

Minutes for January 29, 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)</u> |
| Gov. Szymczak | <u>[Signature]</u> |
| Gov. Mills | <u>[Signature]</u> |
| Gov. Robertson | <u>[Signature]</u> |
| Gov. Balderston | <u>CCB</u> |
| Gov. Shepardson | <u>[Signature]</u> |
| Gov. King | <u>[Signature]</u> |

Minutes of the Board of Governors of the Federal Reserve System
on Friday, January 29, 1960. 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. King

Mr. Sherman, Secretary
Mr. Hackley, General Counsel
Mr. Solomon, Director, Division of Examinations

Mr. Beise, President, Bank of America, National Trust and Savings Association, San Francisco, California, and President of the Bank of America International, New York, New York, was also present at this time, pursuant to the Board's letter to him dated November 18, 1959, stating that "before acting on further applications for establishment of branches abroad or investment in foreign corporations, the Board would be benefited by the thinking of the management of Bank of America and of Bank of America, National Trust and Savings Association regarding this matter of capital adequacy."

Chairman Martin invited Mr. Beise to make any comments that he cared to make in connection with the Board's letter of November 18, 1959.

There followed a discussion extending until approximately 11:15 a.m., concerning which a memorandum has been placed in the Board's files. Mr. Goodman, Assistant Director, Division of Examinations, joined the meeting during this discussion.

1/29/60

-2-

Mr. Beise first made a statement in which he indicated that the Bank of America organization felt that in acquiring the Banca d'America e d'Italia in 1957 it was proceeding with the Board's general approval of the move, and in the belief that the bank's position was satisfactory and that the acquisition of the Italian bank was appropriate. Therefore, he was somewhat perplexed regarding the indication in the November 18 letter of a question regarding capital.

In the discussion that followed, members of the Board indicated that their concern over capital adequacy applied to the Bank of America organization as a whole, including both the national bank and the Edge Corporation. Whereas Mr. Beise seemed to feel that the capital position was reasonably satisfactory at the end of 1956 and had not deteriorated since, it was pointed out that the national bank now had a lower ratio of capital funds to risk assets than other banks engaging in similar foreign operations, and it was stated that the Board's interest was in making certain that the question of adequate capital for a bank in the position of the Bank of America organization was receiving the close attention of the management.

Mr. Beise stated that the capital question had received and was continuing to receive the close attention of the Bank of America organization, that the bank had gone to the market periodically for additional capital and might be expected to do so at appropriate times in the future, that it was also putting back into capital funds a

1/29/60

-3-

substantial part of current earnings of the organization, and that one of the problems of management was always to consider whether it could justify obtaining additional capital from the standpoint of profitable operation of the bank in order to enable it to undertake additional types of business.

While there was no conclusive or specific understanding with respect to what would be done about capital, Mr. Beise's assurance was that the question would continue to receive careful attention. He stated that at the present time there were no plans for large further expansion into the foreign field, that the bank had in mind obtaining locations at the time and place when those would fit in with the bank's over-all program, and that if any particular plans for expansion were to develop, the Board would be one of the first places to which the bank would come for discussion of those plans. Mr. Beise emphasized that he wished to have an understanding of the Board's feeling toward the institution generally, and specifically toward any of its expansion plans since the Board's attitude was of major importance in the councils of the bank.

Mr. Beise asked whether the Board felt that the Bank of America organization should hold up the submission of additional applications, such as one submitted in November 1959 for permission to establish a branch of the national bank in Lagos, Nigeria, or one submitted in December for permission for the Edge Corporation to make an investment

1/29/60

-4-

of \$40,000 in a development association in Morocco. In response, Governor Robertson expressed the view that such applications need not be held up, that it was not important whether further expansion into the foreign area was through the national bank or the Edge Corporation, but that it was important to know whether there was to be a big expansion program ahead. With respect to any specific application, he indicated that a request for approval of a small expansion might go through without a question, but if some big expansion was contemplated the Board might say no. Looking at the capital position, he felt there ought to be some understanding with respect to the over-all capital picture of the entire organization before the Board approved any substantial expansion.

None of the other members of the Board indicated a different view from that expressed by Governor Robertson.

Mr. Beise stated that a number of applications similar to those for Nigeria and Morocco that had been pending in the Board's offices for some weeks were being held up, that these involved proposed investments totalling roughly \$1,200 thousand, and that he rather got the feeling from the discussion that the Board was not concerned about the bank's operations along these lines, if it was not planning some big expansion of its foreign activities.

Governor Robertson's response was that this did not represent the problem. The purpose of wanting to talk with Mr. Beise was to see to it that the capital issue was brought to the fore and that it was considered along with all other issues.

1/29/60

-5-

After a general discussion of maximum rates of interest payable on time and savings deposits and the savings process in the country, Mr. Beise withdrew from the meeting at 11:15 a.m., as did Mr. Goodman.

The following members of the staff then entered the room:

Mr. Shay, Legislative Counsel
 Mr. Molony, Assistant to the Board
 Mr. Fauver, Assistant to the Board
 Mr. Noyes, Director, Division of Research and Statistics
 Mr. Farrell, Director, Division of Bank Operations
 Mr. Robinson, Adviser, Division of Research and Statistics
 Mr. Conkling, Assistant Director, Division of Bank Operations
 Mr. Daniels, Assistant Director, Division of Bank Operations
 Mr. Kiley, Assistant Director, Division of Bank Operations
 Mr. Smith, Assistant Director, Division of Examinations
 Mr. Landry, Assistant to the Secretary
 Mr. Ring, Technical Assistant, Division of Bank Operations

Discount rates. The establishment without change by the Federal Reserve Banks of New York, Cleveland, Richmond, Kansas City, Dallas, and San Francisco on January 28, 1960, 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:

1/29/60

-6-

| | <u>Item No.</u> |
|--|-----------------|
| Letter to First National Bank of Jonesboro, Jonesboro, Arkansas, approving its request for a specific fiduciary power. | 1 |
| Letter to nine Federal Reserve Banks*regarding a procedural change in borrowing of personnel from Reserve Banks to assist the Board's field examining staff. | 2 |
| Letter to the Chairman of the Federal Reserve Bank of Cleveland regarding the retirement allowance to be provided for an officer of the Bank. | 3 |

In connection with the approval of Item No. 3, a letter to the Chairman of the Federal Reserve Bank of Cleveland approving an agreement between that Bank and W. Braddock Hickman, newly appointed Vice President, regarding a supplement to his retirement allowance if he retired after completion of ten years service as President, Governor Robertson stated that, as in the case of agreements between the Boston and Chicago Banks and their Presidents approved by the Board on January 13, 1960, his approval was given to this agreement despite his dissent from the Board's action of November 18, 1959, in approving an arrangement of this type. He continued to oppose the arrangement but, since the Board had adopted the plan, he saw no purpose in voting against the implementation of each individual agreement.

Report to House Banking and Currency Committee on reserve requirements (Item No. 4). Governor Robertson referred to the report on the use of reserve requirements in relation to the use of open

*To all Federal Reserve Banks except New York, St. Louis, and Cleveland

1/29/60

-7-

market operations, as requested in the May 28, 1959 report of the House Banking and Currency Committee on S. 1120, and as discussed at yesterday's Board meeting. He said that since that meeting, he had gone over a revised draft of the report and that, while he was still not entirely satisfied that it was the best job that could be done, he would approve sending it forward.

There being agreement with the revised form of statement, it was understood that the report would be transmitted promptly to Chairman Spence of the House Banking and Currency Committee. A copy of the letter transmitting this report is attached to these minutes as Item No. 4.

Statement by Chairman Martin before the Joint Economic Committee.

Chairman Martin referred to a redraft of the statement to be made by him before the Joint Economic Committee on February 2, 1960, in connection with the annual review of the President's economic report. He noted a request that the statement be in the hands of Senator Douglas, Chairman of the Joint Economic Committee, on Monday, February 1.

After several comments regarding the redraft of statement, it was understood that another draft would be prepared and distributed to the Board with a view to furnishing copies to the Joint Economic Committee on February 1, 1960.

Comments on Mr. Patman's June 22, 1959, Press Statement concerning the Federal Reserve Banks. There had been distributed a memorandum

1/29/60

-8-

from the Division of Bank Operations dated January 28, 1960, attaching a draft of letter to The Honorable Brent Spence, Chairman of the House Banking and Currency Committee, that would transmit thirty-five copies of comments on Mr. Patman's June 22, 1959, press statement concerning Federal Reserve Banks. The proposed report, which covered 107 pages, contained comments on 164 items about which Mr. Patman had made statements.

The Board proceeded to consider the comments, most of which were based on information supplied expressly by the Reserve Banks for this purpose. Several changes were suggested and agreed upon in the discussion of the comments, and changes were also suggested in the draft letter that would transmit the document to Chairman Spence.

Following this discussion, Mr. Shay noted that Representative Patman might ask Chairman Martin about this report when the Chairman testified before the Joint Economic Committee next Tuesday. For this reason, he thought it would be desirable to have a revised draft of the report and the transmittal letter to Chairman Spence ready for delivery to the latter on Monday.

It was understood that the suggested changes in the report would be made and submitted to the Board for consideration at the meeting on Monday, February 1, with a view to sending them to Chairman Spence later that day.

The meeting then adjourned.

1/29/60

-9-

Secretary's Note: Pursuant to recommendations contained in memoranda from appropriate individuals concerned, Governor Shepardson today approved on behalf of the Board the following actions affecting the Board's staff:

Appointment

Myrtle M. Evans as Cafeteria Helper, Division of Administrative Services, with basic annual salary at the rate of \$2,960, effective the date she assumes her duties.

Transfer

Sudelle Rice, from the position of Indexing and Reference Assistant in the Office of the Secretary to the position of Training Technician in the Division of Personnel Administration, with no change in her basic annual salary at the rate of \$5,090, effective the date she assumes her new duties.

Salary increases, effective February 7, 1960

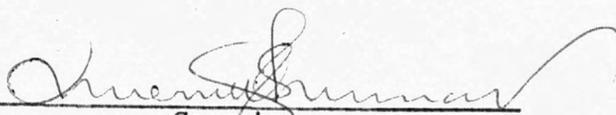
| <u>Name and title</u> | <u>Division</u> | <u>Basic annual salary</u> | |
|--|-----------------|----------------------------|-----------|
| | | <u>From</u> | <u>To</u> |
| <u>Board Members' Offices</u> | | | |
| Nancy B. Kelly, Secretary | | \$6,070 | \$6,220 |
| <u>Research and Statistics</u> | | | |
| Katharine G. Black, Statistical Assistant | | 4,490 | 4,640 |
| Eleanor J. Pratt, Research Assistant | | 4,340 | 4,490 |
| <u>International Finance</u> | | | |
| Mary V. F. Baker, Senior Clerk | | 4,490 | 4,640 |
| <u>Administrative Services</u> | | | |
| Charles E. Crowell, Chauffeur | | 4,015 | 4,110 |
| Barbara Kay, Operator, Key Punch | | 3,495 | 3,590 |
| James P. Lynch, Reservation Clerk | | 5,390 | 5,690 |
| Rebie A. Windsor, Assistant Supervisor, Motor Transport Unit (Change in title from Chauffeur) | | 3,825 | 3,970 |

1/29/60

-10-

Acceptance of resignation

Nelle Dixon Rawles, Statistical Clerk, Division of Research and Statistics, effective January 29, 1960.


Secretary

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

Item No. 1
1/29/60



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 29, 1960.

Board of Directors,
First National Bank of Jonesboro,
Jonesboro, Arkansas.

Gentlemen:

The Board of Governors of the Federal Reserve System has given consideration to your application for a specific fiduciary power and grants First National Bank of Jonesboro authority to act, when not in contravention of State or local law, as trustee for Ennis M. Cooley, Sr., beneficiary of the estate of H. M. Cooley, deceased. The exercise of such rights shall be subject to the provisions of Section 11(k) of the Federal Reserve Act and Regulation F of the Board of Governors of the Federal Reserve System.

A certificate covering such authorization is enclosed.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

Enclosure

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

Item No. 2
1/29/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



CONFIDENTIAL (FR)

January 29, 1960.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS
EXCEPT NEW YORK, ST. LOUIS, AND SAN FRANCISCO

Dear Sir:

As you know, in carrying out the program of examinations of the Federal Reserve Banks, the Board finds it necessary from time to time to augment its full-time examining staff with men borrowed from Reserve Banks. It has been customary over the years for the Division of Examinations to address a confidential letter to the President of the Reserve Bank from which men are to be borrowed, except for two Reserve Banks where the Presidents had expressed a preference that arrangements for borrowed help be handled directly with the General Auditors of their respective banks.

The Board believes that in view of the principles that make desirable the separation of the operating and auditing functions in the Reserve Banks, it is advisable that when the Board's Division of Examinations finds it necessary to request the services of Reserve Bank employees to assist on examinations, the procedure of handling the matter directly with the General Auditors of the Banks concerned should be uniformly followed.

Except in the case of the examination of the Federal Reserve Bank of New York, the men to be loaned by the Reserve Banks can usually be drawn from the staffs of the auditing departments. However, when it is necessary for the personnel to be drawn from other departments of a Bank, the General Auditor will need to consult confidentially with the President of the Bank or another official designated by the latter. It is expected that those who are of necessity made acquainted with the forward program will be aware of the need of treating the information in strictest confidence.

The Board will appreciate any cooperation you may give the General Auditor in developing whatever arrangements may be necessary within your Bank to facilitate his handling of such requests in the future. A copy of this letter is being sent to the General Auditor of your Bank.

Very truly yours,

Merritt Sherman,
Secretary.

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

Item No. 3
1/29/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 29, 1960.



CONFIDENTIAL (FR)

Mr. Arthur B. Van Buskirk,
Chairman of the Board,
Federal Reserve Bank of Cleveland,
Cleveland 1, Ohio.

Dear Mr. Van Buskirk:

This refers to your letter of January 14, 1960, enclosing three copies of an Agreement dated January 14, 1960, between your Bank and Mr. W. Braddock Hickman to provide him with a minimum retirement allowance under certain conditions.

The Board of Governors approves the Agreement as entered into between the Bank and Mr. Hickman on January 14, 1960, and the Secretary of the Board has affixed his signature in the place indicated in the Agreement.

In accordance with your request, one executed copy has been retained for the Board's files and the other two copies are returned herewith.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

Enclosures.

AGREEMENT

For and in consideration of the mutual promises of each, this Agreement is entered into between W. BRADDOCK HICKMAN and the FEDERAL RESERVE BANK OF CLEVELAND, Cleveland, Ohio.

Subject to all of the applicable provisions of law, W. BRADDOCK HICKMAN agrees to serve as an officer of the said FEDERAL RESERVE BANK as long as such service shall be mutually agreeable to the parties hereto.

For and on account of such service, said FEDERAL RESERVE BANK shall pay said W. BRADDOCK HICKMAN as follows:

(1) Said FEDERAL RESERVE BANK shall pay to said W. BRADDOCK HICKMAN a salary at the rate of \$25,000 per annum during the period ending December 31, 1960, and thereafter during his service as an officer and prior to his retirement his salary shall be as determined from time to time in accordance with applicable provisions of law;

(2) If, having attained the age of 65, said W. BRADDOCK HICKMAN shall retire with not less than 10 years of service creditable under the Retirement System of the Federal Reserve Banks, and if he is President of said FEDERAL RESERVE BANK at the time of his retirement, said FEDERAL RESERVE BANK shall pay to said W. BRADDOCK HICKMAN after such retirement and during the remainder of his lifetime an amount per annum which, together with his regular retirement allowance under the Retirement System of the

Federal Reserve Banks (without regard to optional benefits or conversion, or additional voluntary contributions), will aggregate a sum equal to 40 per cent of the annual salary being paid to him at the time of his retirement; and

(3) If, without having attained the age of 65, said W. BRADDOCK HICKMAN shall retire with not less than 10 years of service creditable under the Retirement System of the Federal Reserve Banks, and if he is President of said FEDERAL RESERVE BANK at the time of his retirement, the aggregate sum equal to 40 per cent of salary referred to in the preceding paragraph (2) shall be reduced by the application of the then current table of pension reduction factors of the Bank Plan of the Retirement System of the Federal Reserve Banks, and the portion of the aggregate that is payable by said FEDERAL RESERVE BANK shall be the difference between the dollar amount represented by such lesser percentage of salary and the regular retirement allowance payable at the attained age by said Retirement System.

This Agreement does not obligate the said W. BRADDOCK HICKMAN to remain as an officer of the said FEDERAL RESERVE BANK, and does not constitute an Agreement by the said FEDERAL RESERVE BANK or the Board of Governors of the Federal Reserve System that he will continue in such capacity; it does not obligate the said FEDERAL RESERVE BANK to appoint, reappoint, or continue him as an officer, nor does it obligate the Board

of Governors of the Federal Reserve System to approve his appointment or reappointment or his compensation.

Witness our hands and seals this 14th day of January, 1960.

W. Braddock Hickman
W. Braddock Hickman

FEDERAL RESERVE BANK OF CLEVELAND

Attest:

[Signature]
Secretary

By [Signature]
Chairman of Board of Directors

The above Agreement has been approved by the Board of Governors of the Federal Reserve System and in witness thereof, the seal of the said Board is attached and its Secretary has affixed his signature.

[Signature]
Secretary

(SEAL)

January 29, 1960
Date



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 4
1/29/60

OFFICE OF THE CHAIRMAN

January 29, 1960

The Honorable Brent Spence, Chairman,
Committee on Banking and Currency,
House of Representatives,
Washington 25, D. C.

Dear Mr. Chairman:

This refers to the request of your Committee in its report on the reserve requirements bill (S. 1120), which became Public Law 86-114, approved July 28, 1959. Briefly, that request (House Report No. 403, 86th Congress, 1st Session, p. 6) was for a report from the Board which would (1) make a comparison of the relative efficacy of this instrument with open market operations; and (2) consider possible improvements in its use as an anti-inflationary tool.

In response to your Committee's request, I am pleased to enclose herewith a copy of the Board's report. The matter has received the Board's most careful consideration, and it is hoped that the report will prove helpful to you and the members of your Committee.

Sincerely yours,

Wm. McC. Martin, Jr.

Enclosure