Minutes for May 5, 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 Thursday, May 5, 1960. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
          Mr. Balderston, Vice Chairman
          Mr. Szymczak
          Mr. Shepardson
          Mr. King
          Mr. Sherman, Secretary
          Miss Carmichael, Assistant Secretary
          Mr. Shay, Legislative Counsel
          Mr. Hexter, Assistant General Counsel
          Mr. Williams, Associate Adviser, Division of
          Research and Statistics
          Mr. Hostrup, Assistant Director, Division of
          Examinations
          Mr. Nelson, Assistant Director, Division of
          Examinations
          Miss Dingle, Chief, Consumer Credit and Finances
          Section, Division of Research and Statistics
          Mr. Pawley, Economist, Division of Research and
          Statistics
          Mr. Collier, Chief, Current Series Section,
          Division of Bank Operations
          Mr. Massey, Chief, Reserve Bank Operations Section,
          Division of Bank Operations

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:

Letter to Eastern Trust and Banking Company,
Bangor, Maine, granting an extension of the
period of time pursuant to section 4(a) of the
Bank Holding Company Act of 1956 within which it
may retain ownership of 100 of the 500 outstanding
voting shares of Castine Water Company, Castine,
Maine.

Item No. 1
Letter to The Elizabethport Banking Company, Elizabeth, New Jersey, approving the establishment of a branch at 1145 East Jersey Street in connection with removal of the bank's main office to 135 Jefferson Avenue.

Letter to the Federal Deposit Insurance Corporation regarding the application of Normandy State Bank, Normandy, Missouri, for continuation of deposit insurance after withdrawal from membership in the Federal Reserve System.

Letter to the Presidents of all Federal Reserve Banks and the Vice Presidents in charge of the Detroit and Los Angeles Branches advising of the discontinuance of Form F. R. 577, relating to V-loans, and the substitution of Form F. R. 574.

Messrs. Hostrup, Collier, and Massey then withdrew from the meeting.

Report on H. R. 11867 relating to disclosure of finance charges.

There had been distributed a memorandum dated May 3, 1960, from Mr. Noyes regarding a request from the Chairman of the House Committee on Interstate and Foreign Commerce for a report on H. R. 11867, a bill to supplement the national policy against unfair methods of competition and unfair or deceptive acts or practices in commerce by requiring full disclosure of finance charges in connection with extensions of credit, which had been introduced by Congressman Oliver. A draft letter reporting on the bill was attached to the memorandum.

As pointed out in the memorandum, H. R. 11867 placed the responsibility for administering its provisions on the Federal Trade Commission,
while the Douglas bill (S. 2755) on which the Board had reported earlier assigned the responsibility to the Board of Governors of the Federal Reserve System.

The draft letter referred to the difference in administrative responsibility but otherwise followed the general lines of the Board's report to the Senate Banking and Currency Committee on the Douglas bill and Chairman Martin's comments on that bill before the Subcommittee on Production and Stabilization of the Banking and Currency Committee.

Governor Balderston suggested several changes in the wording of the draft letter and indicated his preference for making a self-contained report on H. R. 11867 without referring extensively to the Board's earlier report on S. 2755. He felt the report to the Committee on Interstate and Foreign Commerce should be all inclusive, although there would be no harm in enclosing a copy of the Board's report on the Douglas bill.

It was understood that the letter to the House Committee on Interstate and Foreign Commerce would be revised along the lines suggested and submitted for further consideration by the Board.

Messrs. Shay, Williams, and Nelson and Miss Dingle then withdrew from the meeting.

Authority of Federal Reserve Banks to purchase United States obligations directly from the Treasury. Chairman Martin reported that, pursuant to the discussion at the Board meeting on May 2, he had talked with Secretary of the Treasury Anderson regarding the extension of
authority of Federal Reserve Banks to purchase United States obligations directly from the Treasury and that the Treasury did not intend to request at this time permanent authority for such direct purchases.

Chairman Martin said that the Treasury Department planned to include in its request for extension of the authority comments regarding the exercise of such authority, in view of the fact that in its report on the bill at the time it was extended in 1958 the House Banking and Currency Committee requested the Treasury to study the desirability of putting criteria in the law and to submit its recommendations to the Congress before hearings were held on any further extension of the law in 1960. Reference to these criteria was made in the draft letter that Mr. Mayo, Assistant to the Secretary, Department of the Treasury, furnished with his memorandum dated April 27, 1960.

During the discussion that followed, question was raised as to the wording of the Treasury's draft letter, and Mr. Hexter was requested to study the language with a view to clarifying certain statements.

Hearings on H. R. 8516. Governor Balderston referred to the hearings on H. R. 8516, a bill to provide for the retirement of Federal Reserve Bank stock and for other purposes, which were scheduled to begin on or about June 1, 1960. He said that Governor Shepardson had suggested the advisability of individual members of the Board discussing some of the questions that were likely to arise in connection with the proposed bill. Governor Balderston suggested that an effort be made to list the questions that were likely to arise as a direct result of the proposed bill.
Governor Shepardson said he thought it would be helpful if the Board could review possible questions regarding the bill in advance of any hearings, and Chairman Martin stated that the matter would be placed on the agenda for discussion after material prepared by the staff had been distributed to the Board.

Mr. Molony, Assistant to the Board, entered the room during the foregoing discussion.

Operation Alert 1960. Chairman Martin reported on Operation Alert 1960, from which he had just returned, and on his recent participation in a civilian training program sponsored by the Department of Defense. A brief discussion of pending emergency measures followed.

The meeting then adjourned.

[Signature]

Secretary
Mr. Frederic S. Newman,
Assistant to the President,
Eastern Trust and Banking Company,
2 State Street,
Bangor, Maine.

Dear Mr. Newman:

This refers to Eastern Trust and Banking Company's application, pursuant to section 4(a) of the Bank Holding Company Act of 1956, for extension for one year from May 9, 1960, of the period within which it may retain ownership of 100 shares of Castine Water Company, Castine, Maine.

In accordance with the provisions of section 4(a) of the Act, the Board has granted the requested extension to and including May 9, 1961.

Attention is drawn to the fact that, pursuant to sections 4(a) and 4(c)(5) of the Act, by May 9, 1961, the shares of Castine Water Company owned or controlled, directly or indirectly, by your bank shall not include more than five per cent of the outstanding voting shares of the company.

It is requested that the Board be advised, through the Federal Reserve Bank of Boston, when control of the shares of the aforementioned company is reduced to the limitation which will become effective on May 9, 1961.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.
May 5, 1960

Board of Directors,
The Elizabethport Banking Company,
Elizabeth, New Jersey.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of New York, the Board of Governors of the Federal Reserve System approves the establishment of a branch by The Elizabethport Banking Company, Elizabeth, New Jersey, at 1145 East Jersey Street, Elizabeth, New Jersey, in connection with the removal of its head office from that address to its branch office located at 135 Jefferson Avenue, Elizabeth, New Jersey.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.
May 5, 1960

The Honorable Jesse P. Wolcott, Chairman,
Federal Deposit Insurance Corporation,
Washington 25, D. C.

Dear Mr. Wolcott:

Reference is made to your letter of April 18, 1960, concerning the application of the Normandy State Bank, Normandy, Missouri, for continuance of deposit insurance after withdrawal from membership in the Federal Reserve System.

No corrective programs have been urged upon the bank which the Board believes should be incorporated as conditions to the continuance of deposit insurance.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.
May 5, 1960.

Dear Sir:

Activity in Regulation V loans under the Defense Production Act of 1950 has diminished to a point where few new loans are being authorized, and statistics reflecting experience since the program was initiated are not changing significantly from month to month. It has, accordingly, been decided to discontinue the collection of most of the statistical data now being reported monthly on Form F. R. 577, and reports on Form F. R. 577 need no longer be submitted after those for the month of April.

Beginning with May 1960, a report should be submitted to the Division of Bank Operations monthly on Form F. R. 574, a sample copy of which is enclosed. (A supply of the form is being mailed separately.) The report should be forwarded, if practicable, to reach the Board's offices by the 10th of each month. A report form should be submitted each month even when no changes in loans authorized have occurred during the month.

The basis for reporting new loans and increases in existing loans on Form F. R. 574 should be the same as that previously followed in reporting on Form F. R. 577. Briefly, a new loan is one covered by a guarantee agreement issued with a new guarantee number. An increase in the maximum amount of a loan when authorized by a supplement to an outstanding agreement, the usual procedure, is not counted as a new loan, and only the amount of the increase should be reported on Form F. R. 574 in the "Increases" column.

This letter supersedes that portion of the enclosure with the Board's letter of June 17, 1954, relating to reports on Form F. R. 577 (S-1536a; F.R.L.S. #9840).

Very truly yours,

Merritt Sherman,
Secretary.

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS AND THE VICE PRESIDENTS IN CHARGE OF THE DETROIT AND LOS ANGELES BRANCHES.