


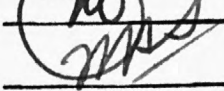
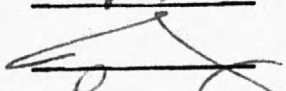
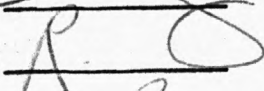
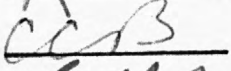
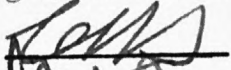
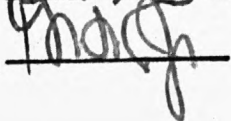
Minutes for March 17, 1960.

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, March 17, 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. Shay, Legislative Counsel
Mr. Hackley, General Counsel
Mr. Farrell, Director, Division of Bank Operations
Mr. Solomon, Director, Division of Examinations
Mr. Goodman, Assistant Director, Division of
Examinations
Mr. Hooff, Assistant Counsel

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:

	<u>Item No.</u>
Letter to The First National City Bank of New York, New York City, approving the establishment of a branch in Colon, Republic of Panama.	1
Letter to The First National City Bank of New York, New York City, approving the establishment of an additional branch in the City of Panama, Republic of Panama.	2
Letter to the Federal Reserve Bank of Cleveland expressing the opinion that gifts of merchandise costing between \$1.47 and \$3.20 in connection with a member bank's proposed savings deposit promotional program would not involve an indirect payment of interest on deposits.	3

3/17/60

-2-

Item No.

4

Letter to Senator Robertson, Chairman, Senate Banking and Currency Committee, concerning the Board's view on S. 3158, "To exempt State controlled banks belonging to the Federal Reserve System from the statutory limits on the number of their directors."

With reference to Item No. 4, Governor Mills questioned the procedure of enclosing in the letter to Senator Robertson a copy of Chairman Martin's letter of February 2, 1960, to Senator Frear, Chairman of the Senate Banking and Currency Subcommittee on Federal Reserve. After Mr. Shay indicated that the letter to Senator Robertson had been drafted in a form to enclose the February 2, 1960, letter to Senator Frear at the suggestion of Mr. Yingling, Chief of Staff of the Senate Banking and Currency Committee, it was agreed that this procedure would be satisfactory.

Call for reports of condition. It was reported that a letter dated March 16, 1960, had been received from the Comptroller of the Currency advising that a call would be made upon all national banks on March 18, 1960, for reports of condition as of the close of business Tuesday, March 15, 1960; and that, in accordance with the usual practice, a telegram had been sent by the Secretary to the Presidents of all Federal Reserve Banks on March 16 requesting that a similar call be made upon State member banks.

The action taken in sending the telegram was ratified by unanimous vote.

3/17/60

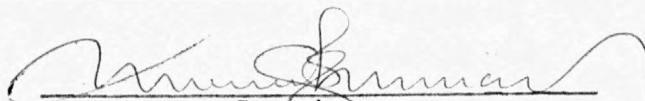
-3-

Messrs. Goodman and Hooff withdrew from the meeting and Messrs. Young, Adviser to the Board, and Noyes, Director, Division of Research and Statistics, entered the room.

Letter to Chairman Martin from a group of Senators. Chairman Martin referred to the letter addressed to him under date of March 12, 1960, signed by 21 Senators, and presenting certain suggestions as to monetary policy and its administration. He said that he had in mind sending at this time a routine acknowledgment to each of the Senators who had signed the letter, advising them that a reply would be furnished after the matters covered in the letter had been studied. There was unanimous agreement with this procedure.

A general discussion followed concerning the type of reply that would be appropriate in responding to the letter from the Senators, and it was noted that the staff was preparing a draft of reply for the consideration of the Board.

The meeting then adjourned.


Secretary

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

Item No. 1
3/17/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 17, 1960.



The First National City Bank of New York,
55 Wall Street,
New York 15, New York.

Gentlemen:

The Board of Governors of the Federal Reserve System authorizes The First National City Bank of New York, New York, New York, pursuant to the provisions of Section 25 of the Federal Reserve Act, to establish a branch in the City of Colon, Republic of Panama, at the corner of Front and Ninth Streets, Colon, and to operate and maintain such branch subject to the provisions of such Section. The location of the branch may not be changed, after establishment, without the prior approval of the Board of Governors.

Unless the branch is actually established and opened for business on or before March 1, 1961, all rights granted hereby shall be deemed to have been abandoned and the authority hereby granted will automatically terminate on that date.

It is understood that upon establishment of the Colon Branch, the branch located at 1103 Roosevelt Avenue, Cristobal, Canal Zone, will be closed. Please advise the Board of Governors, in writing, through the Federal Reserve Bank of New York, when the Colon Branch is opened for business and the Cristobal Branch closed.

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
3/17/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 17, 1960.

The First National City Bank of New York,
55 Wall Street,
New York 15, New York.

Gentlemen:

The Board of Governors of the Federal Reserve System authorizes The First National City Bank of New York, New York, New York, pursuant to the provisions of Section 25 of the Federal Reserve Act, to establish a branch on the premises of the Panama Hilton Hotel, City of Panama, Republic of Panama, and to operate and maintain such branch subject to the provisions of such Section. The location of the branch may not be changed, after establishment, without the prior approval of the Board of Governors.

Unless the branch is actually established and opened for business on or before March 1, 1961, all rights granted hereby shall be deemed to have been abandoned and the authority hereby granted will automatically terminate on that date.

Please advise the Board of Governors in writing, through the Federal Reserve Bank of New York, when the branch is established and opened for business.

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. 3
3/17/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 17, 1960.



Mr. Paul C. Stetzelberger, Vice President,
Federal Reserve Bank of Cleveland,
Cleveland 1, Ohio.

Dear Mr. Stetzelberger:

This refers to your letter of February 26, 1960, transmitting copies of correspondence between your bank and First National Bank of Meadville, Pennsylvania, requesting consideration by the Board of a savings deposit promotional program involving gifts of merchandise costing the bank between \$1.47 and \$3.20. It is understood that selection would be made by the depositor and the gift would be offered upon the opening of a new account of \$50 or more or the addition of \$50 or more to an existing account.

As you know, the Board stated in its letter of December 15, 1958 (S-1683; F.R.L.S. #6245), that the practice of giving a premium of nominal value to a new depositor at the time of the opening of a new account and not on a recurring basis would not be regarded as an indirect payment of interest. The Board also said that the same principle would apply to a premium given to an existing savings depositor during the period of a drive to promote new accounts, provided such drives are not repeated frequently and no depositor receives more than one premium during the period of the drive.

The Board is of the opinion that the cost of the gifts of merchandise here proposed may be regarded as nominal and that, in the circumstances stated, such gifts should be considered as an advertising expense rather than an indirect payment of interest.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 4
3/17/60

OFFICE OF THE CHAIRMAN

March 17, 1960.

The Honorable A. Willis Robertson,
Chairman, Committee on Banking
and Currency,
United States Senate,
Washington 25, D. C.

Dear Mr. Chairman:

This is in reply to your request of March 11, 1960, for the Board's views on the bill S. 3158, "To exempt State controlled banks belonging to the Federal Reserve System from the statutory limits on the number of their directors." The bill was introduced by Senator Frear on March 10, 1960.

Enclosed is a copy of my letter of February 2, 1960, to Senator Frear. As indicated by the last paragraph of that letter, the Board would have no objection to the enactment of S. 3158.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.

Enclosure