

Minutes for April 1, 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, April 1, 1960. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary
Mr. Thomas, Adviser to the Board
Mr. Shay, Legislative Counsel
Mr. Farrell, Director, Division of Bank Operations
Mr. Solomon, Director, Division of Examinations
Mr. Hexter, Assistant General Counsel
Mr. O'Connell, Assistant General Counsel
Mr. Landry, Assistant to the Secretary

Discount rates. The establishment without change by the Federal Reserve Banks of Chicago and San Francisco on March 31, 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.

Item circulated to the Board. The following item, which had been circulated to the members of the Board and a copy of which is attached to these minutes as Item No. 1, was approved unanimously:

Letter to the Maplewood Bank and Trust Company, Maplewood, Missouri, waiving the requirement of six months' notice of withdrawal from membership in the Federal Reserve System.

Order on request for hearing. Before the meeting there had been distributed a draft of order on request for hearing by BancOhio Corporation relative to its application for permission to acquire shares of The Hilliard Bank, Hilliards, Ohio, prepared pursuant to the understanding

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reached at the Board meeting on March 30, 1960. The order provided for a public hearing with reservation to the hearing officer of the right to exclude persons other than parties to the proceeding, counsel to such parties, or necessary witnesses.

Following brief discussion the order (attached Item No. 2) was unanimously approved.

Letter to Congressman Multer (Item No. 3). There had been distributed prior to the meeting a draft of reply to a letter dated March 24, 1960, from Congressman Multer regarding the reserve requirement bill enacted into law in July 1959. A number of suggestions were made for editorial changes in the wording of the proposed reply, following which unanimous approval was given to a letter in the form of attached Item No. 3.

Messrs. Molony, Assistant to the Board, and Noyes, Director, and Koch, Adviser, Division of Research and Statistics, entered the room at this point.

Letter to Senator Proxmire (Item No. 4). Chairman Martin reported that he and Mr. Thomas had received similar letters from Senator Proxmire of Wisconsin dated March 30, 1960, calling attention to a talk by Mr. Thomas on January 20, 1960, in New York City, with respect to interest rate trends and asking for comments on a speech that the Senator had made in the Senate with reference to Mr. Thomas' talk. The Chairman then read a proposed reply to Senator Proxmire that referred

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to the section in the Board's Annual Report for 1959 on pages 6 through 25 relating to "Interest Rates, Economic Activity, and Saving." The proposed reply also noted that there would be forthcoming soon the Board's reply to a letter from a group of Senators dated March 12, 1960, making certain suggestions regarding administration of credit policy. Following discussion it was decided to omit any reference to the forthcoming letter to the 21 Senators; and the Chairman's reply to Senator Proxmire in the form of attached Item No. 4 was unanimously approved.

Mr. Young, Adviser to the Board, entered the room at this point.

Procedure for handling provision of information to Justice Department on bank holding company applications. Mr. Sherman said that, pursuant to the action of the Board on January 28, 1960, a letter had been prepared informing the Department of Justice of the receipt of an application from Bank Stock Corporation of Milwaukee, Wisconsin, under section 3(a) of the Bank Holding Company Act of 1956, for approval of the acquisition of bank shares or bank assets. He noted that advice to the Justice Department ordinarily would be sent at the same time that a letter was sent to the State banking authority or the Comptroller of the Currency transmitting a copy of the application and asking advice on whether it should be approved, and he inquired whether the Board wished to have such letters of notification to the Department of Justice submitted to the Board prior to their dispatch. There was agreement with a suggestion that in the future such letters need not be brought to the

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Board's attention before being sent to the Justice Department, but it was understood that a copy thereof would be circulated among the members of the Board for their information.

New Treasury financing. Following the close of the market last evening the Treasury announced an offering to investors of a 25-year 4-1/2 per cent bond callable in 15 years for as much as \$1-1/2 billion as well as \$2 billion of a two-year one-month 4 per cent note issue to meet total borrowing requirements of between \$2-1/2 and \$3-1/2 billion. In response to a request from the Chairman, Messrs. Thomas and Koch commented on the offering. In this connection, Mr. Koch referred to steps that might be taken to prevent a recurrence of the speculation that had occurred in the Government securities market in mid-1958, a subject that had been discussed at the Board meetings on March 29 and 30, 1960. He noted that a statement accompanied the Treasury's announcement of the financing to the effect that (1) the value of "rights" might be eliminated in future refundings; (2) the Treasury does not intend to ask Congress for authority to impose margin requirements on loans against Governments; and (3) it might take administrative action to realize the same effect as a margin requirement in this area.

Testimony on S. 2755 regarding disclosure of finance charges.

Mr. Noyes referred to the forthcoming appearance of Chairman Martin before the Subcommittee on Production and Stabilization of the Senate Committee on Banking and Currency relative to S. 2755, a bill introduced by

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Senator Douglas requiring disclosure of finance charges in connection with extensions of credit. The Board's letters dated January 28, 1960, to Senator Robertson, Chairman of the Senate Banking and Currency Committee, and to Chairman Spence of the House Banking and Currency Committee had taken a position favoring the objective of the bill requiring full disclosure of interest charges on loans, but expressing belief that the Board should not be the enforcing agency should the bill become law. Mr. Noyes said that a draft of statement that was being prepared for the Chairman's use could be placed in the hands of the Board members late this afternoon.

A discussion developed relating principally to whether the Chairman should take the position in his testimony that it would be preferable to achieve the objectives sought in Senator Douglas' bill by means of a criminal statute rather than as currently specified in the bill by regulation to be administered by the Federal Reserve. During this discussion, Governor Robertson stressed the importance of not placing too much emphasis on the Board's avoiding an assignment as the enforcing agency under the proposed legislation, and Governor Balderston referred to the likelihood that other witnesses would emphasize the difficulties of codifying such a law. The discussion concluded with an observation by the Chairman that the Board's answer to any request by the Committee that the Board undertake to draw up a statute in this regard should be that the Board is not qualified to do this.

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All members of the staff then withdrew and the Board went into executive session.

Executive development program. Governor Shepardson later informed the Secretary that during the executive session he brought to the Board's attention (1) a letter dated February 5, 1960, from the White House to the Heads of Executive Departments and Agencies concerning the establishment of executive development programs in the respective departments and agencies; (2) a memorandum of February 12, 1960, from Eugene J. Lyons, Special Assistant to the President, to the Heads of Departments and Agencies relating to the development program and enclosing a memorandum on the subject from Mr. Lyons to the Civil Service Commission; and (3) a memorandum from Mr. Johnson, Director, Division of Personnel Administration, dated March 21, 1960, presenting certain information and recommendations with regard to an executive development program within the Board's organization.

Governor Shepardson stated that after consideration of the subject the Board agreed that an executive development program should be instituted as a part of the Board's Employee Training and Development Program, which was approved on September 10, 1958. The Board vested responsibility for this additional program in Governor Shepardson, as the Board member in charge of internal affairs of a managerial nature, with the understanding that he would work through the Director of the Division of Personnel Administration in the formulation and administration of the program.

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Presentation of computer developments. Governor Shepardson reported that arrangements were being made for a presentation to the Board regarding the use of the computer by Mr. Schwartz, Chief Analyst, Statistical Operations Planning, Division of Research and Statistics, and others at 10:00 a.m. on April 15, 1960.

The meeting then adjourned.

Secretary's Notes: Governor Shepardson today approved on behalf of the Board a letter to The Prudential Insurance Company of America transmitting an executed copy of a request for amendment to Group Policy No. GZ-30051 providing that dividends payable to the Board as a result of favorable claims experience under the Board's policy GZ-30051 would depend on the financial experience of the combined Federal Reserve System major medical plan and the Board's major medical plan.

Pursuant to the recommendation contained in a memorandum dated March 29, 1960, from Mr. Kelleher, Director, Division of Administrative Services, Governor Shepardson also approved today on behalf of the Board an increase in the basic annual salary of Helen M. Capozio from \$5,390 to \$5,580, with a change in title from Printing Clerk to Publications Assistant in that Division, effective April 3, 1960.


Secretary

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

Item No. 1
4/1/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 1, 1960.

Board of Directors,
Maplewood Bank and Trust Company,
Maplewood, Missouri.

Gentlemen:

The Federal Reserve Bank of St. Louis has forwarded to the Board of Governors your letters of February 10 and 15, 1960, signifying your intention to withdraw from membership in the Federal Reserve System and requesting waiver of the six months' notice of such withdrawal.

In accordance with your request, the Board of Governors waives the requirement of six months' notice of withdrawal. Upon surrender to the Federal Reserve Bank of St. Louis of the Federal Reserve Bank stock issued to your institution, such stock will be canceled and appropriate refund will be made thereon. Under the provisions of Section 10(c) of the Board's Regulation H, your institution may accomplish termination of its membership at any time within eight months from the date the notice of intention to withdraw from membership was given.

It is requested that the certificate of membership be returned to the Federal Reserve Bank of St. Louis.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Item No. 2
4/1/60

NOTICE OF ORDER ON REQUEST FOR HEARING

On February 15, 1960, the Board of Governors of the Federal Reserve System issued a Notice of Tentative Decision on the application of BancOhio Corporation, Columbus, Ohio, filed pursuant to section 3(a) of the Bank Holding Company Act of 1956, for prior approval of the acquisition of a minimum of 80 per cent of the 1,000 voting shares of The Hilliard Bank, Hilliards, Ohio. Subsequent to the issuance of the Board's Notice of Tentative Decision, Applicant filed a timely request for a hearing on this matter.

It appearing to the Board of Governors that it is appropriate in the interest of the public, as well as the Applicant, that the request for hearing be granted,

IT IS HEREBY ORDERED, That, pursuant to section 7(a) of the Board's Regulation Y [12 CFR Part 222.7(a)], promulgated under the Bank Holding Company Act of 1956, a public hearing with respect to this application be held commencing May 31, 1960, at 10 a.m., at the offices of the Federal Reserve Bank of Cleveland, 1455 East Sixth Street, Cleveland, Ohio, before a duly selected hearing officer, such hearing to be conducted in accordance with the Rules of Practice for Formal Hearings of the Board of Governors

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of the Federal Reserve System [12 CFR Part 263]. The right is reserved to the Board or such hearing officer (a) to designate any other date or place for such hearing or any part thereof if deemed necessary or appropriate, and (b) to exclude from the hearing persons other than parties to the proceeding, counsel to such parties, or necessary witnesses, during such times as evidence is being given that is held to involve information of such a nature that disclosure thereof would not be in the public interest.

IT IS FURTHER ORDERED, That the following matters will be the subject of consideration at said hearing, without prejudice to the designation by the hearing officer of additional matters considered by him to be relevant:

1. The financial history and condition of the company and the bank concerned;
2. The prospects of said company and bank;
3. The character of their management;
4. The convenience, needs, and welfare of the communities and the area concerned;
5. Whether the effect of such acquisition would be to expand the size or extent of the bank holding company system involved beyond limits consistent with adequate and sound banking, the public interest and the preservation of competition in the field of banking.

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IT IS FURTHER ORDERED, That any person desiring to give testimony or submit a statement in this proceeding should file with the Secretary of the Board on or before May 2, 1960, a written request relative thereto, setting forth the reasons for wishing to testify or submit a statement, the nature of the petitioner's interest in the proceeding, and a summary of the matters concerning which he wishes to testify or submit a statement. Such requests will be presented to the hearing officer for his determination, and persons submitting them will be notified of his decision.

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

(SEAL)

Dated April 1, 1960



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 3
4/1/60

OFFICE OF THE CHAIRMAN

April 1, 1960.

The Honorable Abraham J. Multer,
House of Representatives,
Washington 25, D. C.

Dear Mr. Multer:

This will acknowledge your letter of March 24, 1960, regarding the reserve requirement bill enacted last July.

As indicated in your letter, the law provided that the changes could be made gradually. The Board, in supporting the legislation, emphasized the necessity for a gradual process of putting the provision into effect, because it recognized that changes such as those authorized would have important and perhaps disturbing effects with respect to current monetary policies, money market developments, and competitive relationships among individual banks. For these reasons the Board believes that the changes should be made by degrees over an extended period of time, unless economic conditions should develop that would call for the release of a large volume of reserves at once.

As you know, the Board acted last November to permit member banks to count a portion of their vault cash toward meeting reserve requirements. That action, which was taken at the beginning of December when the Federal Reserve System customarily needs to make additional reserves available to the banking system in order to meet the seasonal needs of the economy, released something over \$300 million of reserves for member banks as a group and affected approximately half of the member banks of the System.

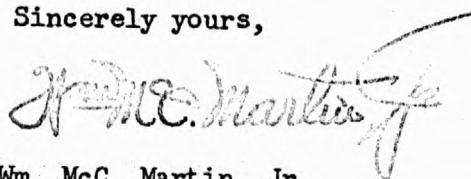
The Board has also acted to permit a considerable number of individual banks in reserve cities to carry reduced reserves, as authorized by one of the provisions of the law. These have been relatively small banks that heretofore have not been eligible for such permission because of location and that would clearly be granted that permission under any standards that might be adopted as to character of business. The determination of such standards for all member banks requires a time consuming comparative analysis of the activities of a large number of individual banks. This analysis is

The Honorable Abraham J. Multer -2-

now in process. It is a complex problem that is basic to further implementation of this legislation.

Termination of the central reserve city classification will necessarily be effective not later than July 1962. Equalization of reserve requirements for banks in reserve cities and central reserve cities may be effected at an earlier date, if the credit situation is such that this can be done without hampering appropriate credit policy.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Wm. McC. Martin, Jr.", with a long, sweeping flourish extending to the right.

Wm. McC. Martin, Jr.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 4
4/1/60

OFFICE OF THE CHAIRMAN

April 1, 1960.

The Honorable William Proxmire,
United States Senate,
Washington 25, D. C.

Dear Senator Proxmire:

Thank you for your letter of March 30, enclosing a copy of your statement on the Senate floor on March 28, concerning interest rates and referring to Mr. Thomas' address on January 20, dealing with the same subject.

Your comments and criticisms were read with interest. As I did so, however, it occurred to me that you may not have had the time to examine the material at page 6 - 25 of the Board's Annual Report for 1959 concerning "Interest Rates, Economic Activity, and Saving." I feel that this material is very relevant to the matters discussed in your statement. For your convenience, a copy of the Report is enclosed.

I understand that Mr. Thomas expects to reply in a day or so to a similar letter of March 30 which you wrote to him.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.

Enclosure