

Minutes for June 13, 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 Bank of Boston.

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	<u><i>M</i></u>
Gov. Szymczak	<u><i>MS</i></u>
Gov. Mills	<u><i>[Signature]</i></u>
Gov. Robertson	<u><i>R</i></u>
Gov. Balderston	<u><i>CCB</i></u>
Gov. Shepardson	<u><i>[Signature]</i></u>
Gov. King	<u><i>[Signature]</i></u>

Minutes of the Board of Governors of the Federal Reserve System
on Monday, June 13, 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. King

Mr. Sherman, Secretary
Mr. Thomas, Adviser to the Board
Mr. Young, Adviser to the Board
Mr. Shay, Legislative Counsel
Mr. Molony, Assistant to the Board
Mr. Fauver, Assistant to the Board
Mr. Noyes, Director, Division of Research and
Statistics
Mr. Marget, Director, Division of International
Finance
Mr. Koch, Adviser, Division of Research and
Statistics
Mr. Furth, Associate Adviser, Division of
International Finance
Mr. Hersey, Associate Adviser, Division of
International Finance
Mr. Landry, Assistant to the Secretary
Mr. Keir, Chief, Government Finance Section,
Division of Research and Statistics

Reports on money market and international developments. Messrs.

Thomas and Keir reported on the money market and changes in the money supply, and Messrs. Marget and Furth reported on recent international financial developments, with particular reference to the balance of payments position of the United States.

At the conclusion of these reports Messrs. Thomas, Shay, Marget, Furth, Hersey, and Keir withdrew and the following entered the room:

Mr. Hackley, General Counsel
Mr. Farrell, Director, Division of Bank
Operations

6/13/60

-2-

Mr. Masters, Associate Director, Division
of Examinations
Mr. Conkling, Assistant Director, Division
of Bank Operations
Mr. Hostrup, Assistant Director, Division
of Examinations
Mr. Nelson, Assistant Director, Division
of Examinations
Mr. Collier, Chief, Current Series 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:

	<u>Item No.</u>
Letter to the Federal Reserve Bank of Chicago approving the payment of salaries to the Bank's engineers and firemen at specified rates.	1
Letter to the Federal Reserve Bank of Kansas City approving the payment of salaries to two officers at the Oklahoma City Branch and one at the Omaha Branch at the respective rates fixed by the Board of Directors.	2
Letter to St. Joseph Agency, Inc., South Bend, Indiana, granting an additional extension of time, pursuant to section 4(a) of the Bank Holding Company Act of 1956, of the period within which it may continue its general casualty insurance business.	3

Report on competitive factors. There had been circulated a draft report to the Comptroller of the Currency on the competitive factors involved in the proposed consolidation of The Citizens Bank and Trust Company of Bloomington, Indiana, into the First National

6/13/60

-3-

Bank, Bloomington, Indiana, as required by section 18(c) of the Federal Deposit Insurance Act, as amended by the Act of May 13, 1960. There had also been circulated a memorandum from the Division of Examinations dated June 3, 1960, in which agreement was expressed with the conclusion of the Federal Reserve Bank of Chicago that the proposed consolidation, if approved and consummated, would probably reduce competition substantially and have a tendency towards monopoly. Accordingly, it was recommended that this report be sent to the Comptroller's Office.

Mr. Nelson said that the two banks involved were affiliated due to common ownership. Nevertheless, a certain degree of competition existed since there was no working arrangement between the two institutions. He went on to say that the proposed consolidation would eliminate the major source of potential competition for First National Bank from another commercial bank, whereas competition would be enhanced by the consummation of a reported offer from out-of-town sources to purchase control of The Citizens Bank and Trust Company.

Governor Mills stated that in his opinion the conclusions of both the Reserve Bank and the Division of Examinations were correct in this case. He foresaw a possible problem in the future, however, should the outside interests planning to purchase the State bank prove not to be a responsible group, thereby causing the Comptroller

6/13/60

-4-

of the Currency to disapprove the transaction, with the result that the ownership of the State bank would be left in unwilling hands.

Unanimous approval was then given to the report to the Comptroller of the Currency on the competitive factors involved in the proposed consolidation of The Citizens Bank and Trust Company into the First National Bank, Bloomington, Indiana. The summary and conclusions read as follows:

The proposed consolidation will combine the two largest commercial banks in Monroe County, Indiana, into one institution which would have a decided advantage competitive-wise as it would be by far the largest financial institution in the county. The consolidation, if approved and consummated, would reduce present competition, would minimize the possibility of potential competition, and would tend toward monopoly. Conversely, sale of the smaller State bank to outside interests would almost certainly result in increased competition.

Messrs. Hostrup and Nelson then withdrew and Mr. Brill, Associate Adviser, Division of Research and Statistics, entered the meeting.

Answers to questions submitted by the Commission on Money and Credit (Item No. 4). With a memorandum dated June 8, 1960, from Mr. Young, there had been distributed a package of 11 proposed answers to questions submitted to the Board by the Commission on Money and Credit on January 12, 1960. The memorandum noted that this group of answers included only those replies that had received intensive editorial review and revision by a staff group.

6/13/60

-5-

Answers to the remaining questions from the Commission were in advanced stages of preparation, it being hoped that they would be available for Board consideration around the end of this month. It was suggested in the memorandum that the Board authorize the forwarding of this first group of answers to the Commission stating that they were still to be considered as in preliminary rather than final draft. In this connection, reference was made to the fact that the Commission staff had indicated informally that answers would not be considered final until next autumn.

During a discussion of the draft answers to the 11 questions, Governor Robertson suggested the advisability of inserting a concise statement at the outset of each answer stating in summary form the substance of the answer to the question. Governor Balderston expressed a similar view, adding that the technical nature and length of the answers might discourage the Commission members and the business world from a full reading.

Mr. Young said that the questions submitted by the Commission on Money and Credit were quite technical and, in some cases at least, could not be answered in a simple fashion. He felt it important that the informed professional group that would be reading these answers get the feeling that they had been prepared in comparable terms and on a level similar to that of the questions submitted. As a possible means of meeting the points raised by Governors Robertson and Balderston, he said that, if the Board so desired, it might be possible to organize a seminar to discuss the questions to which the academic fraternity could be invited,

6/13/60

-6-

since it was from this source rather than from business groups that controversy originated.

Governor Mills said that his understanding of the nature of the assignment to the staff had been expressed by Mr. Young. He thought the answers could be paraphrased in language more digestible by the layman if and when these answers, which had been requested in confidence, were published. As to Mr. Young's suggestion for a seminar in which academic persons would participate, he thought this question should be examined closely because of the confidential nature of the questions.

Chairman Martin commented that it would be some time before the answers to these questions would be published. In reading over the draft answers he had found nothing that would disturb him should any of the statements be made public. Since the preparation of answers to all of the questions was running behind schedule, he believed it was important to get the answers to the Commission as soon as possible. As Mr. Young had noted, the letter of transmittal could make clear that the Board wished to review its answers before they were made public.

Following further discussion, transmittal of the package of 11 answers to questions submitted to the Board by the Commission on Money and Credit was authorized, with the understanding that the transmittal letter would specify that these answers were not to be published without further editing by the Board. A copy of the letter of transmittal to the Commission on Money and Credit is attached as Item No. 4.

6/13/60

-7-

The meeting then adjourned.

Secretary's Notes:

A telegram was received today advising that the directors of the Federal Reserve Bank of Boston had established, subject to the approval of the Board of Governors, a rate of 3-1/2 per cent (rather than 4 per cent) on discounts for and advances to member banks under sections 13 and 13a of the Federal Reserve Act, a rate of 4 per cent on advances under section 10(b), and a rate of 4-1/2 per cent on advances to individuals, partnerships, or corporations other than member banks under the last paragraph of section 13. Pursuant to the authority given at the meeting on June 2, 1960, the Secretary advised the Federal Reserve Bank of Boston of approval of these rates, effective June 14, 1960. All Reserve Banks and branches were notified by telegram, a press statement in the usual form was issued at 4:00 p.m., EDT, and arrangements were made for publication of a notice in the Federal Register.


Acting in the absence of Governor Shepardson, Governor Robertson today approved on behalf of the Board the following items:

Memorandum dated June 9, 1960, from Mr. Farrell, Director, Division of Bank Operations, recommending the appointment of Patricia A. Leonard as Clerk-Typist in that Division, with basic annual salary at the rate of \$3,495, effective the date of entrance upon duty.

Letters to the Federal Reserve Bank of New York (attached Items 5 and 6) approving the appointment of Frank P. Crawley as assistant examiner, and the reappointment of John T. Seguin and Frank A. Anderson as examiners.

Letter to the Federal Reserve Bank of Chicago (attached Item No. 7) approving the appointment of Lloyd J. MacDonald as examiner.

Letter to the Federal Reserve Bank of Dallas (attached Item No. 8) approving the appointment of Dale L. Bates as assistant examiner.


Secretary

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

Item No. 1
6/13/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 13, 1960



CONFIDENTIAL (FR)

Mr. H. J. Newman, Vice President,
Federal Reserve Bank of Chicago,
Chicago 90, Illinois.

Dear Mr. Newman:

The Board of Governors approves the payment of salaries by the Federal Reserve Bank of Chicago to the Bank's Engineers and Firemen at annual rates of \$6,905.60 and \$6,115.20, respectively, effective July 4, 1960, in accordance with the request contained in your letter of June 1, 1960.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 2
6/13/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 13, 1960

CONFIDENTIAL (FR)

Mr. George H. Clay,
Vice President and Secretary,
Federal Reserve Bank of Kansas City,
Kansas City 6, Missouri.

Dear Mr. Clay:

The Board of Governors approves the payment of salaries to the following officers of the Federal Reserve Bank of Kansas City for the period July 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 May 26, 1960:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
	<u>Oklahoma City Branch</u>	
H. W. Pritz	Vice President	\$15,500
F. W. Alexander	Cashier	13,600
	<u>Omaha Branch</u>	
George C. Rankin	Cashier	\$12,800

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 3
6/13/60



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 13, 1960

Mr. W. W. Brummitt, Vice President,
St. Joseph Agency, Inc.,
St. Joseph Bank Building,
South Bend 1, Indiana.

Dear Mr. Brummitt:

This refers to the application of St. Joseph Agency, Inc. and St. Joseph Bank and Trust Company, requesting an additional 60 or 90-day extension of time within which St. Joseph Agency, Inc. may continue its insurance business.

Pursuant to the provisions of section 4(a) of the Bank Holding Company Act of 1956, the Board hereby grants the requested extension of time to and including September 6, 1960.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 4
6/13/60

OFFICE OF THE CHAIRMAN

June 13, 1960

Mr. Frazar B. Wilde, Chairman,
Commission on Money and Credit,
711 Fifth Avenue,
New York 22, New York.

Dear Frazar:

In my letter of May 3, I indicated that it would be about the middle of, or late, June before we would have some of our answers to your Commission's questions ready for submission. We now have drafts of 11 of the 25 answers that we are preparing for you and I am enclosing herewith copies of them.

From discussion with the Commission's staff, we understand any submission at this time may be subject to later substantive revision if, on the basis of our own internal review and consideration, we conclude such revision to be desirable. We will keep your staff advised as to the progress we make here and whether we determine some answers to need revision.

We hope to be able to submit the balance of our draft answers to you by early July.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.

Enclosures 5

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

Item No. 5
6/13/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 13, 1960



CONFIDENTIAL (FR)

Mr. Howard D. Crosse, Vice President,
Federal Reserve Bank of New York,
New York 45, New York.

Dear Mr. Crosse:

In accordance with the request contained in your letter of June 7, 1960, the Board approves the appointment of Frank P. Crawley as an assistant examiner for the Federal Reserve Bank of New York. Please advise as to the date on which the appointment is made effective.

It is noted that Mr. Crawley is indebted to The National State Bank of Newark, Newark, New Jersey, in the amount of \$92. Accordingly, the Board's approval of Mr. Crawley's appointment is given with the understanding that he will not participate in examinations of that bank until his indebtedness has been liquidated.

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. 6
6/13/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 13, 1960



Mr. John F. Pierce, Chief Examiner,
Federal Reserve Bank of New York,
New York 45, New York.

Dear Mr. Pierce:

In accordance with the request contained in your letter of June 6, 1960, the Board approves the reappointment of John T. Seguin and Frank A. Anderson, at present special examiners, as examiners for the Federal Reserve Bank of New York, effective June 16 and June 30, respectively. The authorizations heretofore given your bank to designate Messrs. Seguin and Anderson as special examiners are hereby canceled. Please advise as to the salary rates.

It is noted that Richard J. Pflieger and John J. Cooney are to be transferred on June 16 and June 30, respectively, to the Bank Relations Department for a rotational training period of approximately 12 to 18 months, and that their commissions as examiners for your Bank are to be retained.

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
6/13/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 13, 1960

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 June 1, 1960, the Board approves the appointment of Lloyd J. MacDonald as an 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.



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

Item No. 8
6/13/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 13, 1960

Mr. L. G. Pondrom, Vice President,
Federal Reserve Bank of Dallas,
Dallas 2, Texas.

Dear Mr. Pondrom:

In accordance with the request contained in your letter of June 8, 1960, the Board approves the appointment of Dale L. Bates as an assistant examiner for the Federal Reserve Bank of Dallas, effective today.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.