Minutes for February 3, 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
Gov. Szymczak
Gov. Mills
Gov. Robertson
Gov. Balderston
Gov. Shepardson
Gov. King
Minutes of the Board of Governors of the Federal Reserve System

on Wednesday, February 3, 1960. The Board met in the Special Library 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,
Mr. Molony, Assistant to the Board
Mr. Solomon, Director, Division of Examinations
Mr. Johnson, Director, Division of Personnel Administration
Mr. Hexter, Assistant General Counsel
Mr. O'Connell, Assistant General Counsel
Mr. Daniels, Assistant Director, Division of Bank Operations
Mr. Hostrup, Assistant Director, Division of Examinations
Mr. Landry, Assistant to the Secretary

Items circulated to the Board. The following items, which had been circulated to the Board and copies of which are attached to these minutes under the respective item numbers indicated, were approved unanimously:

Letter to the Federal Reserve Bank of New York approving the payment of salary to thirteen officers at the rates fixed by the Board of Directors.

Letter to the Federal Reserve Bank of New York approving the payment of salary to Madeline H. McWhinney as Manager at the rate fixed by the Board of Directors.
Memorandum dated January 26, 1960, from Mr. Solomon recommending approval by the Board of an Examiners’ Conference, including a dinner for Reserve Bank representatives and designated Board personnel, on March 28 and 29, 1960.

Amendment to Loss Sharing Agreement (Items 4 and 5). There had been received from Mr. Fulton, Chairman of the Committee on Miscellaneous Operations of the Conference of Presidents of the Federal Reserve Banks, a letter dated January 19, 1960, recommending approval of an amendment to the Loss Sharing Agreement of the Federal Reserve Banks that would (1) eliminate the reserve for registered mail losses and (2) remove the $15 million limitation on any shipment by registered mail, during 1960, from the U. S. Bullion Depository, Fort Knox, Kentucky, to one or more of the Federal Reserve Bank offices, of any or all of the $300 million in Federal Reserve notes stored in said depository on December 31, 1959.

Copies of a proposed revised agreement had been prepared and submitted to the Board and, in accordance with the procedures provided for in Section 17 of the Loss Sharing Agreement, a memorandum from Mr. Daniels dated January 27, 1960, recommended that the Board approve the agreement, after which it would be sent to all Federal Reserve Banks for approval and, upon receipt of advice by the Board that all Federal Reserve Banks had acted to approve the revised agreement, the Board would notify the Reserve Banks of that fact and the revised agreement would become effective.
The members of the Board indicated their approval of the proposed revised agreement, it being noted that the first revision would permit the closing of the reserve for registered mail losses discussed at the meetings of the Board on December 18 and 21, 1959, and the second, the application of the Loss Sharing Agreement to shipment of currency from Fort Knox, as discussed at the meeting on December 23, 1959.

Mr. Daniels then noted that the elimination of the reserve for registered mail losses, something over $11 million, would be reflected in the interest payment to the Treasury for the month in which the account was closed, and he inquired as to when the Board desired that this action be taken.

Chairman Martin suggested that as soon as the amendment to the Loss Sharing Agreement was effective, it would be appropriate to close out the reserve for registered mail losses, and there was agreement with this suggestion, with the understanding that letters would be sent to Chairman Fulton and to all Reserve Banks advising them of the Board's approval of the revised Loss Sharing Agreement. Copies of these letters are attached as Items 4 and 5.

Mr. Fauver, Assistant to the Board, then entered the meeting and Mr. Daniels withdrew at this point.

Registration requirements for corporations no longer bank holding companies (Items 6 and 7). There had been distributed a memorandum dated February 1, 1960, from Mr. O'Connell regarding the
registration requirement under the Bank Holding Company Act of 1956 for Barretville Bank & Trust Co., Barretville, Tennessee, and Allen Discount Corporation of Boulder, Colorado, corporations no longer bank holding companies. Noting that the circumstances with respect to each of these corporations had been described in the memorandum distributed to the Board, Mr. O'Connell said that the question presented was whether two unrelated corporations that at one time had been bank holding companies but had since ceased to be such should be required to file registration statements with the Board pursuant to the Bank Holding Company Act. He recalled that in September 1956, the Board had taken the position that any organization that was a bank holding company on May 9, 1956, the date the Act became law, must register even though it subsequently reduced its percentage of stock ownership so as to fall without the statutory definition of a bank holding company; but that on two more recent occasions the Board had taken the position that where it appeared that an organization previously determined to be a bank holding company had taken action whereby it no longer was a bank holding company within the meaning of section 2(a) of the Act, no action would be taken to require such organization to file a registration statement pursuant to section 5(a) of the Act. This was the position taken, he said, with respect to Republic National Bank, Dallas, Texas, and Banker's Life and Casualty Company, Chicago, Illinois. The facts presented as to both Barretville Bank and Allen Discount Corporation
reflected the absence of any willful violation of the Act and there had been prompt action by both corporations fully to comply with the Act. The facts also reflected the lack of any special circumstances that would appear to necessitate the Board's taking a position contrary to that taken in the Republic Bank and the Banker's Life matters, and the fact that Barretville Bank & Trust Co. and Allen Discount Corporation had not otherwise submitted information paralleling that to be found in a registration statement would not alone seem to justify a requirement of registration. It was Mr. O'Connell's recommendation, therefore, that no action be taken to require either corporation to file a registration statement and that no further action be taken in the matter other than to transmit an expression of the Board's position to the appropriate parties.

Governor Szymczak observed that the letter to the Barretville Bank & Trust Co. did not include a positive statement to the effect that no action would be taken to require the filing of a registration statement on behalf of the corporation under section 5(a) of the Act, whereas the letter to the Kansas City Reserve Bank regarding Allen Discount Corporation included such a statement. He suggested that it would be desirable to give the Barretville Bank a similar indication, unless there was good reason for not doing so.

Messrs. Hexter and O'Connell indicated that no harm would be caused by furnishing such information to Barretville Bank & Trust Co.
Thereupon, unanimous approval was given to the letters to Barretville Bank & Trust Co. and the Federal Reserve Bank of Kansas City in the forms attached as Items 6 and 7, with the understanding that in transmitting the letter to Barretville Bank & Trust Co. through the Federal Reserve Bank of St. Louis, an appropriate sentence would be included indicating that the Barretville Bank need not file a registration statement.

The meeting then adjourned.

Secretary’s Notes: 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

Elsie E. Anderson as Charwoman, Division of Administrative Services, at the rate of $1.57 per hour when actually employed.

Salary increase

Richard M. Westebbe, Economist, Division of International Finance, from $9,050 to $9,890 per annum, effective February 7, 1960.

Governor Shepardson also approved today on behalf of the Board the recommendation contained in a memorandum from the Division of Examinations dated February 3, 1960, that the Office of the Controller be authorized to make available for training purposes during each session of the School for Assistant Examiners sums not to exceed $10,000, with the understanding that while the currency is in use it will be under the responsibility of a person or persons specifically designated in writing by the Board’s representative on the Inter-Agency School Committee and reported to the Office of the Controller.
and with the further understanding that, when not in use and in any event at the end of the day, it will be returned to the Office of the Controller.
Mr. Alfred Hayes, President,
Federal Reserve Bank of New York,
New York 45, New York.

Dear Mr. Hayes:

The Board of Governors approves the payment of salaries to the following named officers of the Federal Reserve Bank of New York for the period January 7 through December 31, 1960, at the rates indicated, which are the rates fixed by your Board of Directors as reported in your letter of January 15, 1960:

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>Annual Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tilford C. Gaines</td>
<td>Assistant Vice President</td>
<td>$17,000</td>
</tr>
<tr>
<td>Fred W. Piderit, Jr.</td>
<td>Assistant Vice President</td>
<td>17,500</td>
</tr>
<tr>
<td>John P. Jensen</td>
<td>Manager</td>
<td>16,500</td>
</tr>
<tr>
<td>Frank W. Schiff</td>
<td>Senior Economist</td>
<td>15,000</td>
</tr>
<tr>
<td>Robert W. Stone</td>
<td>Manager and Assistant Secretary</td>
<td>14,500</td>
</tr>
<tr>
<td>Martin W. Bergin</td>
<td>Manager</td>
<td>12,500</td>
</tr>
<tr>
<td>Fred H. Klopstock</td>
<td>Manager</td>
<td>15,000</td>
</tr>
<tr>
<td>Aloysius J. Stanton</td>
<td>Manager</td>
<td>13,250</td>
</tr>
<tr>
<td>Robert C. Thoman</td>
<td>Manager</td>
<td>11,500</td>
</tr>
<tr>
<td>Thomas M. Timlen, Jr.</td>
<td>Assistant Counsel</td>
<td>11,500</td>
</tr>
<tr>
<td>Robert Young, Jr.</td>
<td>Assistant Counsel</td>
<td>11,500</td>
</tr>
<tr>
<td>Karl L. Ege</td>
<td>Assistant General Auditor</td>
<td>13,000</td>
</tr>
</tbody>
</table>

The Board also approves the payment of salary to Carl H. Madden as Manager for the period January 7 through June 30, 1960, at the rate of $14,250 per annum.

The Board notes the changes in assignments of Messrs. Palmer, Post, Pricher, and Rushmore.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.
CONFIDENTIAL (FR)

Mr. Alfred Hayes, President,
Federal Reserve Bank of New York,
New York 45, New York.

Dear Mr. Hayes:

The Board of Governors approves the payment of salary
to the following officer of the Federal Reserve Bank of New York
for the period January 21 through December 31, 1960, at the rate
indicated, which is the rate fixed by your Board of Directors as
reported in your letter of January 22, 1960:

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>Annual Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Madeline H. McWhinney</td>
<td>Manager</td>
<td>$14,000</td>
</tr>
</tbody>
</table>

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.
Each year the Board has approved the holding of a conference of representatives of Bank Examination Departments for the purpose of discussing important supervisory, examination and legal questions. The persons attending the meetings are the Vice Presidents, Assistant Vice Presidents, Chief Examiners, occasionally other representatives of the Federal Reserve Banks, and various members of the Board's staff. The most favorable dates for holding a conference this year appear to be March 28 and 29. It is proposed that a conference be held on those dates in the Board's building. Copies of an agenda would be available at a later time.

The Board has customarily approved a dinner for the Reserve Bank representatives and a list of designated Board personnel. In this connection, the Board took action on November 10, 1949, to provide such a dinner at a cost not to exceed $10 per person. If the Board approves, the dinner will be held at The Shoreham Hotel since most of the representatives of the Reserve Banks stay there, and transportation problems will be eliminated. Usually about 60 persons attend the dinner. The Board has required in the past that a list of those invited to attend the dinner be submitted for advance approval. This information will be presented to the Board at a later date.

It is recommended that the Board approve the conference to be held on the dates mentioned above and the proposed dinner.
February 3, 1960

Mr. W. D. Fulton,
Chairman, Committee on
Miscellaneous Operations,
Federal Reserve Bank of Cleveland,
Cleveland 1, Ohio.

Dear Mr. Fulton:

This refers to your letter of January 19, 1960, concerning
the proposed amendment of the Loss-Sharing Agreement of the Federal
Reserve Banks to (1) eliminate the reserve for registered mail losses
and (2) remove the $15 million limitation on any shipment by regis-
tered mail, during the year 1960, from the United States Bullion
 Depository, Fort Knox, Kentucky, to one or more of the Federal Reserve
Bank offices, of any or all of the $300 million in Federal Reserve
notes stored in said depository on December 31, 1959.

The Board has approved the proposed revisions of the Loss-
Sharing Agreement as outlined in your letter and as set forth in the
revised Agreement, copies of which have been sent to the Board by
Mr. Hodge, Chairman of the Insurance Committee.

Two copies of the revised Agreement are being sent to each
of the Federal Reserve Banks for execution. Each Reserve Bank will
then forward a duly executed counterpart original of the revised
Agreement to the Board. When executed counterparts have been received
from all the Banks, the Board will notify each Bank by wire and, as
provided in Section 17 of the Agreement, the revised Agreement will
become effective as of the date of such notice.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.
Dear Sir:

Enclosed are two copies of the Loss-Sharing Agreement as revised to (1) eliminate the reserve for registered mail losses and (2) remove the $15 million limitation on any shipment by registered mail, during the year 1960, from the United States Bullion Depository, Fort Knox, Kentucky, to one or more of the Federal Reserve Bank offices, of any or all of the $300 million in Federal Reserve notes stored in said depository on December 31, 1959.

The Board of Governors has approved the Agreement as revised. After the enclosed copies of the revised Agreement have been executed by your Bank, one of the duly executed counterpart originals should be forwarded to the Board. When executed counterparts have been received from all Federal Reserve Banks, the Board will notify your Bank by wire and, as provided in Section 17, the revised Agreement will become effective as of the date of such notice.

Very truly yours,

Merritt Sherman,
Secretary.

Enclosures 2
Mr. Paul Barret, President,  
Barretville Bank & Trust Co.,  
Barretville, Tennessee.

Dear Mr. Barret:

This refers to the question of the status of the Barretville Bank & Trust Co. as a bank holding company under section 2(a) of the Bank Holding Company Act of 1956, in relation to which status you advised the Board by letter of March 9, 1959. 1/

Your letter states that as of March 1959, the Barretville Bank & Trust Co. held in excess of 50 per cent of the capital stock of the Somerville Bank and Trust Company, Somerville, Tennessee, and 22.5 per cent of the capital stock of the First State Bank, Henderson, Tennessee, and that the Somerville Bank and Trust Company owned 11.25 per cent of the stock of the First State Bank, making a total of 33.75 per cent of the total capital stock of the First State Bank held by Barretville Bank & Trust Co. and its affiliate, the Somerville Bank and Trust Company. You state further that on the basis of the foregoing facts, the Federal Reserve Bank of St. Louis expressed the opinion that Barretville Bank & Trust Co. was in fact a bank holding company as defined in the Bank Holding Company Act of 1956 and in the Board’s Regulation Y. Subsequent to the receipt of this opinion, it appears that the Somerville Bank and Trust Company disposed of its stock of the First State Bank so that as of March 14, 1959, Barretville Bank & Trust Co. owned but 22.5 per cent of the stock of First State Bank and continued to own in excess of 50 per cent of the stock of Somerville Bank and Trust Company.

From your statement of facts, assuming no change therein as of the present time, it would appear that the circumstances no longer exist that led to the conclusion expressed by the Federal Reserve Bank of St. Louis that your bank was a bank holding company. On the basis of the information furnished the Board and, assuming that your bank

1/ This date should be March 14, 1959.
does not in any other respect fall within the definition of a bank holding company as defined in section 2(a) of the Act, the Board is of the opinion that your bank has ceased to be a bank holding company within the meaning of the Bank Holding Company Act of 1956.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.
Mr. L. F. Mills, Vice President,  
Federal Reserve Bank of Kansas City,  
Kansas City 6, Missouri.

Dear Mr. Mills:

This has reference to a letter dated May 6, 1959, from Mr. D. W. Woolley, then Vice President of the Federal Reserve Bank of Kansas City, enclosing correspondence exchanged with representatives of the Allen Discount Corporation resulting in the disclosure that the Corporation had sufficiently reduced its holdings of stock in banks so that it was no longer a bank holding company under the Bank Holding Company Act of 1956. Under the latter circumstances, Mr. Woolley inquired as to whether Allen Discount Corporation need file a registration statement as directed in the Board's letter of February 9, 1959, addressed to the Federal Reserve Bank.

As reflected by the copies of correspondence forwarded to the Board and confirmed by the letter of May 6, 1959, as of the latter date, and presumably as of the present time, Allen Discount Corporation holds 25 per cent or more of the shares of only one bank. Under these circumstances, the opinion previously expressed by the Board as to the Corporation's status as a bank holding company no longer appears applicable.

On the basis of the information furnished the Board and, assuming that the Allen Discount Corporation does not in any other respect presently fall within the definition of a bank holding company as defined in section 2(a) of the Act, the Board is of the opinion that the Corporation has ceased to be a bank holding company within the meaning of the Bank Holding Company Act of 1956. Therefore, no action will be taken to require the filing of a registration statement on behalf of the Corporation under section 5(a) of the Act.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.