

Minutes for March 7, 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

(M)
MS

Gov. Szymczak

MS

Gov. Mills

[Signature]

Gov. Robertson

[Signature]

Gov. Balderston

[Signature]

Gov. Shepardson

[Signature]

Gov. King

Minutes of the Board of Governors of the Federal Reserve System
on Monday, March 7, 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. King

Mr. Sherman, Secretary
Mr. Thomas, Adviser to the Board
Mr. Young, Adviser to the Board
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. Koch, Adviser, Division of
Research and Statistics
Mr. Landry, Assistant to the Secretary
Mr. Keir, Chief, Government Finance Section,
Division of Research and Statistics

Report on money market developments. According to the understanding reached at the meeting on Friday, March 4, 1960, Messrs. Thomas and Keir reported on recent developments in the money markets with particular reference to the market for United States Government securities.

Following a discussion of this report, it was understood that a similar review would be scheduled for Board meetings on Monday of each week.

Messrs. Young, Shay, Noyes, Koch, and Keir then withdrew from the meeting and Messrs. Hackley, General Counsel, Farrell, Director, Division of Bank Operations, Solomon, Director, Division of Examinations,

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Johnson, Director, Division of Personnel Administration, Hexter, Assistant General Counsel, Daniels, Assistant Director, Division of Bank Operations, Nelson, Assistant Director, Division of Examinations, Sprecher, Assistant Director, Division of Personnel Administration, Reynolds, Economist, Division of International Finance, and Miss Hart, Assistant Counsel, entered the room.

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.

	<u>Item No.</u>
Letter to St. Joseph Agency, Incorporated, South Bend, Indiana, granting an additional extension of time through June 7, 1960, for the retention by St. Joseph Agency, Incorporated, of its general casualty insurance business, pursuant to the provisions of Section 4(a) of the Bank Holding Company Act of 1956.	1
Letter to The Honorable Xenophon Zolotas, Governor of the Bank of Greece, with respect to the availability of a member of the Board's staff to become Executive Director of the Foreign Trade Administration of the Greek Government Ministry of Commerce.	2

Amendment to Regulation U (Item No. 3). In accordance with the Board's discussion of March 4, 1960, there had been distributed a revised proposed amendment to Section 221.3(b)(1) of Regulation U relating to "carrying" along with a notice for publication in the Federal Register, that would carry out the Board's decision on March 3, 1960,

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to restore the definition of this term to the form in effect prior to June 15, 1959.

Following suggestions as to certain desirable changes in the language of the notice to be published in the Federal Register, the publication of the amendment was unanimously approved with the understanding that a press release be issued this afternoon at 3:30 p.m., E.S.T., and that a telegram be sent to all Federal Reserve Banks quoting the amendment and requesting them to print and distribute copies in the customary manner. A copy of the amendment in the form published in the Federal Register is attached as Item No. 3.

Messrs. Thomas, Molony, Fauver, and Hexter, and Miss Hart withdrew at this point.

Oklahoma City Branch building (Item No. 4). There had been circulated a memorandum dated February 29, 1960, from the Division of Bank Operations, attaching a draft letter to the Federal Reserve Bank of Kansas City, authorizing it to proceed with plans for an addition to the Oklahoma City Branch building.

Mr. Farrell recalled that, pursuant to action taken by the Board on January 5, 1960, a letter of the same date had been sent to the Federal Reserve Bank of Kansas City requesting that further consideration be given to the expansion plans for the Oklahoma City Branch, including (1) provision of the fallout shelter in a more economical way in some area normally used for operations; (2) razing the parking structure

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so that an addition could be built without the restrictions imposed by the parking structure; or (3) abandonment of the present location and construction of a building on a new site. He recalled further that the Board also proposed that a representative of the Division of Bank Operations and the Board's consulting architect, Mr. Witherell, visit Oklahoma City to discuss the situation with representatives of the Kansas City head office and the Oklahoma City Branch. Subsequently, in a letter dated February 4, 1960, the Bank submitted a new fallout shelter plan which seemed to obviate any need for Board representatives to visit the Oklahoma City Branch. Mr. Farrell explained that the new scheme located the shelter in the basement of the addition by shortening the new vault by 13-1/2 feet, lowering the basement floor under the shelter area by about 30 inches to permit a mezzanine floor in the shelter, providing a turntable in the security court, and locating the outside entrance to the shelter area on the front of the addition. He added that the proposed scheme was in line with the Office of Civil and Defense Mobilization directive that fallout shelters should preferably be provided in a dual-purpose area; that Mr. Witherell recommended that plans be developed on the basis of this scheme, and that the estimated cost of \$35,000 to \$40,000, excluding movable equipment, seemed reasonable and was in line with the \$22,000 bid for provision of fallout shelter area in the addition to the Atlanta building which presented a simpler problem.

There being no questions, unanimous approval was given to the letter to the Federal Reserve Bank of Kansas City authorizing it to

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proceed with the plans for the addition to the Oklahoma City Branch building. This letter is attached Item No. 4.

Messrs. Farrell and Daniels then withdrew from the meeting.

Application to organize a national bank at Boulder, Colorado.

There had been circulated a memorandum dated February 15, 1960, from the Division of Examinations recommending favorably with respect to an application to organize a national bank at Boulder, Colorado.

Mr. Nelson stated that the investigating examiner of the Federal Reserve Bank of Kansas City concluded that the application be considered as not altogether unfavorable and that the Division of Examinations agreed that the proposed bank to be located in the Arapahoe Village Shopping Center, one mile east of the present central business area of Boulder, would be an added convenience for the public. In view of adequacy of the capital structure of the proposed bank, the future earnings prospect, and the good general character of its proposed management, it appeared a favorable recommendation might be in order. However, Vice President Mills of the Kansas City Reserve Bank recommended that the application be denied on the basis of no apparent need for a bank at the proposed location and the presence in Boulder of ample banking facilities at present, and he reported that President Leedy and First Vice President Koppang concurred in his recommendation.

During the discussion that followed, it was brought out that there were three commercial banks in Boulder, a city of some 37,000

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population, that future development around Boulder looked promising, and that this development might be expected to take place largely in the area that would be served by the proposed new bank.

Governor Robertson stated that he considered this a borderline application. There was no question about the sponsorship of this bank or that it would be operated successfully. However, he felt that the three existing banks provided reasonably adequate service to a city of 37,000, and that no great inconvenience was resulting to persons and businesses located in the shopping center a mile east of town because of the distance to those banks. He noted that the largest of the three present banks was the sponsor of the new bank. In his judgment, there was considerable doubt as to whether the application should be approved, his reason for this view being the lack of demonstrated need for another bank.

In accordance with the usual procedure in such cases, it was agreed that the Kansas City Reserve Bank be requested to submit any additional information it desired concerning this application with an indication that the Board was considering recommending to the Comptroller of the Currency that he pass favorably on the application to organize a national bank at Boulder, Colorado.

All members of the staff except Messrs. Sherman and Landry withdrew from the meeting at this point.

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Authorization for construction of Federal Reserve Bank Branches.

Governor Balderston raised the question whether the Board should take steps to secure an increased authorization from Congress for construction of Federal Reserve Bank branches.

Chairman Martin stated reasons why, in his judgment, it would not be desirable to submit a proposal to the Congress at this time, and there was general concurrence in the Chairman's views.

Governor King stated, however, that he felt it would be unfortunate if such an authorization had not been secured by the time the Federal Reserve Banks were ready to proceed with construction of some needed branch buildings.

Margin requirements against loans on U. S. Government securities.

Governor Robertson reported on discussions held recently with Comptroller of the Currency Gidney and Mr. Wolcott, Chairman of the Federal Deposit Insurance Corporation, relative to a proposal to impose margin requirements on bank loans secured by United States Government securities. He said that the principal question concerning such a proposal remained the same as the one he had indicated to the Board at its meeting on February 10, 1960, namely, whether such a requirement should be based on contributing to soundness in banking, or whether the emphasis should be on creating a better securities market by preventing the unloading of Government securities in a falling market.

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It was understood that Governor Robertson would continue to hold conversations with Messrs. Gidney and Wolcott on this matter.

Mr. Landry withdrew from the meeting at this point.

Tax remittances to Federal Reserve Banks. Chairman Martin reported on discussions that he and Governor Balderston held on March 2, 1960, with Under Secretary of the Treasury Baird and Fiscal Assistant Secretary Heffelfinger regarding the Treasury plan advanced last June that the Federal Reserve Banks extend their depository activities as fiscal agents of the Treasury to include receipts of payments made by individuals on estimated income taxes on a quarterly instalment basis. The Chairman said that he had asked Mr. Farrell, Director of the Division of Bank Operations, to prepare a memorandum regarding this proposal and that, in the meantime, his inclination was to inform the Treasury that the Federal Reserve would prefer not to get into the position of issuing withholding tax receipts on a "retail" basis even though it is currently performing a similar function for banks and large corporations.

Appointment of director at Little Rock Branch. Governor King reported that, in conformance with the request by the Board at its meeting on February 23, 1960, he had made inquiries regarding an individual who might be considered for appointment as director of the Little Rock Branch of the Federal Reserve Bank of St. Louis.

It was understood that he would furnish Mr. Fauver, Assistant to the Board, information regarding the person he had in mind in order that

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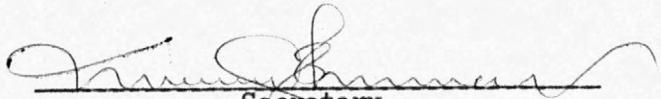
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Mr. Fauver might prepare a memorandum for distribution to the Board on this question.

Meeting with Alfred P. Sloan Foundation Fellows. Governor

Balderston stated that he had received a letter from Mr. John N. Wynne, Director of the School of Industrial Management at Massachusetts Institute of Technology, requesting that he (Governor Balderston) meet with a group of approximately 50 Alfred P. Sloan Foundation fellows who would visit Washington on Wednesday, March 30, 1960. He stated that he planned to meet with this group in Room 1202 of the Board building at 2:30 p.m. on that day.

The meeting then adjourned.


Secretary.

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

Item No. 1
3/7/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 7, 1960



Mr. Paul M. LaMar, President,
St. Joseph Agency, Inc.,
St. Joseph Bank Building,
South Bend 1, Indiana.

Dear Mr. LaMar:

This refers to the applications of St. Joseph Agency, Inc. and St. Joseph Bank and Trust Company, relating to the operation of a general casualty insurance business, requesting an additional 90-day extension of time within which St. Joseph Agency, Inc. may retain its general casualty insurance business.

Pursuant to the provisions of section 4(a) of the Bank Holding Company Act of 1956, the Board hereby grants an additional extension of time to and including June 7, 1960, for the retention by St. Joseph Agency, Inc. of its general casualty insurance business.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 2
3/7/60

OFFICE OF THE CHAIRMAN

March 7, 1960

AIR MAIL

The Honorable Xenophon E. Zolotas,
Governor,
Bank of Greece,
Athens, Greece.

Dear Governor Zolotas:

I was pleased to learn from your letter of February 17 that the Greek Government desires to appoint a member of the Board's staff, Mr. Richard M. Westebbe, to the position of Executive Director of the Foreign Trade Administration of the Greek Government Ministry of Commerce. We think highly of Mr. Westebbe here, and are delighted to think he has an opportunity to be of service to you.

The Board cannot give Mr. Westebbe a leave of absence for a period as long as two years, since our staff is not large enough to permit us to keep Mr. Westebbe's present position vacant during his absence. However, it is understood that Mr. Westebbe is willing to accept the position with the Greek Government on the basis of resigning as a member of the Board's staff. After Mr. Westebbe completes the assignment of the Ministry of Commerce, the Board of Governors will be happy to discuss with him his reemployment on the Board's staff.

The date suggested in your letter, April 1, 1960, will be satisfactory to the Board.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.

TITLE 12 - BANKS AND BANKING

CHAPTER II - FEDERAL RESERVE SYSTEM

Item No. 3
3/7/60SUBCHAPTER A - BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM

[Reg. U]

PART 221 - LOANS BY BANKS FOR THE
PURPOSE OF PURCHASING
OR CARRYING REGISTERED
STOCKS

Loans to "Carry" Registered Stocks

1. Effective March 8, 1960, paragraph (b)(1) of § 221.3 is amended to read as follows:

§ 221.3 Miscellaneous provisions.

* * * *

(b)(1) No loan, however it may be secured, need be treated as a loan for the purpose of "carrying" a stock registered on a national securities exchange unless the loan is as described in subparagraph (2) of this paragraph or the purpose of the loan is to enable the borrower to reduce or retire indebtedness which was originally incurred to purchase such a stock, or, if he be a broker or a dealer, to carry such stocks for customers.

2a. The purpose of this amendment is to restore the language of paragraph (b)(1) of section 221.3 as it stood before June 15, 1959, in order to avoid administrative problems arising under the provision that has been in effect since that date. However, the Board is concerned with evasive extensions of bank credit for the purpose of carrying registered stocks and expects banks to be alert in detecting and preventing attempts to circumvent the basic purposes of this Part.

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2b. The notice, public participation, and deferred effective date procedures described in section 4 of the Administrative Procedure Act are not followed in connection with this amendment for the reasons and good cause found as stated in paragraph (e) of § 262.2 of the Board's Rules of Procedure (Part 262 of this chapter), and specifically because in connection with this amendment such procedures are unnecessary as they would not aid the persons affected and would serve no other useful purpose.

(Sec. 23, 48 Stat. 901; 15 U.S.C. 78w. Interprets or applies secs. 2, 3, 7, 17 48 Stat. 881, 882, 886, as amended, 15 U.S.C. 78b, 78c, 78g, 78w.)

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM.

(Signed) Merritt Sherman

(SEAL)

Merritt Sherman,
Secretary.

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

Item No. 4
3/7/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 7, 1960



Mr. George H. Clay,
Vice President and General Counsel,
Federal Reserve Bank of Kansas City,
Kansas City 6, Missouri.

Dear Mr. Clay:

Reference is made to your letter of February 4, 1960,
with which you forwarded the architects' sketch showing a revised
proposal for a fallout shelter in the addition to the Oklahoma
City Branch building.

The revised proposal appears to satisfy basic
requirements and your Bank is authorized to proceed with the
plans for the addition. However, it is requested that, after
giving consideration to the comments and suggestions of
Mr. Witherell, the Board's consulting architect, revised preliminary
plans reflecting provision for fallout shelter be submitted.
Mr. Witherell's comments are being transmitted in a separate letter
from the Division of Bank Operations.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.