

Minutes for March 23, 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

WM

Gov. Szymczak

MS

Gov. Mills

RM

Gov. Robertson

CRB

Gov. Balderston

LS

Gov. Shepardson

MS

Gov. King

MS

Minutes of the Board of Governors of the Federal Reserve System

on Wednesday, March 23, 1960. The Board met in the Board Room at 9:30 a.m.

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

Mr. Sherman, Secretary
 Mr. Farrell, Director, Division of Bank
 Operations
 Mr. Solomon, Director, Division of
 Examinations
 Mr. Johnson, Director, Division of
 Personnel Administration
 Mr. Hexter, Assistant General Counsel
 Mr. Conkling, Assistant Director, Division
 of Bank Operations
 Mr. Nelson, Assistant Director, Division
 of Examinations
 Mr. Landry, Assistant to the Secretary
 Mr. Collier, Chief, Current Series Section,
 Division of Bank Operations

Discount rates. The establishment without change by the Federal Reserve Banks of Boston and Atlanta on March 21, 1960, of the rates on discounts and advances in their existing schedules was approved unani- mously, with the understanding that appropriate advice would be sent to those Banks.

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 unani- mously:

3/23/60

- | | <u>Item No.</u> |
|--|-----------------|
| Letter to the Comptroller of the Currency recommending favorably with respect to an application to organize a national bank at Moline, Illinois. | 1 |
| Letter to the Comptroller of the Currency recommending favorably with respect to an application to organize a national bank at Alvin, Texas. | 2 |
| Letter to the First State Bank of Taos, Taos, New Mexico, approving the establishment of a seasonal branch at Red River. | 3 |
| Letter to the Portland Trust Bank, Portland, Oregon, approving an extension of time to establish a branch at Pendleton. | 4 |
| Letter to the Federal Reserve Bank of St. Louis interposing no objection to the classification as savings deposits of deposits at the Fort Leonard Wood facility of the Boatmen's National Bank of St. Louis to the account of the Fort Leonard Wood Billeting Association Fund. | 5 |
| Letter to the Streator National Bank, Streator, Illinois, approving its application for fiduciary powers. | 6 |

Application to organize a national bank at Dunedin, Florida

(Item No. 7). There had been circulated to the Board a draft of letter to the Comptroller of the Currency recommending favorably with respect to an application to organize a national bank at Dunedin, Florida. In the discussion of this application, it was brought out that the proposed bank would be affiliated with the First National Bank of Dunedin, the only bank in the community, with deposits of \$19 million, and that the proposed bank would be situated approximately 2.7 miles north of the

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downtown section of Dunedin, population 10,000. Because of the prohibition against branch banking in Florida, it was apparent that the First National Bank, being unable to establish a branch to serve the area in which it already had some business, wished to organize the new bank to serve the area specified.

Governor Robertson said that despite the fact the application for the proposed national bank was dated August 12, 1959, well in advance of an application filed for a State Bank in the same area on February 19, 1960, he believed the priority rule should not be applied in this instance since approval of the national bank application would give the First National Bank of Dunedin a monopoly in the area.

The letter to the Comptroller of the Currency recommending favorably with respect to an application to organize a national bank at Dunedin, Florida, was then approved with Governor Robertson dissenting. A copy is attached as Item No. 7.

Letter to the Federal Reserve Bank of Chicago (Item No. 8).

There had been distributed copies of a draft letter to the Federal Reserve Bank of Chicago that would inform the Reserve Bank that the Board was deferring action on applications to carry reduced reserves by all banks in the \$43-\$70 million demand deposit category until standards for designation of reserve cities were established. This draft letter was accompanied by a memorandum dated March 18, 1960, from the Division of Bank Operations indicating that requests for reduced reserves

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had been received from 8 of the 11 Chicago banks with demand deposits between \$43-\$70 million referred to in the Board's letter of January 25, 1960, to the Chicago Reserve Bank. The memorandum indicated further that in the United States as a whole there are 93 banks in central reserve and reserve cities with demand deposits of \$70 million or less, located in 41 cities, that have not been granted permission to carry reduced reserves; that 56 of these 93 held demand deposits of \$43 million or less and 37 (including 11 Chicago banks) were in the \$43-\$70 million demand deposit category. If all of the 93 banks were granted permission to maintain reduced reserves, required reserves would be lowered by about \$160 million; and if all 56 with demand deposits of \$43 million or less were granted permission to maintain reduced reserves, required reserves would be lowered by about \$55 million. It was noted that required reserves had already been reduced by about \$40 million by the permissions granted to 2 banks in Miami, 2 in Washington, 1 in Milwaukee, and 42 in Chicago. The Division of Bank Operations recommended that, in addition to deferring action on the 8 Chicago applications, similar action be taken in the event applications were received from any other banks with demand deposits exceeding \$43 million and that consideration on an individual basis be given to any applications received from any of the 56 present central reserve (one in New York City) and reserve city banks (55) with demand deposits of \$43 million or less.

Mr. Conkling observed that the letter before the Board was intended to "button up" this matter as a sequel to the Board's letter of

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January 25, which was written when the Board did not have complete information on deposits and activity of Chicago banks with demand deposits of between \$43-\$70 million.

Noting that he favored both the letter to the Chicago Bank and the recommendation contained in the memorandum, Governor Mills said that he was struck by the significant release of reserves that would be involved if all 93 banks throughout the country in the \$43-\$70 million demand deposit category were granted permission to maintain reduced reserves. The reduction of reserve requirements for a rather large number of good sized banks could be a real hurdle for the Board to surmount, he said, although he believed the Board was moving in the right direction in approaching the problem of reclassifying banks for reserve purposes.

Unanimous approval was then given to a letter to the Chicago Reserve Bank in the form of attached Item No. 8.

Mr. Thomas, Adviser to the Board, entered the room during the foregoing discussion and withdrew at its conclusion along with Messrs. Conkling, Nelson, and Collier.

Letter to the Federal Reserve Bank of Cleveland (Item No. 9).

There had been circulated a draft letter to the Federal Reserve Bank of Cleveland that would approve the payment of salaries to two officers, Messrs. Schmidt and Kelly, at rates fixed by the Board of Directors. This letter, which is attached Item No. 9, was approved unanimously.

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In connection with the approval of this item, Governor Mills commented on a memorandum that had been distributed to the Board under date of March 16, 1960, from Messrs. Johnson and J. R. Farrell relating to trends in Reserve Bank salaries since 1951, prepared in accordance with the request of the Board at its meeting on December 9, 1959. He was impressed by the fact that during the period covered, salaries of classified civil service workers were up about 52 per cent while average salaries of Reserve Bank employees increased about 46 per cent. However, it appeared to him that the salary ranges at the Federal Reserve Bank of Cleveland, and perhaps at one or two other Reserve Banks, had moved up rather sharply.

Mr. Johnson commented that salaries at the Cleveland Bank lagged those of banks of comparable size 4 or 5 years ago and the Bank was now in the process of catching up. He noted that the Cleveland Bank was scheduled for a visit by Board staff members for the purpose of reviewing its personnel administration program during 1960.

The meeting then adjourned.

Secretary*s Notes: Pursuant to the recommendation contained in a memorandum dated March 16, 1960, Governor Shepardson approved on behalf of the Board on March 22, 1960, the acceptance of the resignation of Richard M. Westebbe, Economist, Division of International Finance, effective March 25, 1960.

Governor Shepardson approved today on behalf of the Board the following items:

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Memoranda from appropriate individuals concerned recommending the following actions affecting the Board's staff:

Appointments

Richard N. Thompson as Review Examiner, Division of Examinations, with basic annual salary at the rate of \$9,290, effective the date he assumes his duties, with commission as a Federal Reserve Examiner.

Carlton C. Poling as Guard, Division of Administrative Services, with basic annual salary at the rate of \$3,255, effective the date he assumes his duties.

Transfer

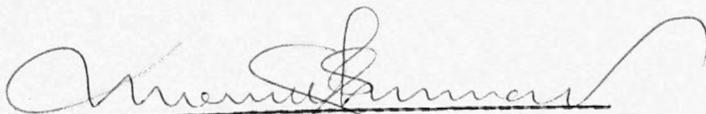
Rita D. Brinley, from the position of Secretary, Division of Administrative Services, to the position of Secretary in the Division of International Finance, with no change in basic annual salary at the rate of \$4,940, effective the date she assumes her new duties.

No. 10) Letter to the Federal Reserve Bank of Atlanta (attached Item) approving the reappointment of Richard A. Dill as assistant examiner.

No. 11) Letter to the Federal Reserve Bank of Atlanta (attached Item) approving the designation of Vincent R. Danna as special assistant examiner.

No. 12) Letter to the Federal Reserve Bank of St. Louis (attached Item) approving the appointment of William B. Hanley as assistant examiner.

Item No. 13) Letter to the Federal Reserve Bank of San Francisco (attached Item) approving the appointment of Julian Frank, Jr., as assistant examiner.


Secretary

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

Item No. 1
3/23/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 23, 1960



Comptroller of the Currency,
Treasury Department,
Washington 25, D. C.

Attention Mr. W. M. Taylor,
Deputy Comptroller of the Currency.

Dear Mr. Comptroller:

Reference is made to a letter received from your office dated December 8, 1959, enclosing copies of an application to organize a national bank at Moline, Illinois, and requesting a recommendation as to whether or not the application should be approved.

A report of investigation made by an examiner for the Federal Reserve Bank of Chicago indicates generally favorable findings with respect to each of the factors usually considered in applications of this nature. Accordingly, the Board of Governors recommends favorable consideration of the application.

The Board's Division of Examinations will be glad to discuss any aspects of this case with representatives of your office if you so desire.

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
3/23/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 23, 1960



Comptroller of the Currency,
Treasury Department,
Washington 25, D. C.

Attention Mr. G. W. Garwood,
Deputy Comptroller of the Currency.

Dear Mr. Comptroller:

Reference is made to a letter from your office dated September 1, 1959, enclosing copies of an application to organize a national bank in Alvin, Texas, and requesting a recommendation as to whether or not the application should be approved.

Information contained in a report of investigation of the application made by an examiner for the Federal Reserve Bank of Dallas indicates that the proponents plan to provide a capital structure of \$400,000 for the bank instead of \$300,000 shown in the application. This revised capital structure is regarded as adequate. The prospects for profitable operations of the bank, as well as the proposed management, are believed to be satisfactory. Based upon the information available, it appears that the area has developed sufficiently to support a second bank without adversely effecting the existing institution. Accordingly, the Board of Governors recommends favorable consideration of the application.

The Board's Division of Examinations will be glad to discuss any aspects of this case with representatives of your office if you so desire.

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
3/23/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 23, 1960

Board of Directors,
First State Bank of Taos,
Taos, New Mexico.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Kansas City, the Board of Governors approves the establishment of a seasonal branch at Red River, New Mexico, to operate from June 1 to September 15 each year, by the First State Bank of Taos, Taos, New Mexico. This approval is given provided the approval of the State authorities is effective while the seasonal branch is in operation.

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. 4
3/23/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 23, 1960

Board of Directors,
Portland Trust Bank,
Portland, Oregon.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of San Francisco, the Board of Governors extends until September 26, 1960, the time within which Portland Trust Bank may establish a branch at Pendleton, Oregon, under authority contained in the Board's letter of November 25, 1959.

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. 5
3/23/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 23, 1960



Mr. George E. Kroner, Vice President,
Federal Reserve Bank of St. Louis,
St. Louis 66, Missouri.

Dear Mr. Kroner:

This refers to your letter presenting the question whether deposits at the Fort Leonard Wood facility of the Boatmen's National Bank of St. Louis to the account of Fort Leonard Wood Billeting Association Fund may be classified as savings accounts under the definition of section 1(e) of Regulation Q.

As you know, the answer to this question does not depend upon the source of such funds but whether the funds are deposited to the credit of an organization operated primarily for religious, philanthropic, charitable, educational, fraternal or other similar purposes and not operated for profit, or in which the entire beneficial interest is held by such an organization. The use to be made of these funds is not entirely clear from the information available but upon the assumption that they are held for the benefit of members of a service organization and are used only to supplement the cost of morale, welfare, and recreational programs, no objection will be offered to their classification as savings deposits if they otherwise comply with the requirements of the definition of savings deposits.

Very truly yours,

(Signed) Kenneth A. Kenyon

Merritt Sherman,
Secretary.

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

Item No. 6
3/23/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 23, 1960



Board of Directors,
The Streator National Bank,
Streator, Illinois.

Gentlemen:

The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers and grants The Streator National Bank, Streator, Illinois, authority to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies, or other corporations which come into competition with national banks are permitted to act under the laws of the State of Illinois. 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 formal certificate indicating the fiduciary powers that your bank is now authorized to exercise will be forwarded in due course.

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. 7
3/23/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 23, 1960

Comptroller of the Currency,
Treasury Department,
Washington 25, D. C.

Attention Mr. Hollis S. Haggard,
Chief National Bank Examiner.

Dear Mr. Comptroller:

Reference is made to a letter from your office dated August 14, 1959, enclosing copies of an application to organize a national bank at Dunedin, Florida, and requesting a recommendation as to whether or not the application should be approved.

A report of investigation made by an examiner for the Federal Reserve Bank of Atlanta indicates that the organizers have agreed to provide a minimum capital structure for the bank of \$600,000 instead of \$500,000 as shown in the application. The revised capital structure appears to be adequate. In addition, the report discloses generally favorable findings with respect to future earnings prospects and proposed management. While it is reported there is no urgent need for a bank in this area, it appears that through its affiliation with the First National Bank of Dunedin, the proposed bank would acquire a satisfactory volume of business and would provide more convenient banking facilities for the area to be served. Accordingly, the Board of Governors recommends favorable consideration of the application.

The Board's Division of Examinations will be glad to discuss any aspects of this case with representatives of your office if you so desire.

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. 8
3/23/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



March 23, 1960

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

Dear Mr. Diercks:

Reference is made to the Board's letter of January 25, 1960, regarding the eleven Chicago member banks in the \$43-\$70 million demand deposit category and to the information furnished by your Bank, including the applications and recommendations on eight of these banks.

Throughout the System, there are 37 central reserve and reserve city banks in this demand deposit size category. As you know, the Board is now studying the problem of establishing standards for designation of reserve cities. It has decided that, while this study is in process and until such standards have been established, action should be deferred on applications for permission to carry reduced reserves that are received from any bank having demand deposits of \$43 million or more. You may wish to inform the applicant banks in Chicago regarding this decision.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 9
3/23/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 23, 1960

CONFIDENTIAL (FR)

Mr. W. D. Fulton, President,
Federal Reserve Bank of Cleveland,
Cleveland 1, Ohio.

Dear Mr. Fulton:

The Board of Governors approves the payment of salaries to the following officers of the Federal Reserve Bank of Cleveland assigned to the Pittsburgh Branch, for the period May 1 through December 31, 1960, at the rates indicated, which are the rates fixed by your Board of Directors as reported in your letter of March 10, 1960:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
John A. Schmidt	Cashier	\$14,000
Frederick S. Kelly	Assistant Cashier	11,000

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.



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

Item No. 10
3/23/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 23, 1960

Mr. J. E. Denmark, Vice President,
Federal Reserve Bank of Atlanta,
Atlanta 3, Georgia.

Dear Mr. Denmark:

In accordance with the request contained
in your letter of March 16, 1960, the Board approves
the reappointment of Richard A. Dill as an assistant
examiner for the Federal Reserve Bank of Atlanta,
effective April 1, 1960.

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. 11
3/23/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 23, 1960

Mr. Geo. W. Sheffer, Jr.,
Chief Examiner,
Federal Reserve Bank of Atlanta,
Atlanta 3, Georgia.

Dear Mr. Sheffer:

In accordance with the request contained in your letter of March 18, 1960, the Board approves the designation of Vincent R. Danna as a special assistant examiner for the Federal Reserve Bank of Atlanta for the purpose of participating in examinations of State member banks only.

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. 12
3/23/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 23, 1960



CONFIDENTIAL (FR)

Mr. Geo. E. Kroner, Vice President,
Federal Reserve Bank of St. Louis,
St. Louis 66, Missouri.

Dear Mr. Kroner:

In accordance with the request contained in your letter of March 18, 1960, the Board approves the appointment of William B. Hanley as an assistant examiner for the Federal Reserve Bank of St. Louis.

It is noted that Mr. Hanley is indebted to Gravois Bank, Affton, Missouri, a State member bank, in the amount of \$687.00 and to State Bank & Trust Company of Wellston, Wellston, Missouri, a nonmember bank, in the amount of \$358.22. Accordingly, the Board's approval is given with the understanding that Mr. Hanley will not participate in any examination of Gravois Bank or State Bank & Trust Company of Wellston until his indebtedness has been liquidated.

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.

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

Item No. 13
3/23/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 23, 1960

Mr. Eliot J. Swan, First Vice President,
Federal Reserve Bank of San Francisco,
San Francisco 20, California.

Dear Mr. Swan:

In accordance with the request contained in your letter of March 17, 1960, the Board approves the appointment of Julian Frank, Jr., as an assistant examiner for the Federal Reserve Bank of San Francisco. 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.