selected by the three Federal banking agencies and require each insured national, District, and State member bank to furnish a copy of each report to the Corporation.

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Section 2-15, not included in the draft sent to the Board by the Federal Deposit Insurance Corporation last August, covered so-called non-controversial portions of the proposed Financial Institutions Act of 1957. Provisions of sections 2-15 pertained mostly to the clarification of that part of the Federal Deposit Insurance Act having to do with closed banks by adding phrases or whole new sentences or paragraphs to the existing statute. Also, the Federal Deposit Insurance Corporation would be required to make payments into the civil service retirement and disability fund for the period since the creation of the Corporation; and the benefits of the Federal Employees Compensation Act and Social Security Act would be made applicable to the Corporation's officers and employees.

Mr. Conkling explained some of the technical aspects of the proposed legislation. He indicated that over the years there had been numerous differences between deposits as defined for call report purposes and deposits defined for Federal Deposit Insurance Corporation assessment purposes. This had required two sets of instructions, with the result that there was some confusion to banks and no doubt some inaccuracies in reports. The proposed legislation would eliminate these differences and, as a result, deposits for various purposes would be reported on a uniform basis. This would be beneficial to insured banks and to supervisory agencies.

A discussion followed concerning various aspects of the proposed bill, during which reference was made to frequent conferences held by

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representatives of the Board of Governors, the Federal Deposit Insurance Corporation, and the Comptroller of the Currency to work out satisfactory provisions for the bill. It was brought out that members of the Board's staff participating in these conferences were now of the opinion that the provisions of the proposed legislation were workable and desirable, insofar as they applied to the reporting of deposits. In response to a question, Mr. Conkling said that there had been opposition to the bill on the part of some commercial banks, since in certain cases it would raise the assessment base. He understood that most of the banks were now in favor of the bill.

Chairman Martin noted that during the past summer representatives of the Federal Deposit Insurance Corporation had met numerous times with various groups of bankers to discuss the bill. The problem of getting acceptance by the banks was one for the Federal Deposit Insurance Corporation, however, since it involved changes in the base for Federal Deposit Insurance Corporation assessments.

Consideration was then given the draft letter to Senator Robertson, Chairman of the Senate Banking and Currency Committee, which would recommend adoption of section 1 and indicate no objection to inclusion of sections 2-15 in the bill. During the discussion that followed there were expressed objections to the general tone of the letter and, after a number of changes in wording had been suggested,

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it was agreed that the letter be redrafted in light of discussion at this meeting, with the understanding that the Board would give further consideration to the matter when the new draft was available.

Messrs. Thomas, Adviser to the Board, and Molony and Fauver, Assistants to the Board, entered during the above discussion and, at its conclusion, Messrs. Thomas, Farrell, Hexter, Chase, and Conkling withdrew from the meeting.

Justice Department request to examine Board's records on mergers (Item No. 2). Pursuant to Board action on January 8, 1960, with reference to a request from the Antitrust Division of the Justice Department for information on banking competition in the Pittsburgh area, there had been distributed a draft of letter that would advise the Justice Department that the Board did not have records that would be helpful. A covering memorandum from Mr. Solomon dated January 12, 1960, pointed out that a review of the Board's files following discussion of this matter at the meeting on January 8, 1960, revealed that one of the banks in question, Fidelity Trust Company, was involved in four mergers in which there was a reduction in the aggregate capital or surplus of the merging institutions, and under section 18(c) of the Federal Deposit Insurance Act the Board had passed upon the mergers.

In discussing the matter, Mr. Nelson said that the applications from the Fidelity Trust Company involving four mergers and the Board's actions on them did not contain information on the competitive situation

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in the Pittsburgh area. Information prepared by the Federal Reserve Bank of Cleveland and the Fidelity Trust Company was more closely related to the competitive problem, but Mr. Nelson said that while the draft reply was not too responsive to the inquiry from the Justice Department, he did not feel that the Board's records contained material that would be helpful to the Justice Department in its study of the competitive field.

Governor Mills observed that his approach to the Justice Department inquiry was somewhat different from that recommended by the Division of Examinations. There was a distinction between the request for historical information that would enable the Justice Department to improve its understanding of the banking situation in a particular geographic area and a request for information on a pending case where there was a possibility that Justice might intervene during the pendency of that case. It was his feeling that the Board should make available to the Justice Department records of mergers and consolidations involving the Fidelity Trust Company during the period of its membership in the Federal Reserve System. He added that he would not want to give the impression that the Board was withholding information.

Mr. Masters said he saw no objection to advising the Justice Department that applications involving mergers and consolidations of the Fidelity Trust Company would be available if the Antitrust Division wished to examine them.

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Governor Robertson suggested a letter of reply advising the Justice Department that the Board's files contained the following information which the Antitrust Division might refer to if desired:

(1) Reports of examinations, (2) applications involving the four mergers and consolidations of the Fidelity Trust Company, and (3) reports prepared by the Reserve Bank of Cleveland which included comments regarding the competitive situation in the Pittsburgh area. To fail to make available such information might subject the Board to criticism, regardless of whether the material proved to be of value to the Justice Department.

Chairman Martin and Governor King both indicated this approach was satisfactory to them, Governor King adding that he thought it preferable not to indicate in the letter that the records would probably not be useful to the Justice Department since that might be taken to imply that the Board hoped their representatives would not look at them.

It was unanimously agreed that a revised letter to the Justice Department would be prepared along the lines suggested. A copy of the letter that was sent on January 19 is attached as Item No. 2.

Thereupon all members of the staff except Messrs. Sherman and Fauver withdrew.

Appointment of director. During a discussion of vacancies in directorships at the Little Rock Branch and at Minneapolis, it was agreed that Governor King would undertake to develop some suggestions for

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appointment at Little Rock and report back to the Board.

Messrs. Sherman and Fauver then withdrew from the meeting and the Board went into executive session.

Foreign travel for Mr. Sigel. Following the meeting, Governor Shepardson reported to the Secretary that during the executive session the Board approved a memorandum dated January 13, 1960, from Mr. Noyes, Director, Division of Research and Statistics, recommending that Stanley J. Sigel, Chief, Flow of Funds and Savings Section, in that Division be authorized to attend the meeting of the Working Group on Statistics of Financial Assets and Liabilities in Geneva, Switzerland, during the period February 29-March 4, 1960, with the understanding that the transportation expenses, plus per diem in lieu of subsistence, would be paid in accordance with the Board's travel regulations as supplemented by the Standardized Travel Regulations.

The meeting then adjourned.

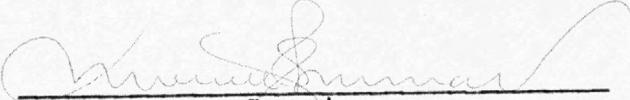
Secretary's Notes: Governor Shepardson today approved on behalf of the Board a recommendation that Mr. Paul Gekker, whose appointment as an economist in the Division of International Finance was approved by the Board on January 5, 1960, be employed by the Board notwithstanding his failure to pass a physical examination based on the requirements for ordinary life insurance at normal rates.

Governor Shepardson also approved today on behalf of the Board the recommendation contained in a memorandum dated January 8, 1960, from Mr. Noyes,

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Director, Division of Research and Statistics,
that Mrs. Nancy H. Teeters, formerly an Econo-
mist in the Government Finance Section of that
Division, be engaged on a professional contractual
or consultant basis during the calendar year 1960
at the rate of \$4 per hour to undertake research
and analysis with respect to the Treasury-Federal
Reserve Government securities market study.



Secretary

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

Item No. 1
1/14/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 14, 1960.



Mr. Tom B. Coughran,
Executive Vice President,
Bank of America,
41 Broad Street,
New York 15, New York.

Dear Mr. Coughran:

In accordance with the request contained in your letter of December 18, 1959, transmitted through the Federal Reserve Bank of New York, the Board of Governors extends to July 15, 1960, the time within which your Bank may purchase 1500 ordinary shares of Malaya Industrial Development Finance Limited, Kuala Lumpur, Malaya, for M\$150,000 (equivalent to approximately US\$50,000), subject to the understandings stated in the Board's letter dated July 15, 1958, as extended July 2, 1959.

It is noted that the Articles of Association of the proposed company are now almost complete and the directors expect to arrange for the services of a competent manager early in 1960 and then proceed to activate the company.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

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Item No. 2
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OFFICE OF THE CHAIRMAN

January 19, 1960.

Mr. Robert A. Bicks,
Acting Assistant Attorney General,
Antitrust Division,
Department of Justice,
Washington 25, D. C.

Dear Mr. Bicks:

We have your letter of December 18, 1959, regarding the study your Division is making of the competitive problems that may result from an increase in the concentration of ownership and control of banking activities in the Pittsburgh, Pennsylvania, area by reason of mergers, consolidations, and acquisitions. It appears that you are currently reviewing the activities of Peoples First National Bank and Trust Company, Mellon National Bank and Trust Company, and Fidelity Trust Company, all of Pittsburgh, and that you desire a review of material submitted by or relating to these banks or to the associated competitive situation, in order to determine more specifically the type and nature of additional information you may require from them.

Of the three banks under your current review, only the Fidelity Trust Company, considerably smaller than the other two, has been under the jurisdiction of the Board. That bank was a State member bank of the Federal Reserve System from August 6, 1954, until September 14, 1959. On the latter date, in a consolidation outside the jurisdiction of this Board, the bank was consolidated with the Peoples First National Bank and Trust Company under the charter of the latter and the new title of Pittsburgh National Bank.

During the five-year period in which the Fidelity Trust Company was a member of the Federal Reserve System, the trust company absorbed the following banks on the dates indicated:

- 8-6-54 - Colonial Trust Company, Pittsburgh, Pennsylvania,
- 4-30-56 - First National Bank, Castle Shannon, Pennsylvania,
- 4-4-58 - Allegheny Valley Trust Company, Verona, Pennsylvania, and
- 9-12-58 - Potter Bank and Trust Company, Pittsburgh, Pennsylvania.

Mr. Robert A. Bicks

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The Board will be glad to have representatives of your Division examine the applications filed by the Fidelity Trust Company for approval of these absorptions and the actions taken thereon by this Board. It is suggested that they get in touch with the Director of the Board's Division of Examinations. It is understood that, as indicated in your letter, any such material will be used only to aid in determining additional information you will require from the banks under your study, that no reference will be made to source, and that the material will not be made public or used in court or other proceedings.

It is believed that other information in the Board's files would not have an appreciable bearing upon your study of the competitive situation in the Pittsburgh area. However, the Board will also be glad to have its staff similarly make available to your representatives portions of examination or supervisory information that may appear to be related to your study.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.