

Minutes of the Board of Governors of the Federal Reserve System
on Wednesday, June 15, 1960. The Board met in the Board Room at 9:30 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Balderston, Vice Chairman
Mr. Szymczak 1/
Mr. Mills 1/
Mr. Robertson
Mr. King

Mr. Sherman, Secretary
Mr. Shay, Legislative Counsel
Mr. Hackley, General Counsel
Mr. Harris, Coordinator, Office of Defense
Planning
Mr. Farrell, Director, Division of Bank Operations
Mr. Masters, Associate Director, Division of
Examinations
Mr. Hexter, Assistant General Counsel
Mr. Nelson, Assistant Director, Division of
Examinations
Mr. Benner, Assistant Director, Division of
Examinations
Mr. Smith, Assistant Director, Division of
Examinations
Mr. Landry, Assistant to the Secretary
Mr. Hooff, Assistant Counsel
Mr. Potter, Legal Assistant

Items circulated to the Board. The following items, which had
been circulated 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 First National City Bank of New York, New York City, approving a change in location of the bank's branch in Valparaiso, Chile, from Calle Prat 772 to Calle Prat 828.	1

1/ Withdrew from meeting at point indicated in minutes.

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	<u>Item No.</u>
Letter to the Bank of Delaware, Wilmington, Delaware, approving the establishment of a branch in the Midway Shopping Center, Mill Creek Hundred, New Castle County.	2
Letter to The Lorain County Savings & Trust Company, Elyria, Ohio, approving an extension of time to establish a branch at Broad and Williams Streets.	3
Letter to the Bank of Encino, Los Angeles, California, approving the establishment of a branch in the Canoga Park section of Los Angeles.	4
Letter to the Wells Fargo Bank American Trust Company, San Francisco, California, approving an extension of time to establish a branch in the Sacramento Redevelopment Area Shopping Center.	5
Letter to The First National Bank of Wellsborough, Wellsboro, Pennsylvania, approving its application for fiduciary powers.	6
Letter to the Presidents of all Federal Reserve Banks regarding the inclusion of information with respect to advisory directors in reports of examination of State member banks. (Prepared in accordance with the understanding at the Board meeting on April 26, 1960.)	7

With reference to Item No. 3, a letter to The Lorain County Savings & Trust Company, Elyria, Ohio, approving an extension of time to establish a branch at Broad and Williams Streets, Governor Robertson observed that were it not for the fact the Superintendent of Banks for the State of Ohio had laid down a condition for increasing the bank's capital as a prerequisite for granting an extension until October 30, 1960, of the time for completing the bank's building program, he would

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vote to deny the permission requested from the Board because he believed the bank's capital was inadequate.

Telegram to the Chicago Reserve Bank regarding dividends payable by a member bank (Item No. 8). There had been distributed a draft of wire to the Federal Reserve Bank of Chicago that would grant a member bank permission to pay dividends payable June 15, 1960, in the amount of \$18,000. Mr. Masters said that a telegram dated June 13, 1960, had been received from the Chicago Reserve Bank recommending that the Board grant permission to The Manistee County Savings Bank, Manistee, Michigan, to pay a regular semiannual dividend of \$18,000, on June 15, 1960. This dividend had been declared by the member bank, which was unaware that such a declaration was prohibited by section 5199 of the Revised Statutes, because the total of dividends declared by the bank thus far in 1960 would exceed the total of its net profits of the year to date combined with its retained net profits of the preceding two years.

Mr. Masters referred to the fact that the applicant bank had suffered a net reduction in capital structure for the period January 1, 1958, to date of examination of April 18, 1960, of about \$158,000, principally because it had taken bond losses for 1959 and 1960 to date of examination. He noted that the draft wire requested that the member bank reply to the Board's suggestion that consideration be given to increasing the bank's capital through sale of common stock before the declaration of another dividend.

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A telegram to the Chicago Reserve Bank approving the payment of the regular semiannual dividend of \$18,000 on June 15 by The Manistee County Savings Bank was then unanimously approved. A copy of the telegram is attached to these minutes as Item No. 8.

Reports on competitive factors. There had been distributed a memorandum from the Division of Examinations dated June 10, 1960, attaching a report to the Federal Deposit Insurance Corporation, as well as two additional memoranda dated June 13, 1960, from the same Division also attaching reports on the competitive factors involved in the proposed mergers or consolidation of certain banks as required under section 18(c) of the Act of September 21, 1950, as amended by the Act of May 13, 1960, (Public Law 86-463) relating to bank mergers, absorptions, and consolidations.

Unanimous approval was given to the report to the Federal Deposit Insurance Corporation on the proposed merger of the Waxhaw Banking and Trust Company, Waxhaw, North Carolina, with and into the American Bank and Trust Company, Monroe, North Carolina, which stated, in part:

The proposed merger would consolidate a small bank in a rural community with a much larger institution which would offer a broader range of services and greater lending capacity. Because of the availability of other banking facilities not too far distant from Waxhaw and the fact that an additional banking unit will soon be established in Monroe which will have a larger lending limit than the merged bank, it is felt that the proposed merger would have little effect on the competitive situation in the area served.

With respect to the two remaining reports to the Comptroller of the Currency on competitive factors, namely those relating to a proposed consolidation of The First National Bank and Trust Company in Steubenville,

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Ohio, and The Peoples Bank of Tiltonville, Tiltonville, Ohio, and the proposed merger of The First National Bank of Bath, Bath, Maine, and The Thomaston National Bank, Thomaston, Maine, with and into First National Bank of Portland, Portland, Maine, Governor Robertson raised a question as to the form in which the conclusions were stated. He was especially concerned that the Board, in submitting these reports to the other Federal bank supervisory agencies, should be doing so in the manner intended by law, which he understood called for a judgment on the part of the Board on the competitive situation and the manner in which a proposed merger would affect it.

Mr. Hackley said that the Legal Division had reviewed this question to some extent, apprehending that one problem was how far to go in indicating the effects of a merger on future competition in the area. He referred to the presence of this consideration in the proposed consolidation of The First National Bank and Trust Company in Steubenville.

Governor Mills commented that this was an important subject. His reflections on the Steubenville case had led him to the conclusion that the proposed consolidation should not be approved on the grounds that it would produce a dominant institution in the area. However, so far as the Board's role was concerned, Public Law 86-463 specified that the agency that was asked for a report on competitive conditions present comment on those factors and not that it recommend one way or the other whether the merger should be approved. His instinct told him that the Board should clearly adumbrate the competitive factors involved, but it should

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stop short of a recommendation as to what action should be taken by the agency requesting the report.

A discussion then ensued regarding the extent to which the effects of bank mergers, consolidations, or absorptions on future competition should be taken into account in rendering reports of the type under consideration.

During this discussion Mr. Nelson expressed doubt as to whether the reports on competitive factors should include reference to the effects on potential competition of proposed mergers and the like.

Mr. Hackley replied that the law contemplated that each agency in making these reports give its best judgment on the competitive effects of a proposed merger, including potential effects, and he cited the House Committee report on Public Law 86-463 which clearly indicated that the agency preparing a report would be expected to express its views on the basis of "any available information" that would make it possible for the requesting agency to render an opinion on the merits of each application.

Mr. Hexter put forth the view that any effect on competition necessarily must take into account the effect on competition in the future. The effect at the moment would not necessarily be known. The potential effect on competition was as much a factor to be judged as would be an expected drain of deposits from one bank to another. In other words, Mr. Hexter did not think it possible to talk about the effects that a merger might have on competition without considering what would happen at some time subsequent to the actual merger.

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Governor Robertson said that he believed each report should state clearly the Board's views as to whether competition would be diminished in the particular communities involved in each such application. A pattern for these reports was being established, he said, and he felt it important that the question of effects on potential competition be carefully considered.

At this point Chairman Martin suggested that since the reports in question were not due to be delivered to the Comptroller of the Currency until June 17, the Legal Division review them in the light of this morning's discussion and return them to the Board for further consideration.

Following a comment by Governor Mills that the intent of Congress should carry over into the Board's thinking on this matter, it was unanimously agreed that the two reports to the Comptroller of the Currency that were in question be examined by the Legal Division for possible changes in wording, with the understanding that they would be returned to the Board for consideration at a later meeting.

Messrs. Nelson, Benner, Hooff, and Potter then withdrew from the meeting.

Letter to the Secretary of the Treasury regarding decentralization of emergency supplies of currency. There had been distributed to the Board under date of June 13, 1960, a draft of letter to the Secretary of the Treasury concerning the supply of \$1 bills and a related problem encountered in connection with the program of the Federal Reserve Banks to decentralize

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emergency supplies of currency. The letter would state that the Reserve Banks were exploring possibilities of storing with commercial banks in non-target areas a supply of Federal Reserve currency that would be used to meet local needs if supplies in Federal Reserve vaults were to become unavailable because of an enemy attack. The letter would note that at the Cleveland and St. Louis Reserve Banks this program had progressed to the point where arrangements were being made for acceptance of the emergency currency supplies by the participating commercial banks. It would also refer to the fact that when these proposals were discussed informally with Treasury representatives, the latter expressed some concern about the way the Treasury's working stock of \$1 bills would be affected by the proposed placement of substantial amounts of these bills in dead storage at commercial banks. Since the program envisaged might raise printing costs for silver certificates about \$1 million above the amount of the Treasury's appropriation, the proposed letter would request the Treasury's thoughts on the program.

Following discussion, during which it was indicated that it was the Government's policy to provide for emergency storage of currency, unanimous approval was given to the sending of a letter by Chairman Martin to the Secretary of the Treasury outlining the problem and asking for his comments.

Proposed revision of Treasury regulations re redemption, verification, and destruction of unfit U. S. paper currency (Item No. 9). At the joint meeting of the Board and the Conference of Presidents on June 14,

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1960, the latter presented for the Board's consideration (a) a proposed revision of Treasury regulations covering redemption, verification, and destruction of Treasury currency at the Federal Reserve Banks, (b) a draft letter from Chairman Martin to the Under Secretary of the Treasury regarding the proposed revision, and (c) a proposed letter that would be sent by the Board to all Federal Reserve Banks authorizing the adoption of a uniform procedure to be used under the Treasury regulations if such revised regulations were issued by the Treasury. The Presidents' Conference had indicated its approval of the changes in the Treasury regulations that had been proposed by representatives of the Treasury and the Federal Reserve, among which the principal items were:

1. Addition of a provision that the requirements outlined in the regulations shall be observed uniformly by all Reserve Banks.
2. Requirement that a third person (designated as a Destructor), who did not participate in the receipt or verification of the currency, count the number of packages and bundles in the lot just prior to destruction, and share in the responsibility for destruction.
3. Addition of a limitation on the reimbursability of auditing activity, and of specifications covering minimum requirements of audit reports.
4. Amplification of the provision covering the extent of reimbursement for the operation.

Governor Robertson said that in accordance with the action of the Presidents' Conference, the draft of revised Treasury regulations was now being presented to the Board for consideration. He noted that the revised

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regulations represented a compromise among many different views on the subject expressed by each Reserve Bank President. The version before the Board had been worked out by the ad hoc Committee on Currency Destruction Arrangements in conjunction with Treasury staff representatives. He believed the version represented a move in the right direction and one that the Board could accept in the interests of establishing uniformity of redemption, verification, and destruction procedures at the Reserve Banks. Should the Board give its approval the next step would be to take the matter up with the Treasury, first informally and then formally. Should the Treasury decide to issue the revised regulations, the letter to the Reserve Bank Presidents could then be sent authorizing adoption of the procedures set forth. He recommended this be done.

Unanimous approval was given to the procedure outlined and recommended by Governor Robertson.

Secretary's Note: The matter having been discussed informally with Treasury representatives, Chairman Martin sent a letter to Under Secretary of the Treasury Baird on June 21, 1960, in the form of attached Item No. 9.

At this point Messrs. Hexter and Smith withdrew, Messrs. Marget, Director, and Furth, Associate Adviser, Division of International Finance, joined the meeting, and Mr. Benner reentered.

Foreign central bank holdings in the New York market. There had been distributed a memorandum from Mr. Marget dated June 13, 1960, concerning a June 8, 1960, draft statement prepared at the Federal Reserve Bank of New York regarding foreign central bank holdings in the New York

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market. The New York Bank's statement took the position that it was appropriate for any central bank or other foreign official institution maintaining substantial holdings in the New York market to have a current account at the Bank. It noted that the special responsibilities of the Reserve Bank in the New York market required it to take a close interest in all foreign operations in United States Government securities and that it was prepared to execute transactions in such securities for foreign official accounts for which automatic investment arrangements had been developed to serve the dual purpose of (a) enabling foreign official institutions desirous of placing funds in the Government securities market to keep as fully invested as possible, and (b) enabling the Reserve Bank to synchronize such foreign investment operations with its own operations. Accordingly, the New York Bank had brought its special facilities to the attention of foreign central banks and would continue to do so in order to make it convenient for them to conduct the bulk of their investment operations through this medium. The statement went on to say that to the extent foreign official institutions preferred to execute transactions in United States Government securities through commercial banks or other agents, the Reserve Bank's responsibilities in the New York money market compelled it to request these official institutions to give it advance information on all transactions of substantial size. If at any time foreign official investment activities should run counter to System policy, the Reserve Bank would feel free to advise foreign central banks or other

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foreign official institutions to that effect. Furthermore, in the case of foreign official holdings of assets other than United States Government securities, the Reserve Bank would also expect the foreign institution concerned to provide at its request timely information on substantial shifts of funds from one asset category to another in the event such institutions did not find it convenient to channel these transactions through their accounts at the Reserve Bank. Finally, subject to the foregoing, foreign official institutions were considered free within the framework of existing laws and regulations to hold the types and amounts of dollar assets suitable to their needs, including any commercial requirements, and to continue their investment and other transactions through the agents of their choice.

Mr. Marget's memorandum drew attention to the fact that the draft statement of the New York Reserve Bank did not embody the kind of thinking prevalent in some quarters on certain occasions in the past. The essence of this earlier thinking was that the Reserve Bank should work toward establishing a monopoly of operations on behalf of foreign central banks in the New York market. In contrast, the document from the New York Bank merely undertook to inform foreign central banks of the facilities which the Reserve Bank was prepared to offer to them, leaving to the latter the decision of the extent to which use would be made of these facilities, as opposed to facilities offered, for example, by New York commercial banks. It was Mr. Marget's recommendation that the Board concur in the proposed procedure.

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Chairman Martin said that President Hayes of the New York Reserve Bank had handed him a copy of the New York Bank's statement when he came to Washington last Monday, June 13. He (the Chairman) had been interested in getting additional background on the subject of the New York Bank's statement and had asked Mr. Marget to prepare a brief memorandum regarding it, and because he felt it would be of interest to all members of the Board he had asked that it be docketed for discussion. He said he would be glad to hear any comments at this time, or the subject could be taken up later if the members of the Board desired more time to study the statement.

Governor Mills stated that he did not believe formal concurrence should be given by the Board to an existing procedure, since such action would raise a procedural matter out of its proper importance and would infer that the matter would receive some public notice. If it was contemplated that public notice be given, he was of the opinion that this would suggest a break with tradition in established relationships between the Reserve Bank and various foreign central banks. There would be a further inference that this was for the purpose of assisting commercial banks in fostering relations and developing business with the central banks. Governor Mills said he had no objection to giving commercial banks full latitude to promote this business, but on their own initiative. The position and responsibility of the New York Reserve Bank required, in his estimation, a close bond of interest and exchange of information

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with foreign central banks, and the New York Reserve Bank should be the first point of contact for other central banks on anything those banks have to do in the New York money market. The upshot of his feeling, Governor Mills said, was that he would merely acknowledge the statement and not formalize it by concurring in the procedure.

Mr. Marget said that he understood there would be no public notice of the New York Reserve Bank's statement. He went on to say that the reference in his memorandum to the thinking "prevalent in some quarters" in the past was to the view that foreign central banks be told they should operate through the Reserve Bank, whereas he felt that this need be the case only if there was an overriding necessity. He noted that the Reserve Bank's statement provided for its being informed in advance either directly or through agents of the central banks of all transactions of substantial size, as well as of "timely information on substantial shifts of funds" between assets other than United States Government securities and Treasury obligations. Furthermore, Mr. Marget said, the memorandum provided for the carrying out of each foreign transaction in such a way as to conform with System policy. He noted that the Reserve Bank's memorandum had been designed to clarify procedures within the Reserve Bank on these questions.

Chairman Martin said that he could see no need for formal concurrence in the statement. Mr. Hayes had not suggested that it be brought to the Board's attention, but he could let Mr. Hayes know informally that this had been done and that the Board had no objection to it.

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Governor Szymczak noted that some years ago the Board had felt that transactions for foreign central banks in the New York market should be through the Reserve Bank because of the possible effect of such transactions on domestic monetary policy. The present statement of the New York Bank's attitude seemed to be backing away a little from that position, although it provided that any transactions that were substantial be brought to the New York Bank's attention.

At Chairman Martin's suggestion, it was understood that he would inform President Hayes that the Board had no objection to the statement prepared at the Reserve Bank, it being understood that it was for internal use and for the purpose of clarifying the position of that Bank.

Messrs. Marget and Furth then withdrew from the meeting.

Report on Operation Alert 1960. Copies had been distributed of a memorandum dated June 6, 1960, from Mr. Harris attaching a Narrative Report on Operation Alert 1960, which contained the following recommendations for the improvement of readiness:

- a. The shelter area at the Board's relocation office should be supplied with cots for approximately one-third of the relocation personnel and should be supplied with additional food (possibly in the form of K rations) for approximately eighty people for four days.
- b. In view of the fact that the essential records program has been in operation for nine years, all Offices and Divisions concerned should review their records program to determine whether it should be modified in any way.

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- c. In the event that additional underground shelter facilities are provided in connection with a future building program at the Board's relocation office, the communications center should be located in the underground area. In the meantime, a telephone extension with direct connection to the Liaison Office at the Classified Location should be located in the sub-basement area.
- d. In anticipation of the time when missile capabilities might prevent successful relocation, further consideration should be given to improving shelter areas (preferably below ground level) in all Federal Reserve facilities so that such areas might be used for operational purposes. Also, further consideration should be given to the designation and training of organizational units within the System to become successors to incapacitated units.
- e. The reporting of raw data on attack damage to agency relocation offices should be eliminated so as to conserve communication capacity and unnecessary duplication of effort. With the elimination of this type of reporting, the staff assigned to the Board's Liaison Office at the OCDM Classified Location should be increased by six persons to do the damage analysis.
- f. Steps should be taken to pre-position approximately one month's currency requirements with cash agents or other strategically located facilities in those Reserve Districts where it can be demonstrated that failure to pre-position currency would seriously delay cash operations postattack.
- g. The movement of unissued Federal Reserve notes to the Salt Lake City Branch should be completed within the next three months.
- h. Several highly protected central storage depots (similar to the Ft. Riley project) should be selected for the storage of unissued Federal Reserve notes which cannot be accommodated at the Salt Lake City Branch.
- i. Steps should be taken to provide an emergency supply of \$1 certificates and the safe storage of such supplies, together with plates, dies, ink, paper and other requirements for the postattack printing of currency.

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- j. The following actions should be taken in connection with emergency planning documents:
- (1) Annex 27 to The National Plan should be made final and distributed to the banking industry.
 - (2) The proposed Proclamation on Economic and Financial Policies should be amended to contain a statement regarding the equitable sharing of war losses and pre-positioned with other Presidential Documents as appropriate.
 - (3) Proposed legislation for the amendment of Section 14(b) of the Federal Reserve Act, and to eliminate reserve requirements for deposits payable to the United States should be drafted.
 - (4) The proposed Executive Order providing additional authority to the Secretary of the Treasury, Treasury's Delegation to the Board, Treasury's Emergency Banking Regulations and the Board's Emergency Regulations should be harmonized so as to provide that they become effective automatically and simultaneously upon the happening of the same event or contingency.
 - (5) Treasury's Delegation to the Board should be amended to include "mutual savings banks" in the definition of banking institutions.
 - (6) Treasury's Emergency Banking Regulations should be modified, as necessary, to reflect the conclusions to be reached in the joint discussions of subjects enumerated in paragraph 5(f) and distributed to the banking industry.
 - (7) The Board's Emergency Regulations should be revised for consistency with such changes as may be made in Treasury's Emergency Banking Regulations and distributed to all Federal Reserve Banks.
 - (8) The Board's Emergency Plan (1960 Revision) should be approved and distributed to all Federal Reserve Banks.

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- (9) The Guidelines on Monetary Policy should be recast in the light of the conclusions reached during Operation Alert and the comments from the Reserve Banks, and distributed as an annex to the Board's Emergency Plan.
- (10) Booklet No. 6, "Collection of Cash Items and Noncash Items," and Booklet No. 7, "Cash (Currency) Operations," prepared by the Banking Committee on Emergency Operations, should be approved and distributed to the banking industry.

After Mr. Harris had commented on these recommendations, Governor Robertson referred to plans for a meeting to be held at the Cleveland Reserve Bank at which representatives of the Treasury would participate in an on-the-ground study with representatives of both large and small business, the Reserve Banks, a representative selected from the Presidents' Conference, representatives from the Office of Civil and Defense Mobilization, and representatives from large and small banks, to consider the Treasury's "freeze" regulation affecting commercial bank deposits in the event of enemy attack.

Governor Balderston observed that with the passage of time earlier ideas on System preparedness were bound to become outmoded. He referred to the recommendation in the Narrative Report that the communications center be located in an underground shelter facility at the Richmond Reserve Bank. He then suggested a possible alternative arrangement and stated reasons why he believed the alternative might be desirable.

Governor Robertson said that there was merit in the proposal for a different communications center that would be less likely to be interrupted

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in the event of an enemy attack. He noted that the American Telephone and Telegraph Company within the past month had started to install an underground country-wide communication system, which it hoped to complete by the end of 1961. Until this project was completed, it would not be possible to locate the exact spots for hooking into this new communication system. In the meantime, the recommendation to increase the staff assigned to the Board's liaison office at the OCDM classified location by six persons to do the damage analysis could serve as a temporary substitute.

The Narrative Report on Operation Alert 1960 was then approved unanimously, with the understanding that a copy would be transmitted to the Director of the Office of Civil and Defense Mobilization, Mr. Hoegh.

Governor Mills withdrew from the meeting during discussion of the foregoing matter, and Governor Szymczak and Messrs. Harris and Benner withdrew at its conclusion.

Letter from Hardy Subcommittee. Copies of a letter dated June 10, 1960, from Chairman Hardy of the Foreign Operations and Monetary Affairs Subcommittee of the House Committee on Government Operations had been distributed. This letter stated that the Hardy Subcommittee had completed the preliminary inquiry into certain operations of the Board, which commenced following Chairman Hardy's letter to Chairman Martin dated August 3, 1959. The letter went on to say that study by the Subcommittee of the information obtained in this preliminary inquiry had led it to raise a number of questions upon which the Committee would appreciate

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receiving the Board's comments. Hope was expressed that it might be possible for comment to be received by letter within the next week or 10 days.

Following a discussion of the questions contained in Chairman Hardy's letter, it was agreed that a draft of reply be prepared for consideration by the Board early next week, with the understanding that this would be done under Governor Robertson's direction. Governor Robertson was also authorized to enlist the services as Special Consultant of Mr. John E. Horbett, formerly Associate Director of the Division of Bank Operations, now retired, in helping to prepare answers to certain of the questions presented, it being noted that there had already been informal discussion of the possibility of securing Mr. Horbett's services to assist in the forthcoming revision of the Board's Banking and Monetary Statistics, published in November 1943. It was also understood that copies of Chairman Hardy's letter would be furnished to the Presidents of all Federal Reserve Banks for their information and that the staff was authorized to call upon the Reserve Banks for factual information to assist in preparing answers to certain of the questions from the Subcommittee.

Secretary's Note: Pursuant to the authorization at this meeting and to arrangements made by Governor Robertson later in the day, a letter was sent on June 16, 1960, to Mr. Horbett informing him of his appointment, effective immediately, as a Special Consultant to assist in certain work being undertaken by the Division of Bank Operations on the basis of

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compensation at the rate of \$50 per day for each day worked for the Board, either in Washington, D. C., or outside the city, plus actual necessary transportation expenses in accordance with the Board's travel regulations and a per diem in lieu of subsistence of \$12 for the amount of time spent in a travel status in connection with his duties as Special Consultant, and with the understanding that, for the purposes of travel, his headquarters would be Washington, D. C.

The meeting then adjourned.

Secretary's Note: Pursuant to recommendations contained in memoranda from appropriate individuals concerned, Governor Robertson, in the absence of Governor Shepardson, today approved on behalf of the Board the following items relating to the Board's staff:

Appointment

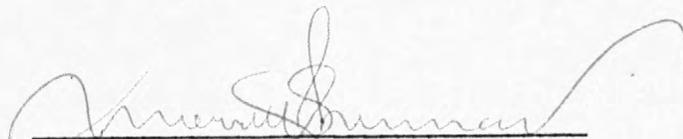
Nancy M. Lewalski as Stenographer in the Legal Division, with basic annual salary at the rate of \$3,850, effective June 27, 1960.

Acceptance of resignations

Patricia D. Kevilly, Stenographer, Legal Division, effective June 24, 1960.

Francis J. McGarvey, Assistant Federal Reserve Examiner, Division of Examinations, effective June 10, 1960.

Mary B. McKee, Clerk-Stenographer, Division of Research and Statistics, effective June 24, 1960.


Secretary

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

Item No. 1
6/15/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 15, 1960



The First National City Bank
of New York,
55 Wall Street,
New York 15, New York.

Gentlemen:

In accordance with the request contained in your letter of May 18, 1960, transmitted through the Federal Reserve Bank of New York, the Board of Governors approves a change in location of your branch in Valparaiso, Chile, from Calle Prat 772 to Calle Prat 828. The location of the branch may not be changed, after removal, without the prior approval of the Board of Governors.

Please advise the Board of Governors in writing, through the Federal Reserve Bank of New York, when the branch is removed to the new location and opened for business.

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. 2
6/15/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 15, 1960



Board of Directors,
Bank of Delaware,
Wilmington, Delaware.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Philadelphia, the Board of Governors approves the establishment of a branch in the Midway Shopping Center, at the intersection of Kirkwood Highway and Limestone Road, Mill Creek Hundred, New Castle County, Delaware, by Bank of Delaware, Wilmington, Delaware. This approval is given provided the branch is established within one year from the date of this letter.

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. 3
6/15/60



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 15, 1960

Board of Directors,
The Lorain County Savings & Trust Company,
Elyria, Ohio.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Cleveland, the Board of Governors has approved an extension of time until August 1, 1960, in which The Lorain County Savings & Trust Company may establish a branch at the north-west corner of Broad and Williams Streets, Elyria, Ohio. The establishment of this branch was authorized in a letter dated June 10, 1959.

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. 4
6/15/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 15, 1960

Board of Directors,
Bank of Encino,
Los Angeles, California.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of San Francisco, the Board of Governors of the Federal Reserve System approves the establishment of a branch in the vicinity of the intersection of Roscoe Boulevard and DeSoto Avenue, Los Angeles (Canoga Park), California, by Bank of Encino provided the branch is established within one year from the date of this letter.

This approval is given provided capital funds of the bank are increased by at least \$200,000 through the sale of additional stock and the bank's surplus account is increased by at least \$100,000 from retained earnings during the year 1960 as required by the Superintendent of Banks for the State of California. It is noted that no cash dividends are to be paid during the year 1960 and no further cash dividends are to be paid without the prior approval of the Superintendent of Banks.

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. 5
6/15/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 15, 1960

Board of Directors,
Wells Fargo Bank American Trust Company,
San Francisco 20, California.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of San Francisco, the Board of Governors of the Federal Reserve System extends until December 22, 1960, the time within which Wells Fargo Bank American Trust Company may establish a branch in the Sacramento Redevelopment Area Shopping Center in Sacramento, California, under the authorization contained in the Board's letter of June 22, 1959.

It is understood that the proposed office is to be established in the block bounded by Capitol, Fifth, Sixth, and "N" Streets, rather than as originally approved in the block bounded by Fourth, Fifth, "N", and "O" Streets, but that the locations are contiguous and the branch will serve the same area and clientele as first proposed.

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
6/15/60



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 15, 1960

Board of Directors,
The First National Bank of Wellsborough,
Wellsboro, Pennsylvania.

Gentlemen:

The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers and grants The First National Bank of Wellsborough authority to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies, or other corporations which come into competition with national banks are permitted to act under the laws of the State of Pennsylvania. The exercise of such rights shall be subject to the provisions of Section 11(k) of the Federal Reserve Act and Regulation F of the Board of Governors of the Federal Reserve System.

A formal certificate indicating the fiduciary powers that your bank is now authorized to exercise will be forwarded in due course.

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
6/15/60
S-1746



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 15, 1960.

Dear Sir:

The Board's letter of May 22, 1958 (S-1656; FRLS #3354), requested that reports of examination of member State banks should include certain information regarding persons appointed in an honorary, advisory, or consultative capacity to boards of directors of such banks.

The information requested was a listing of such honorary and advisory directors on page 18 in reports of examination showing the same information supplied as to the directors of the bank. In addition, it was suggested that any special duties or functions performed by these persons, not generally commented on elsewhere in the report, should be disclosed on page 18 or an addendum thereto, or could be noted on a supplemental page in the confidential section. Fees, salaries, or remuneration would continue to be shown on page A of the confidential section or, if necessary, on a supplemental page.

In addition, it was suggested that loans to such appointees be shown on page 20 under group (a) following the listing of indebtedness to the bank of directors, officers, and employees.

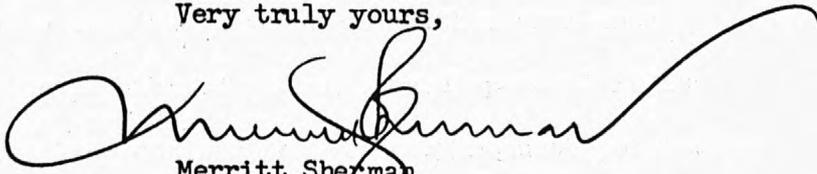
The desirability of continuing to report regularly such information in future reports of examination was discussed at the meeting of representatives of bank examination departments of Federal Reserve Banks held in Washington on March 29, 1960. There was considerable sentiment that reporting of honorary and advisory director appointments since June 1958 as requested by the Board had disclosed no unsatisfactory features; that such appointments were placative, being designed to retain the good will of former directors of merged banks or of superannuated directors; that such relationships had usually been beneficial rather than detrimental; that continued reporting of these relationships represented a considerable burden, particularly in large branch banks; and that it might be preferable to discontinue requesting such reports. Accordingly, Reserve Bank representatives attending the meeting recommended that the reporting instructions about such special directors be amended to provide for optional rather than mandatory reporting.

The Board has reviewed these considerations most carefully and recognizes the need for a strict regulation of the content of the report to avoid unduly burdensome reporting requirements. In respect to honorary and advisory director appointments and service, however, the Board believes that additional study of these relationships is desirable, and it would like to continue receiving the requested information until early 1961 when a further review of the question would be undertaken. In particular, the Board will be interested in any such situations where there may be interlocking arrangements with other banks or with companies engaged in the securities business as described in Section 32 of the Banking Act of 1933.

The presentation of long lists of advisory board memberships in some large branch bank examination reports may add unduly to the content of the report. In these cases, it would be satisfactory to supply such lists separately, giving the information noted above and forwarding the lists at the time the report is mailed. Also in listing credit extensions on page 20 in behalf of honorary and advisory directors, only credits of real significance should be included.

The Board will reconsider these suggestions early in 1961 when another year's experience has been studied and again report to you on the subject.

Very truly yours,



Merritt Sherman,
Secretary.

TO THE PRESIDENTS AT ALL FEDERAL RESERVE BANKS

Item No. 8
6/15/60**TELEGRAM**
LEASED WIRE SERVICEBOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON

June 15, 1960

DIERCKS - CHICAGO

Inretel June 13 The Manistee County Savings Bank, Manistee, Michigan, has requested Board approval for payment of regular semi-annual dividend of \$18,000 payable June 15. Member bank has declared dividend unaware this was prohibited by Section 5199 U.S.R.S. because total of dividends declared by such bank thus far in 1960 would exceed the total of its net profits of that year to date combined with its retained net profits of the preceding two years.

After consideration of the favorable views expressed in your telegram the Board would concur in your recommendation and grant the member bank permission to pay the dividend payable June 15 in the amount of \$18,000. However, since it is probable that the payment of another semi-annual dividend in 1960 will also be prohibited without Board approval it is suggested that the member bank be advised that it must request permission in advance of any future declaration of a dividend as long as it is subject to the prohibition of this statute. The Board notes that the bank's capital account has been substantially reduced by losses from sales of securities and suggests that consideration be given by bank to increasing capital through sale of common stock. The Board would appreciate receiving the member bank's reply to this suggestion before the declaration of another dividend.

(Signed) Merritt Sherman

SHERMAN



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 9
6/15/60

2224

OFFICE OF THE CHAIRMAN

June 21, 1960.

The Honorable Julian B. Baird,
Under Secretary for Monetary Affairs,
United States Treasury Department,
Washington 25, D. C.

Dear Julian:

This refers to the correspondence and discussions we have had in connection with possible revisions in the procedures and Treasury regulations concerning the destruction of unfit Treasury currency.

As you may know, representatives of your staff working with representatives of the Federal Reserve Ad Hoc Committee recently agreed, after carefully considering various alternative proposals, to recommend that changes be made in the Treasury regulations as indicated by the enclosed draft. Among the changes proposed, the principal items are--

1. Addition of a provision that the requirements outlined in the regulations shall be observed uniformly by all Reserve Banks (page 1).
2. Requirement that a third person (designated as a Destructor), who did not participate in the receipt or verification of the currency, count the number of packages and bundles in the lot just prior to destruction, and share in the responsibility for destruction (page 9).
3. Addition of a limitation on the reimbursability of auditing activity, and of specifications covering minimum requirements of audit reports (page 11).
4. Amplification of the provision covering the extent of reimbursement for the operation (page 12).

I am pleased to report that both the Conference of Presidents of the Federal Reserve Banks and the Board of Governors have approved the changes proposed by the representatives of your staff and the Federal Reserve as shown in the enclosed draft. Accordingly, I hope that the proposed changes can be adopted, and will await your advice in this regard.

The Honorable Julian B. Baird

Also enclosed is a draft of a letter which the Board proposes to send to each Reserve Bank at such time as the revised regulations may be issued by the Treasury.

May I take this opportunity to express again the Board's appreciation for the cooperation of you and your associates in this long and difficult undertaking. We believe that the proposed revisions will improve the security of the operation and bring greater uniformity to the procedures followed without significantly increasing the cost to the Treasury.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.

Enclosures.