Minutes for April 6, 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 Wednesday, April 6, 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. Sherman, Secretary
Mr. Thomas, Adviser to the Board
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. Landry, Assistant to the Secretary
Mr. Eckert, Chief, Banking Section, Division of Research and Statistics
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 April 4, 1960, and by the Federal Reserve Bank of Minneapolis on April 5, 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.

There had been circulated a letter to the State Bank of Albany, Albany, New York, consenting to its proposed merger with the Saratoga National Bank of Saratoga Springs, Saratoga Springs, New York, and approving the establishment of a branch by the State Bank of Albany incident to the
proposed merger. There had also been circulated a memorandum dated March 24, 1960, from the Division of Examinations recommending approval of the merger and establishment of the branch.

Governor Robertson inquired whether the Division of Examinations would have made the same recommendation if S. 1062, a bill currently being considered by the Congress regarding the regulation of bank mergers, were in effect.

Mr. Nelson replied that the recommendation would have been the same since there was evidence that in this case merger of the Saratoga National Bank into the State Bank of Albany would benefit the public. He referred to the facts that (1) no dividends had been paid on the national bank's stock for 20 years, (2) the bank's management was on the verge of retirement, (3) there was another bank in Saratoga Springs twice as large as the Saratoga National Bank, and (4) the Saratoga National Bank does not provide trust powers, whereas the continuing bank would make such services available. Mr. Nelson went on to say that he realized that the proposed merger might not occur before enactment of S. 1062 into law, which could raise a technical question of securing views on the merger, as provided by the bill, from the Comptroller of the Currency and the Federal Deposit Insurance Corporation.

Mr. Molony, Assistant to the Board, entered the room at this point.

Governor Mills referred to the section of S. 1062 pertaining to the inclusion of "public interest" as a factor to be considered by Federal
bank supervisory agencies in approving bank mergers. His reading of the committee report on the bill suggested that public benefit was a single factor to be considered, one that ranked with convenience and needs of the community, management, capitalization, and other factors that have been considered by the Board in reaching decisions in the past. Governor Mills said it would be difficult for him to regard public benefit as something to be studied apart from the type of economic system that operates in the United States, namely, a free enterprise system. He felt that the Board should make a complete analysis of what the concept of public benefit means. If the free-enterprise concept were accepted, there should be a free choice between buyer and seller in engagements of this sort unless their implementation would be averse to the public interest. He could not believe that the public interest factor that had been developed in the proposed merger bill could be contrary to the philosophy that the Board had an obligation to uphold. He noted that Mr. Nelson had stated that the stockholders in this transaction expected to gain by the merger, and he felt that the shareholders' interest was an element that would deserve weight.

Governor Robertson said he agreed that the Board needed to consider the type of analysis of the legislation that Governor Mills suggested. Since, however, one of the steps would be for the Board to get reports from the other two Federal bank supervisory agencies, the Board's staff had already launched a study with the Comptroller's Office and the Federal
Deposit Insurance Corporation with a view to knowing what sort of information would be required in reaching conclusions under the proposed legislation.

Mr. Hackley said, in reply to a question from Governor Balderston, that during a meeting several weeks ago in the office of Mr. Cardon, Clerk of the House Banking and Currency Committee, there was a discussion of the question as to whether the Federal bank supervisory agencies should approve bank mergers only if they contributed to the public interest. He had expressed the view on that occasion that public interest encouraged free enterprise and he asked if consideration of the public interest aspect by itself could justify approval of a bank merger, to which Mr. Cardon had replied in the negative. Mr. Hackley felt that, should S. 1062 be enacted, it would be necessary for the Board to study the act carefully in the light of its legislative history in order to shed light on the question of the kinds of information that would need to be developed by the Board to carry out its responsibilities under the new law, and Mr. Solomon agreed.

Unanimous approval was then given to the letter to the State Bank of Albany consenting to its proposed merger with the Saratoga National Bank of Saratoga Springs. A copy of this letter is attached Item No. 1.

Demand deposit classification in commercial bank record automation. There had been distributed a memorandum dated March 16, 1960, from Mr. Thomas attaching a copy of a memorandum of the same date from the System
Banking and Credit Policy Committee, with accompanying material, regarding a classification of demand deposits that might be proposed as a guide to banks setting up systems of automation of record keeping. This matter had been discussed at the joint meeting of the Board and Conference of Presidents on March 22, 1960, at which time President Irons expressed the view that each Reserve Bank should be permitted to determine the extent to which it would bring to the attention of member banks the recommendations for classification of deposits.

At Chairman Martin's request, Mr. Thomas commented on the development of the classification for deposits, stating that it could be used by banks whether they were installing automation equipment or not. He also commented on proposals for industrial classification within the non-financial business categories that might be followed by banks wishing to include it in their systems. Mr. Thomas stressed the fact that the recommendations for use of the classification involved no request of banks for new statistical reporting but simply constituted an action to foster the adoption of uniform bookkeeping practices to facilitate the provision of whatever statistical information member banks might be called upon to supply.

Mr. Eckert commented on the desirability of bringing the proposed classification to the attention of banks promptly, since some had already proceeded to automate certain of their operations. Moreover, it appeared that there would be a large upswing in automation within the next few
years, and it would be helpful to banks to know at the time they were setting up their systems what statistics might be needed in the future in order that they could arrange to furnish them with minimum difficulty.

He noted that the system actions proposed were that

1. The Reserve Banks distribute to all member banks the basic deposit classification proposal as well as the supplementary proposal for industrial classification of deposits to banks adopting or considering adoption of automated bookkeeping systems.

2. System representatives approach other bank supervisory agencies, industry groups, and various news media to secure maximum publicity and acceptance for the proposals.

3. System representatives work with equipment manufacturers and other interested groups concerning the incorporation of the deposit coding proposal in technical manuals and in descriptive and sales literature.

4. The Board's staff continue to investigate the possibility of developing, in conjunction with other groups including the Bureau of the Census, an industrial classification directory that could be made available to banks.

Mr. Eckert noted that in the final analysis, it was necessary for the individual bank to make the decision as to the type of deposit classification that would best meet its own requirements, and the proposal for making available to member banks information of the type suggested was intended to help the banks as well as to assist in future development of better statistics.

There ensued a discussion regarding the procedure that might be followed concerning the staff committee recommendations, during which it was brought out that they were favored by staff representatives of all
Reserve Banks, that they had been presented to the Board and the Conference of Presidents, and that the question now was what views the Board wished to indicate to the Reserve Banks regarding their adoption. At the conclusion of the discussion, the staff was requested to prepare a draft of letter to the Presidents of all Federal Reserve Banks that would indicate that the Board favored bringing the proposed classifications to the attention of member banks, taking account of the suggestion made at the joint meeting on March 22 that the Reserve Banks have flexibility as to the means they might use in their respective districts in disseminating information regarding the classification system.

The meeting then adjourned.

Secretary's Notes: On April 5, 1960, Governor Shepardson approved on behalf of the Board a letter to the Interstate Commerce Commission requesting approval of the detail of Mr. Edward H. McMahan to the Board for a 60-day period beginning May 23, 1960, to serve as Hearing Examiner in connection with a hearing to be conducted under the Bank Holding Company Act. The terms of Mr. McMahan's detail were to be the same as those of his original detail, as set forth in the Board's letter of September 24, 1959.

Governor Shepardson also approved on behalf of the Board on April 5, 1960, the following items:

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

Transfer

Alma Davita Clift, from the position of Secretary in the Division of Bank Operations to the position of Special Assistant Federal Reserve
Examiner in the Division of Examinations, with no change in her basic annual salary at the rate of $4,340, effective April 19, 1960, and with the understanding that at the termination of her assignment with the Field Staff (one or two years), Miss Clift will return to her present position or to a similar position in some other division of the Board.

Acceptance of resignation

Winifred B. Donoho, Secretary, Division of International Finance, effective April 1, 1960.

Letters to the Federal Reserve Banks of Richmond and Chicago (attached Items 2 and 3) approving the appointment of Frank D. Stinnett, Jr., and Richard H. Shaykin as assistant examiners for the respective Reserve Banks.

Acting in the absence of Governor Shepardson, Governor Robertson today approved on behalf of the Board a letter to the Federal Reserve Bank of New York (attached Item No. 4) regarding arrangements for Richard E. Hunke of that Bank to work in the Board's Division of Examinations from April 18 to July 1, 1960.
Board of Directors,
State Bank of Albany,
Albany, New York.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of New York and subject to the circumstances described therein, the Board of Governors of the Federal Reserve System hereby gives its written consent, under the provisions of Section 18(c) of the Federal Deposit Insurance Act, to the merger of the Saratoga National Bank of Saratoga Springs, Saratoga Springs, New York, with and into the State Bank of Albany, Albany, New York, and approves the establishment of a branch by the continuing bank at 366 Broadway, Saratoga Springs, New York, incident to the merger.

This consent is given provided:

1. The merger is effected substantially in accordance with the Agreement of Merger dated February 2, 1960, and the transactions are effected within six months from the date of this letter; and

2. Shares of stock acquired from dissenting shareholders are disposed of within six months from the date of acquisition.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.
Mr. N. L. Armistead, Vice President,
Federal Reserve Bank of Richmond,
Richmond 13, Virginia.

Dear Mr. Armistead:

In accordance with the request contained in your letter of March 25, 1960, the Board approves the appointment of Frank D. Stinnett, Jr., as an assistant examiner for the Federal Reserve Bank of Richmond, effective today.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.
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 March 22, 1960, the Board approves the appointment of Richard H. Shaykin 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.
April 6, 1960.

Mr. Alfred Hayes, President,
Federal Reserve Bank of New York,
New York 45, New York.

Dear Mr. Hayes:

In accordance with the tentative arrangements made with Vice President Crosse by the Board's Division of Examinations, it is understood that your Bank will make available, for a period of approximately 11 weeks or from April 18 to July 1, the services of Mr. Richard E. Hunke, a Senior Bank Examiner for the Federal Reserve Bank of New York (formerly Assistant Chief of the Application and Records Section of your Bank Examination Department and Assistant Federal Reserve Agent at New York). While in Washington, Mr. Hunke will be assigned to the foreign banking section of the Board's Division of Examinations, but it is also hoped he will have an opportunity to become generally familiar with the work of the Division as a whole and to visit other divisions of the Board. While on assignment in Washington, Mr. Hunke will be designated as a Federal Reserve Examiner.

It is understood that the Federal Reserve Bank of New York will probably wish to absorb all of Mr. Hunke's expenses in connection with the assignment. However, if this is not entirely satisfactory to your Bank, the Board will be glad to make appropriate arrangements to reimburse the Federal Reserve Bank of New York for his salary and travel expenses, upon hearing from you.

The Board of Governors appreciates the cooperation of your Bank in making the services of Mr. Hunke available during this period.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.