

Minutes for June 2, 1960

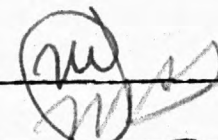
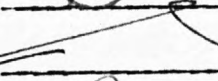
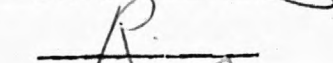
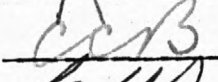
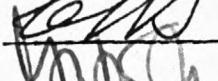
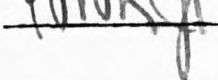

To: Members of the Board  
From: Office of the Secretary

Attached is a copy of the minutes of the Board of Governors of the Federal Reserve System on the above date.

It is proposed to place in the record of policy actions required to be kept under the provisions of Section 10 of the Federal Reserve Act an entry covering the item in this set of minutes commencing on the page and dealing with the subject referred to below:

Page 7 Approval of a discount rate of 3-1/2 per cent for the Federal Reserve Banks of Philadelphia and San Francisco; and agreement to approve the same rate for any other Federal Reserve Bank advising of the establishment of such rate.

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, June 2, 1960. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman  
Mr. Szymczak  
Mr. Mills  
Mr. Robertson  
Mr. King

Mr. Sherman, Secretary  
Mr. Thomas, Adviser to the Board  
Mr. Young, Adviser to the Board  
Mr. Shay, Legislative Counsel  
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. Conkling, Assistant Director, Division of  
Bank Operations  
Mrs. Semia, Technical Assistant, Office of  
the Secretary  
Mr. Young, Assistant Counsel  
Mr. Veenstra, Technical Assistant, Division  
of Bank Operations

Call report forms for use by State member banks (Item No. 1).

There had been distributed copies of a letter to the Presidents of all Federal Reserve Banks transmitting forms for the use of State member banks and their affiliates in submitting reports as of the next call date. In addition to the information requested on recent calls, these forms included a supplementary schedule requesting a breakdown of time deposits of individuals, partnerships, and corporations, and information concerning the maximum rates paid on savings and other time deposits. The letter also called for reports of deposits by counties from those State member banks that have out-of-county branches.

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Because of the need for these latter data in connection with applications for mergers or branches or under the Bank Holding Company Act, reporting banks were to be informed that the information was being collected with the understanding that it would be considered public information for such purposes. It was pointed out that the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation were also requesting the county deposit figures, the rates of interest paid on time and savings deposits, and the breakdown of time deposits.

After discussion, the letter was approved unanimously in the form attached hereto as Item No. 1, with the understanding that it would be sent when the forms were printed.

Request for report on H. R. 9914 (Item No. 2). In a letter dated February 2, 1960, Representative Spence, Chairman of the House Banking and Currency Committee, had requested a report from the Board on H. R. 9914, a bill "To provide that no member of the Board of Directors of the Federal Deposit Insurance Corporation shall be the Comptroller of the Currency or a member of the Board of Governors of the Federal Reserve System or members of their staff."

A memorandum from the Legal Division dated May 31, 1960, had been distributed in which it was noted that the Comptroller of the Currency had been an ex-officio member of the Board of Directors of the Federal Deposit Insurance Corporation since its organization, that no specific provision of law authorizes any member of the Board of Governors or its staff to serve on the Corporation's Board, and that the

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present law provides that no member of the Board of the Corporation shall be an officer or director of any Federal Reserve Bank. The memorandum also indicated that the Federal Deposit Insurance Corporation had submitted to the Budget Bureau a proposed report on the bill strongly opposing the removal of the Comptroller of the Currency from the Corporation's Board but making no mention of the provision of the bill concerning the Board of Governors or its staff. A copy of the proposed letter from Mr. Wolcott, Chairman of the Corporation, reporting on the bill was attached to the memorandum. The General Counsel's office of the Comptroller of the Currency had informed the Legal Division that it intended to oppose the bill strongly.

A draft of report to Chairman Spence had been distributed which would state that, while the Board had no objection to the provision of the bill forbidding members of the Board of Governors and its staff to serve on the Federal Deposit Insurance Corporation Board, the provision seemed unnecessary because none of these persons now serve and it is not contemplated that they will do so. The draft letter would also state that the Board questioned the desirability of removing the Comptroller of the Currency from the Federal Deposit Insurance Corporation Board because that Board as presently constituted promotes full coordination and cooperation on matters within the purview of the Corporation that affect both State chartered banks and national banks. An alternative draft of letter was also distributed which did not include any comment on the provision of the bill concerning the Comptroller of the Currency.

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Governor Robertson said that he did not think the Comptroller of the Currency should serve on the Federal Deposit Insurance Corporation Board for the reason that time did not permit the adequate discharge of the duties of both positions. So far as the present report was concerned, he believed that the Board should make no comment with respect to this provision of the bill.

In response to an inquiry by Chairman Martin, Mr. Shay stated that the bill was sponsored by the National Association of Supervisors of State Banks.

Governor Szymczak expressed the view that it was not necessary to prohibit members of the Board of Governors and its staff from serving on the Corporation's Board. It was pointed out that none of them has ever served on that Board, and the Federal Reserve Act requires members of the Board of Governors to devote their full time to their service as such.

Governor Mills stated that the Board was not being asked to express a philosophy as to whether the Comptroller of the Currency could afford the time to serve on the Federal Deposit Insurance Corporation Board. Since the bill was the proposal of the State bank supervisors, whose reasoning was that the Comptroller's interest and influence on the Corporation's Board was prejudicial to the dual banking system, he thought that failure to comment on the provision of the bill regarding the Comptroller would be tantamount to an indication that the Board of Governors was in accord with the position of the State bank supervisors.

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It seemed to Governor Mills that as a Federal regulatory agency the Board of Governors should align itself with the Federal Deposit Insurance Corporation and with the position the Comptroller himself presumably would take.

Mr. Hackley noted that the Board had recommended in 1935 that the Comptroller of the Currency and the Secretary of the Treasury no longer serve as ex-officio members of the Federal Reserve Board. The proposal in this bill would be of a somewhat similar nature. However, there might be good reason for retaining the Comptroller on the Federal Deposit Insurance Board, and if the Board of Governors thought that to be the case, it might wish to say so in the report.

Messrs. Molony and Fauver, Assistants to the Board, entered the room during the foregoing discussion.

Governor Robertson said that the same question had come up early in 1957 at hearings on a tentative draft of the Financial Institutions Act. One of the proposals under consideration was that the Federal Deposit Insurance Corporation be headed by a single administrator, who would have the assistance of an advisory board that would include the Chairman of the Board of Governors or his designee. Governor Robertson had testified that the Board of Governors questioned the desirability of such Federal Reserve representation on the proposed advisory board. He had declined to speak for the Board on the desirability of making the Federal Deposit Insurance Board a one-man operation, because the Board of Governors had not considered that question, but had expressed his

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personal view that he did not think that the Comptroller of the Currency ought to be a member of the Corporation's Board. He also had stated that, in his opinion, in the bank supervisory field the ideal arrangement would be to have a board make the rules and regulations so that these would reflect a variety of points of view. That board, however, should have nothing to do with carrying out the laws so far as bank supervision was concerned, and the insurance and supervisory functions would be handled by agencies headed by single administrators. Governor Robertson said that his present position, in considering the current proposal to remove the Comptroller of the Currency from the Federal Deposit Insurance Corporation Board, was that he would like to see all participation by other supervisory agencies removed from the Corporation's Board. However, it seemed to him that the Board of Governors should not express an opinion because it was not in a position to know the inner workings or problems of the deposit insurance function.

Governor Mills expressed a preference for staying close to the proposed letter. He liked Chairman Wolcott's reasoning as expressed in the proposed report on the bill by the Federal Deposit Insurance Corporation. The service of the Comptroller provides a connecting link between the national and State banking systems that helps to maintain harmony and mutual understanding. It must be remembered, he said, that the State bank supervisors had proposed one or two other measures.

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One, as he recalled, would eliminate the requirement that a State member bank ask Federal Reserve approval in establishing a branch, leaving that decision solely with the State supervisory authorities and the Federal Deposit Insurance Corporation.

Governors Szymczak and King suggested certain changes in the wording of the letter to Chairman Spence, and Chairman Martin asked Mr. Shay what likelihood there was that the bill would be considered at this session of the Congress. Mr. Shay replied that although some pressure was reportedly being exerted, there seemed little likelihood of active consideration. On the other hand, the House Banking and Currency Committee usually asks for reports on bills only when they are specifically desired.

After further discussion, the letter to Representative Spence was approved in the form attached as Item No. 2, Governor Robertson dissenting for the reasons he had stated.

Money supply. Mr. Noyes reported that preliminary estimates indicated that the money supply had declined in May, possibly by as much as a billion dollars, and this report was followed by a brief discussion of the matter.

The meeting then recessed and reconvened in the Board Room at 12:08 p.m. with the same members of the Board and Messrs. Sherman and Molony in attendance.

Discount rates. Chairman Martin stated that a telegram had been received from the Federal Reserve Bank of Philadelphia advising



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that the directors of that Bank at their meeting this morning had established a discount rate of 3-1/2 per cent (rather than 4 per cent) on discounts and advances under sections 13 and 13a of the Federal Reserve Act, subject to review and determination by the Board of Governors. The directors had also established a rate of 4 per cent on advances under section 10(b), and other rates in the Bank's existing schedule without change. After discussion it was agreed unanimously to approve the rates fixed by the directors of the Federal Reserve Bank of Philadelphia, effective June 3, 1960, with the understanding that a press release in the usual form would be issued this afternoon at 4:00 p.m., E.D.T., that all Federal Reserve Banks and branches would be advised of the Board's action by telegram, and that a notice would be published in the Federal Register.

It was also agreed unanimously that if advice should be received later that the directors of any other Federal Reserve Bank had acted to establish a discount rate of 3-1/2 per cent and other rates consistent with this pattern, the Secretary was authorized to enter approval of those actions in the minutes and procedures would be followed similar to those authorized in the case of the Philadelphia Bank.

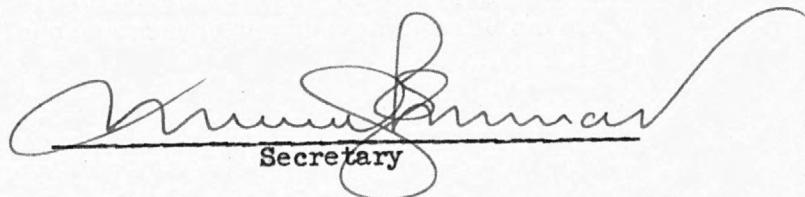
Secretary's Note: Subsequent to the meeting, a telegram was received advising that the directors of the Federal Reserve Bank of San Francisco had established a rate of 3-1/2 per cent on discounts and advances under sections 13 and 13a, a rate of 4 per cent on advances under section 10(b), and a rate

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of 4-1/2 per cent on advances to individuals, partnerships, or corporations other than member banks under the last paragraph of section 13. Accordingly, the San Francisco Bank was advised of Board approval of these rates, effective June 3, 1960. Notice of this action was included in the press release issued at 4:00 p.m. and in the telegram sent to all Federal Reserve Banks and branches, and arrangements were made for publication of a notice in the Federal Register.

The meeting then adjourned.



Secretary

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

Item No. 1  
6/2/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

June 3, 1960.



Dear Sir:

The indicated number of copies of the following forms are being forwarded to your Bank under separate cover for use of State member banks and their affiliates in submitting reports as of the next call date. A copy of each form is attached.

Number of  
copies

- Form F.R. 105 (Call No. 156), Report of conditions of State member banks.
- Form F.R. 105e (Revised November 1955), Publisher's copy of report of condition of State member banks.
- Form F.R. 105e-1 (Revised November 1955), Publisher's copy of report of condition of State member banks.
- Form F.R. 105e-2 (Revised November 1955), Publisher's copy supplement.
- Form F.R. 105fa (Revised May 1960), Schedule FA - Supplementary data on time deposits of individuals, partnerships, and corporations and maximum interest rates paid on savings and other time deposits.
- Form F.R. 220 (Revised March 1952), Report of affiliate or holding company affiliate.
- Form F.R. 220a (Revised March 1952), Publisher's copy of report of affiliate or holding company affiliate.

With the exception of form F.R. 105fa, all of the forms are the same as those used on March 15, 1960.

Supplementary Schedule FA. This schedule has been added in order to obtain from all insured commercial banks, a breakdown of time deposits of individuals, partnerships, and corporations, item 14 on the report of condition. The present Schedule FA is similar to that collected with the June 23, 1958 and June 6, 1957 calls except for the additional request for maximum rates paid on savings and other time deposits. The Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation are requesting similar information from national and insured nonmember commercial banks, respectively. This interest rate information has not been collected previously at a single date from all insured commercial banks.

The purpose of the proposed supplementary schedule is to obtain current information on the maximum rates paid by banks on savings and time deposits for use in considering the need for changes in the regulations governing maximum rates that may be paid on these deposits and on the types of deposits included in the regularly reported item and holders of these deposits.

Deposits by Counties. Continuing the program for collecting branch statistics biennially, it is requested that reports of deposits by counties be obtained from those State member banks that have out-of-county branches. As in the past, this information will be used to tabulate data to be published in the pamphlet, "Distribution of Bank Deposits by Counties and Standard Metropolitan Areas", which was last collected and published as of June 23, 1958.

Deposits by counties of individual banks have not previously been made public except as necessarily disclosed in giving aggregate figures for each county. However, this year, in view of the need for usable data regarding the distribution of deposits among different banks within each county, with respect to applications for mergers or branches or under the Bank Holding Company Act, reporting banks should be informed that this information is being collected with the understanding that it will be considered public information for such purposes.

These reports should be as of the same date as the call for reports of condition and should include the following:

1. Demand deposits of individuals, partnerships, and corporations. (Total should agree with item 13 of the report of condition.)
2. Time deposits of individuals, partnerships, and corporations. (Total should agree with item 14 of the report of condition.)

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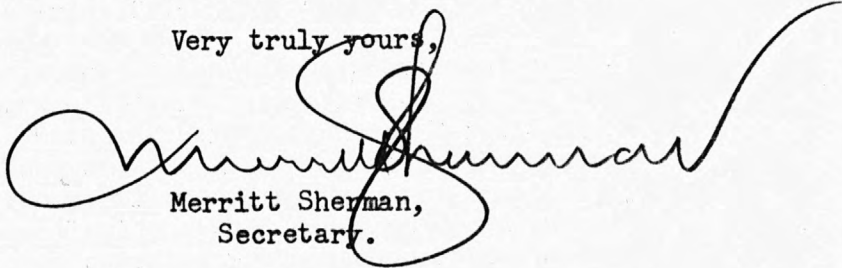
3. Other deposits. (Total should agree with items 15, 16, 17, and 18 of the report of condition.)

The banks should estimate data for counties in which they have branches that accept deposits but do not maintain separate records. Figures for each branch may be furnished, arranged by counties, in lieu of county totals but only county totals will be used in any necessary public disclosure.

The reports received from the respondent banks should be checked for reasonableness and to assure that the totals by counties are in agreement with the corresponding items on the reports of condition, and should then be forwarded to the Board. Reasonable extensions of time may be granted the member banks to prepare these reports.

Similar reports are being collected from national banks by the Comptroller of the Currency and from nonmember banks by the Federal Deposit Insurance Corporation; these data will also be considered public information for use with respect to applications for mergers or branches or under the Bank Holding Company Act. The Bureau of the Budget has approved collection of these data under Budget Bureau No. 55-R182.4.

Very truly yours,

A large, stylized handwritten signature in black ink, appearing to read 'Merritt Sherman', is written over the typed name and title.

Merritt Sherman,  
Secretary.

Enclosures

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON

Item No. 2  
6/2/60

OFFICE OF THE CHAIRMAN

June 2, 1960.

The Honorable Brent Spence,  
Chairman,  
Committee on Banking and Currency,  
House of Representatives,  
Washington 25, D. C.

Dear Mr. Chairman:

This is in response to your request of February 2, 1960, for a report on the bill, H.R. 9914, "To provide that no member of the Board of Directors of the Federal Deposit Insurance Corporation shall be the Comptroller of the Currency or a member of the Board of Governors of the Federal Reserve System or members of their staff."

The Board has no objection to the provision forbidding members of the Board of Governors and its staff from serving on the Board of Directors of the Federal Deposit Insurance Corporation. However, the Board questions the desirability of removing the Comptroller of the Currency from the FDIC Board for the reason that the FDIC Board as constituted under present law promotes coordination and cooperation on matters within the purview of the FDIC which affect both State chartered banks and national banks.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Wm. McC. Martin, Jr.", written in dark ink.

Wm. McC. Martin, Jr.