

Minutes for February 5, 1960.

To: Members of the Board

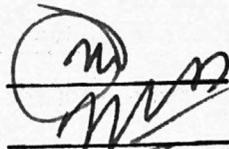
From: Office of the Secretary

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.

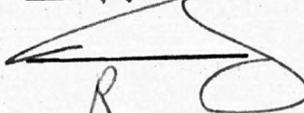
Chm. Martin



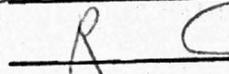
Gov. Szymczak



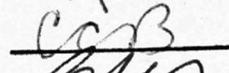
Gov. Mills



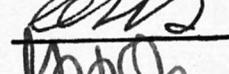
Gov. Robertson



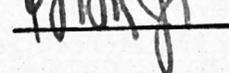
Gov. Balderston



Gov. Shepardson



Gov. King



Minutes of the Board of Governors of the Federal Reserve System  
on Friday, February 5, 1960. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary  
Mr. Kenyon, Assistant Secretary  
Mr. Young, Adviser to the Board  
Mr. Fauver, Assistant to the Board  
Mr. Hackley, General Counsel  
Mr. Noyes, Director, Division of Research and  
Statistics  
Mr. Farrell, Director, Division of Bank Operations  
Mr. Solomon, Director, Division of Examinations  
Mr. Nelson, Assistant Director, Division of  
Examinations  
Mr. Goodman, Assistant Director, Division of  
Examinations  
Mr. Landry, Assistant to the Secretary

Discount rates. The establishment without change by the Federal Reserve Banks of New York, Philadelphia, St. Louis, Chicago, and San Francisco on February 4, 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 distributed to the Board. The following items, which had been distributed to the Board and copies of which are attached to these minutes under the respective item numbers indicated, were approved unanimously:

Letter to the Bank of Russellville, Russellville,  
Arkansas, approving an investment in bank premises.

Item No.

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Item No.

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Letter to Chemical International Finance, Ltd., New York, New York, granting the Board's consent for Chemical International Finance or Chemical Overseas Finance Corporation, its wholly owned subsidiary, to purchase and hold shares of Investment Company of Nigeria Limited.

Messrs. Nelson and Goodman withdrew from the meeting and Mr. Molony, Assistant to the Board, entered the room at this point.

Record of Board policy actions for 1959. There had been distributed under date of February 2, 1960, a memorandum from the Secretary submitting for the Board's consideration a draft of the record covering policy actions taken by the Board in 1959, with the statement that, when in a form approved by the Board, the record would be incorporated in the Annual Report for 1959 pursuant to the requirement contained in the final paragraph of Section 10 of the Federal Reserve Act. It was noted in the memorandum that the proposed policy record consisted of twelve entries, that all the entries except the August 10 entry relating to termination of Regulation S, Industrial Loans by Federal Reserve Banks, were designated for inclusion in the policy record when the minutes for the respective meetings were circulated to the Board, that no items designated for inclusion in the policy record at the time of circulation had been excluded from the draft of the policy record submitted, and that no additional items were found in the minutes for the year 1959 that would appear to be eligible for inclusion in the policy record, assuming the Board desired

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to continue the same pattern of inclusion and exclusion that had been established in the past. With respect to the recording of votes, reference was made in the memorandum to the fact that during discussion of the policy record for 1956 the Board decided to show in the respective entries, along with the votes actually cast at the meeting when action was taken, a statement of the position of an absent member of the Board only if such position was recorded in the minutes in connection with an earlier reference to the matter voted upon by the Board. In this connection, the memorandum stated that the policy record entries for 1959 showed in each case the votes actually cast by members of the Board present at the respective meetings.

During the discussion that ensued, various suggestions were made with respect to improvement or clarification of the language of certain of the draft policy record entries, including suggestions for substantially revising the material describing the reasons for two of the policy actions.

The discussion included a statement by Governor Robertson that he might wish to add a paragraph to the May 1, 1959, entries relating to amendments to Regulations T, Credit by Brokers, Dealers, and Members of National Securities Exchanges, and U, Loans by Banks for the Purpose of Purchasing or Carrying Registered Stocks, in order to indicate that although he voted in favor of the amendments designed to tighten the withdrawal provisions, he would have preferred that there also be a

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tightening of the substitution provisions. The latter proposal was published in the Federal Register in March 1959 but was among the proposed amendments not adopted by the Board on May 1, 1959.

Secretary's Note: Governor Robertson subsequently informed the Secretary that he had decided against including such a statement with respect to his position.

In connection with Governor Robertson's comment, reference was made to the fact that the draft policy record entries relating to the Regulation T and U amendments had been prepared on a basis of not mentioning any of the proposals published in the Federal Register that were not subsequently adopted by the Board. It was agreed that omission of reference to the rejected proposals was appropriate and in line with the customary practice in preparing the policy record. Governor Shepardson added the comment, with which no disagreement was expressed, that the policy record would be exceedingly voluminous if the Board attempted to include all proposed amendments to its regulations and similar items that were discussed by the Board and dropped.

In further regard to the May 1, 1959, entry relating to the amendments to Regulation U, Governor King requested that the draft be corrected to record him as having refrained from voting on the amendment of section 3(a).

During the discussion the Secretary reported that Chairman Martin had indicated that it would be satisfactory from his standpoint

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to consider the policy record today in his absence, and that Governor Mills had said that the record was in satisfactory form as far as he was concerned.

With respect to the draft entry for December 18, 1959, relating to changes in the capital accounts of the Federal Reserve Banks, question was raised whether the reason cited in support of the dissenting vote of Governor Mills on the decision to maintain the surplus of the Reserve Banks at a figure equal to 100 per cent of subscribed capital adequately reflected the Governor's position, and it was understood that this point would be checked with Governor Mills.

Secretary's Note: Governor Mills subsequently informed the Secretary that he desired no change in the language of the draft entry.

Subject to the changes agreed upon in the light of this discussion, the record of Board policy actions for 1959 was then approved unanimously for inclusion in the Annual Report.

It was stated that in the future the Secretary's Office would endeavor to submit policy record entries to the Board for consideration as soon as possible following the date each policy action was taken, and the view of the Board was that such a procedure should be followed.

Annual Report of the Board for 1959. Mr. Young said that Chairman Martin had held several discussions with the staff concerning the make-up of the Annual Report of the Board for 1959 and that it was now intended to open the Report with a review of the Board's credit

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actions, followed by a section on interest rates and monetary policy, both of which would be substantially revised from preliminary drafts previously distributed to the Board members. There would follow a short section on reserve requirement legislation in 1959, with a description of the action taken by the Board to allow the counting of a portion of vault cash in reserves. This material would be followed by the policy records. He explained that the draft in the hands of the Board relating to the demand for and supply of funds had been dropped because the amount of time necessary to revise this section would make a March 15 publication date unlikely. The revised text of the Annual Report was to be distributed to the Board in galley form, and it was hoped that this could be done by the end of next week.

Governor Shepardson referred to the statement of major non-recurring expenses of the Board relating to special projects that had been incorporated in the Board's Annual Reports since 1956 and which for 1958 were found at page 103. He said that the Board's auditors, Price Waterhouse & Co., had raised the point with the Board's Controller that such a statement appeared to be part of the audit report, which was not the case. As a result of this question, he said, the Controller had asked whether the Board wished to continue this section of its Annual Report. Governor Shepardson's own reaction was that this statement should be continued since it pointed out significant special projects undertaken by the Board, often at the suggestion of other agencies of the Government or the Congress.

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It was agreed, following a discussion of this matter, to include the statement of major special project expenditures in the Annual Report for 1959, but that no reference should be made to the reasons for undertaking the special projects since that might appear, in some cases, to constitute an effort to shift the responsibility for an expenditure that the Board had justified on the merits of the case. It was agreed, also, that the style of presentation in the Annual Report should be in a form that would take into account the point raised by Price Waterhouse & Co.

Mr. Molony then withdrew from the meeting.

Deposits of municipal housing authorities under Regulation Q.

The Secretary referred to the Board's letter of January 27, 1960, to the Presidents of all Federal Reserve Banks enclosing for their information a copy of the Board's letter of the same date to the Federal Reserve Bank of New York on the question whether deposits of a municipal housing authority might be accepted as savings deposits by a member bank according to section 1(e) of Regulation Q, Payment of Interest on Deposits. The transmittal letter indicated that the reply to the New York Bank could be used in answering specific inquiries but that the text of the reply would not be published in the Federal Reserve Bulletin or the Federal Register. He said that the Public Housing Administration, which had raised the question originally in the spring of 1959, having been informed of the Board's action by Mr. Hooff of the Legal Division on February 1, 1960, had requested a copy of the

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letter to the New York Reserve Bank for distribution to its field offices for information purposes. The question, therefore, was whether the Board desired to accede to this request, with the understanding that the Public Housing Administration would be told that the letter should not be given general distribution.

A discussion of this question followed, during which Mr. Hackley observed that there were two reasons favoring giving a copy of the letter to the Public Housing Administration for the purpose stated: (1) The Board's opinion would not receive as much publicity through this channel as it would if published in the Federal Reserve Bulletin; (2) the last paragraph of the letter to the New York Reserve Bank stated "It is questionable, in the Board's opinion, whether deposits of a public housing authority, like that here involved, should be eligible for classification as savings deposits." This was a clear indication, he said, that the practice should not be encouraged, even though in one particular case the Board had reached the conclusion that Regulation Q would not prevent deposits of a municipal housing authority from being accepted as savings deposits. By having the letter, the Administration would have the complete story.

It was then agreed that the Public Housing Administration be furnished a copy of the letter to the New York Reserve Bank, with the understanding that the Board's covering letter would point out that the opinion was not published and would call attention to the last paragraph of the enclosed letter.

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Hearing on nomination of Governor King. Governor King referred to the hearing yesterday before the Senate Banking and Currency Committee on his nomination for reappointment as a member of the Board of Governors, and said that he would be glad to review the proceedings, particularly the questions raised by Senator Proxmire, to such extent as the Board might desire after the other members had had an opportunity to read the transcript of the hearing.

Messrs. Young and Noyes withdrew from the meeting at this point.

IBM 808 proof punch machines. Mr. Farrell recalled that Mr. Fulton, Chairman of the Committee on Miscellaneous Operations of the Presidents' Conference, had presented at the December 14, 1959, meeting of the Conference a report dated December 2, 1959, from the Subcommittee on Systems and Procedures concerning an offer of the International Business Machines Company to sell eight IBM 808 proof punch machines to the Reserve Banks in lieu of present rental arrangements. He noted that after the report was prepared Mr. Fulton had been informally notified of a change in procedure under which issuing post offices would punch the dollar amount into money orders as issued, resulting in a loss of usefulness of the 808 machines for the processing of such instruments. Based on this circumstance, it was the recommendation of the Committee that acceptance of the offer would not be in the best interests of the Reserve Banks.

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Mr. Farrell went on to say that the Conference had concluded that acceptance of the IBM offer should not be undertaken but that its action was without prejudice to the acquisition of such machines by any individual Reserve Bank for uses other than postal money order processing. Subsequently, he said, President Bopp of the Philadelphia Reserve Bank, in a letter to the Board dated January 18, 1960, indicated that his Bank had decided to purchase the eight IBM 808 proof punch machines presently being leased. In this letter mention was made that the purchase price of these machines was equivalent to one year's rental, and that the formula on which the contract rate for handling Post Office money orders is based would be distorted if Philadelphia reported in connection therewith a rental charge for the Bank-owned machines at the rate of 15 per cent of cost per annum, as would seem to be required by the Accounting Manual. Accordingly, Mr. Bopp requested the Board's permission to include in the formula cost estimates an amount equivalent to the present rental charges made by IBM. Mr. Farrell continued with the remark that he was reporting this to the Board for its information since President Bopp's letter to the Board had not been handled in the usual manner, that is, by draft reply. Instead, said Mr. Farrell, an informal agreement had been reached by Mr. Mangels, Chairman of the Committee on Collections and Accounting of the Presidents' Conference, Mr. Bopp and himself under which (a) the Board would make no reply to Mr. Bopp's letter of January 18 pending consideration of various aspects

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of the matter by the Subcommittee on Collections, and (b) he and Mr. Vergari of the Philadelphia Reserve Bank would present the matter to the Subcommittee during its February 2-4, 1960, meeting.

Program for Directors' Day. With reference to the Directors' Day program on Thursday, February 18, Governor Shepardson summarized a memorandum from Mr. Noyes setting forth the topics proposed for discussion by members of the Division of Research and Statistics, and it was agreed that a presentation along the lines indicated would be appropriate.

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 increases in the basic annual salaries of the following persons on the Board's staff at the rates indicated, effective February 7, 1960:

Pauline H. Major, from \$4,325 to \$4,490 per annum, with a change in title from Statistical Clerk to Statistical Assistant, Division of International Finance.

Andrew Fassino, Assistant Foreman of Laborers, Division of Administrative Services, from \$4,325 to \$4,490, per annum.

Memorandum from the Division of Personnel Administration dated February 4, 1960, recommending a new 17-Grade prevailing rate wage schedule for trades, crafts, and labor-type positions (attached Item No. 3); increases, effective February 7, 1960, in the basic annual salaries of Board employees affected by the new schedule (attached Item No. 4); and increases for the following two individuals, also effective February 7, 1960, to correct certain inequities:

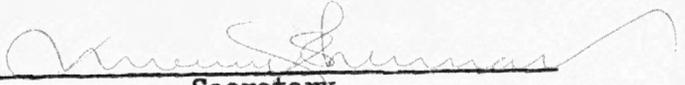
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Vincent R. Creamer, Laborer, from \$2,960 to \$3,150  
per annum

Wilbert L. Stephens, Laborer, from \$2,960 to \$3,150  
per annum.

Letter to the Federal Reserve Bank of Chicago (attached Item No. 5)  
approving the appointment of Donald D. Staver as assistant examiner.



Secretary

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

Item No. 1  
2/5/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

February 5, 1960.



Board of Directors,  
The Bank of Russellville,  
Russellville, Arkansas.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of St. Louis, the Board of Governors of the Federal Reserve System approves, under the provisions of Section 24A of the Federal Reserve Act, an investment in bank premises of \$228,269 by The Bank of Russellville, Russellville, Arkansas, for the purpose of constructing new banking quarters. This approval is in addition to \$45,000 already spent to acquire land for the new building but does not include furniture, fixtures, and fees relating thereto, as such items are not bank premises within the meaning of Section 24A. It is understood that proceeds from the sale of present banking quarters are to be applied first to the elimination of book value of those quarters and, secondly, as a reduction of book value of the new premises.

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. 2  
2/5/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

February 5, 1960.



Mr. Amos B. Foy, Executive Vice President,  
Chemical International Finance, Ltd.,  
165 Broadway,  
New York 15, New York.

Dear Mr. Foy:

In accordance with the request contained in your letter of December 4, 1959, transmitted through the Federal Reserve Bank of New York, and on the basis of the information furnished, the Board of Governors grants its consent for Chemical International Finance, Ltd. (CIF), or its wholly owned subsidiary, Chemical Overseas Finance Corporation (COFC), to purchase at a cost not to exceed £25,000 (Nigerian), approximately US\$70,000, and hold 25,000 shares, par value £1 (Nigerian), of the capital stock of Investment Company of Nigeria Limited, a company to be incorporated under the laws of Nigeria, provided such stock is acquired within one year from the date of this letter.

The Board's consent is granted upon condition that CIF and COFC shall each dispose of its holding of stock in the Nigerian corporation, as promptly as practicable, in the event that the Nigerian corporation should at any time (1) engage in issuing, underwriting, selling or distributing securities in the United States; (2) engage in the general business of buying or selling goods, wares, merchandise, or commodities in the United States or transact any business in the United States except such as is incidental to its international or foreign business, or (3) conduct its operations in a manner inconsistent with Section 25(a) of the Federal Reserve Act or regulations thereunder.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.

## BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

METROPOLITAN D. C. PREVAILING RATE WAGE SCHEDULE

## BASIC ANNUAL PAY RATES

Note: For Trades, Crafts, and Labor-type positions - not applicable to Laundry or Food Service positions.

Grade	Step 1	Step 2	Step 3	Grade	Step 1	Step 2	Step 3
1	\$2,704	\$2,850	\$2,995	9	\$5,075	\$5,346	\$5,616
2	3,078	3,245	3,411	10	5,304	5,574	5,845
3	3,453	3,640	3,827	11	5,533	5,824	6,115
4	3,806	4,014	4,222	12	5,907	6,219	6,531
5	4,181	4,410	4,638	13	6,302	6,635	6,968
6	4,410	4,638	4,867	14	6,718	7,072	7,426
7	4,618	4,867	5,117	15	7,176	7,550	7,925
8	4,867	5,117	5,366	16	7,654	8,050	8,445
				17	8,154	8,590	9,027

"In Hiring" normally occurs in Step 1. Progression to Step 2 occurs after 26 weeks of satisfactory service in Step 1. Progression to Step 3 occurs after an additional 78 weeks of satisfactory service in Step 2.

Grades 1 through 4 represent the All-Industry or "Custodial" Schedule as used by GSA, VA, and HEW in the Metropolitan D. C. Inter-Agency Plan. Grades 12 through 17 have been adjusted to make them applicable for use with Supervisory positions in the Inter-Agency Plan. Grades 5 through 11 are Army-Air Force rates as used in the Inter-Agency Plan.

Item No. 4  
2/5/60

<u>Budget Position Number</u>	<u>Employee &amp; Position</u>	<u>Present Wage Board Grade &amp; Step</u>		<u>Annual Salary Present</u>	<u>Salary Proposed</u>	<u>Amount of Increase</u>
<u>MECHANICAL FORCE</u>						
1	Young, Herbert W. Building Supt.	16	2 *	\$7,821	\$8,050	\$229
2	Lindamood, C. D. Prin. Opr. Eng.	12	3	6,344	6,531	187
3	Myers, Arthur S. Elect. - Opr. Eng.	12	3	6,344	6,531	187
4	Blash, John Carp. - Opr. Eng.	11	3	5,949	6,115	166
5	Osborne, John E. Steamfitter - Opr. Eng.	10	3	5,720	5,845	125
6	Shipp, Arad B. Gen. Mech. - Opr. Eng.	10	3	5,720	5,845	125
7	Steger, Karl J. Steamfitter - Opr. Eng.	10	3	5,720	5,845	125
<u>LABOR FORCE - PAINTERS - GARDENERS</u>						
1	Johnson, Sven Insp. - Foreman	11	3	5,949	6,115	166
2	Hopkins, Glenn B. Painter	9	3	5,491	5,616	125
3	Rabbitt, Bruce L. Painter	9	3	5,491	5,616	125
4	Mayhew, Morris Gardener	6	3	4,742	4,867	125
6	Clanton, Saul Gardener	4	3	4,098	4,222	124
					TOTAL ANNUAL COST	\$1,809
					AVERAGE PERCENTAGE OF INCREASE	2.61%

\* This salary to remain in step 2 of Grade WB-16.

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

Item No. 5  
2/5/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

February 5, 1960.

Mr. W. R. Diercks, Vice President,  
Federal Reserve Bank of Chicago,  
Chicago 90, Illinois.

Dear Mr. Diercks:

In accordance with the request contained  
in your letter of January 28, 1960, the Board approves  
the appointment of Donald D. Staver as an assistant  
examiner for the Federal Reserve Bank of Chicago.  
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.

