

Minutes for June 21, 1960

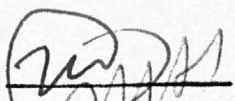
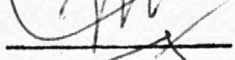
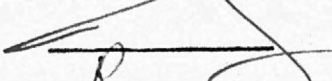
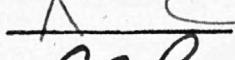
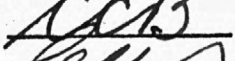

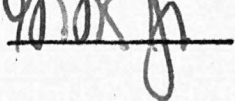
To: Members of the Board

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	<u></u>
Gov. Szymczak	<u></u>
Gov. Mills	<u></u>
Gov. Robertson	<u></u>
Gov. Balderston	<u></u>
Gov. Shepardson	<u></u>
Gov. King	<u></u>

Minutes of the Board of Governors of the Federal Reserve System
on Tuesday, June 21, 1960. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary
Miss Carmichael, Assistant Secretary
Mr. Hackley, General Counsel
Mr. Farrell, Director, Division of
Bank Operations
Mr. Harris, Coordinator, Office of
Defense Planning
Mr. Masters, Associate Director, Division
of Examinations
Mr. Nelson, Assistant Director, Division
of Examinations
Mr. Smith, Assistant Director, Division
of Examinations

Discount rates. The establishment without change by the Federal Reserve Bank of Atlanta on June 20, 1960, of the rates on discounts and advances in its existing schedule was approved unanimously, with the understanding that appropriate advice would be sent to that Bank.

Report on competitive factors. The following report with the summary and conclusions indicated, which had been circulated to the Board, was approved unanimously:

To the Comptroller of the Currency on a proposed consolidation of The Peoples National Bank of Norristown, Norristown, Pennsylvania, and The Farmers National Bank of Pennsburg, Pennsburg, Pennsylvania.

Summary and Conclusions: The proposed consolidation would combine a relatively small institution with a substantially larger institution. The small Pennsburg bank is not now, nor is it likely to become, a significant factor in the Montgomery County banking picture. There would be no reduction in competing banking facilities in the Pennsburg area; there would be merely a substitution of a branch of The Peoples National Bank of Norristown for the office of the

6/21/60

-2-

unit bank. Moreover, alternative banking facilities are within a reasonable proximity. The effect on the Montgomery County area competitive situation would appear to be negligible.

Report on competitive factors. A memorandum dated June 17, 1960, from the Division of Examinations had been distributed in connection with the proposed acquisition of assets and assumption of liabilities of Berwind Bank, Berwind, West Virginia, by The Bank of War, War, West Virginia. Attached to the memorandum was a proposed report to the Federal Deposit Insurance Corporation on the competitive factors involved. The conclusion in the report would indicate that the two banks involved in this proposal had not been very competitive and that the voluntary liquidation of Berwind Bank, for economic reasons, would eliminate a local banking facility by the acquisition of its assets and assumption of its liabilities by The Bank of War but would not affect competition in the area.

Mr. Masters pointed out that the recent bank merger legislation provided for more rapid consideration of competitive factors in cases involving emergency situations. The instant case, he noted, was the first one to arise under this provision. The Federal Deposit Insurance Corporation had notified the Board that it considered the proposed transaction to be an emergency and requested the views of the Board on the competitive factors involved within 10 days of the date of the notice. The situation was brought about by a decision of Berwind Bank stockholders to cease operations and commence voluntary liquidation on June 30, 1960,

6/21/60

-3-

because of the declining economic status of the community. Following a suggestion by Mr. Masters that the wording of the report conclusion be changed to reflect that the proposed action would result in a monopolistic situation, Governor Mills indicated that he was opposed to using the word "monopolistic" in this connection. Where one of the banks in the community was liquidating and a single bank remained to serve the territory of both banks and where the transaction was one coming out of an extraordinary situation, he felt that it was not consistent with the intent of the Act to use the word "monopolistic" with reference to the position of The Bank of War after the acquisition of assets and assumption of liabilities of Berwind Bank.

After incorporating a change in wording suggested by Governor Robertson, the report was approved unanimously with the conclusion reading as follows:

The two banks involved in this proposal have not been very competitive. The liquidation of the Berwind Bank, for economic reasons, will eliminate a local banking facility. However, the acquisition of its assets and assumption of its liabilities by The Bank of War will not affect competition in the area.

Decentralization of currency as a preparedness measure (Item No. 1). There had been circulated a memorandum dated June 13, 1960, from Mr. Harris regarding a request from the Federal Reserve Bank of St. Louis that the Board approve its plan for the pre-emergency storage of currency at strategic points throughout the Eighth District. Attached to the memorandum was a draft of letter that would approve the proposed plan.

6/21/60

-4-

As pointed out in the memorandum, the request of the St. Louis Reserve Bank was first submitted on April 9, 1959, but, on the basis of an understanding with the Bank, its consideration by the Board was deferred pending the determination of the Government's policy on the decentralized storage of currency. Following the Government's adoption of such a policy and the Board's action on May 26 approving a similar proposal of the Cleveland Reserve Bank, the St. Louis Reserve Bank requested that its 1959 proposal be submitted to the Board for consideration.

Under the proposed plan, the St. Louis Reserve Bank would undertake to make arrangements with 10 banks (designated as depot banks) for the storage of from \$2 million to \$3 million in currency at each bank. The currency would be stored in separate safes, equipped with two combinations, located within the depot banks' vaults. The currency would be under the exclusive control of the St. Louis Bank, which would pay the depot banks a reasonable rental for the space occupied in their vaults and reimburse them for any increase in insurance rates resulting from the storage. The depot banks would have no direct responsibility for the currency and would assume no risk for its safety except for loss resulting from their own negligence.

Mr. Harris stated that this was the second proposal from a Reserve Bank for decentralization of currency as a preparedness measure that had been presented to the Board for approval. While there were a number of differences in the plans of the Cleveland and St. Louis Reserve Banks, in principle they were the same.

6/21/60

-5-

Mr. Harris said that after his June 13 memorandum had been prepared it had been necessary for the Board to advise the Cleveland Reserve Bank that the Treasury Department was not in a position to replace \$1 certificates placed in storage until some arrangement could be worked out to provide an emergency supply. Accordingly, it had been suggested that the Cleveland Bank postpone the storage of \$1 certificates until the situation was clarified. Mr. Harris suggested that a paragraph along this line be added to the proposed letter to the St. Louis Reserve Bank. After including such a paragraph, the letter was approved unanimously in the form of attached Item No. 1. A copy of the letter was sent to the Presidents of all Federal Reserve Banks for their information.

Visual presentation of charts. Mr. Sherman reported that, in line with the practice followed in recent years, it was proposed to have a visual presentation of charts for the directors of the International Monetary Fund and the International Bank for Reconstruction and Development at 4:00 p.m. on Thursday, June 23. No objection to this procedure was expressed and it was understood that the charts shown at the Federal Open Market Committee meeting on June 14 (with any necessary changes) would be presented to the group.

The meeting then adjourned.

6/21/60

-6-

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

Appointment

Wilma Jean Brand as Technical Editor (Economics) in the Division of Research and Statistics, with basic annual salary at the rate of \$7,510, effective the date of entrance upon duty.

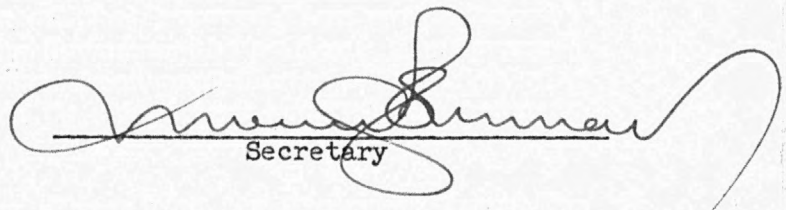
Salary increases

Joan C. Bell, Printing Clerk, Division of Administrative Services, from \$4,490 to \$4,640 per annum, effective June 26, 1960.

Frederick R. Dahl, Economist, Division of International Finance, from \$9,050 to \$9,890 per annum, effective June 26, 1960.

Transfer

Nancy E. Harcourt, from the position of Clerk-Stenographer in the Division of Personnel Administration, to the position of Clerk-Stenographer in the Division of Administrative Services, effective June 26, 1960, with no change in her basic annual salary at the rate of \$4,040 (includes progress increase to become effective June 26, 1960).


Secretary

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

Item No. 1
6/21/60



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 21, 1960.

Mr. Delos C. Johns, President,
Federal Reserve Bank of St. Louis,
St. Louis 66, Missouri.

Dear Mr. Johns:

On April 9, 1959, the Federal Reserve Bank of St. Louis transmitted to the Board a "Proposed Plan for the Distribution of Currency and Coin in the Eighth District in the Event of a War Emergency," and invited the Board's attention to that part of the Proposed Plan (Phase 1) which contemplates storage of currency at strategic points in the Eighth District in advance of an emergency.

The decentralized storage of currency has been an approved preparedness measure for the System since the adoption in June 1955 of the Report of the Presidents' Conference Committee on Emergency Operations. The Report further provides that Federal Reserve Banks intending to lodge currency with agents or key banks in advance of an emergency should obtain the prior approval of the Board.

At the time of the receipt of the Proposed Plan, the Government was considering the adoption of basic financial preparedness policies, one of which pertained to the decentralized storage of currency. Hence, consideration of the Proposed Plan was deferred pending the determination of the Government's policy. The Government's policy has since been determined as follows: "Supplies of currency should be decentralized to the extent possible in order to provide for local needs."

The Board has approved Phase 1 of the Proposed Plan. The approval constitutes a general authorization for the Federal Reserve Bank of St. Louis to undertake to make arrangements with ten depot banks, strategically located in the Eighth District, for the storage of currency in advance of an emergency. The terms and conditions within which arrangements are to be made are as follows:

From \$2 million to \$3 million in currency is to be stored in each depot bank; making a total of from \$20 million to \$30 million in all ten depot banks. This

Mr. Delos C. Johns

-2-

amount is approximately equal to the amount of currency shipped within the Eighth District over a period of from three weeks to a month.

The currency will be stored in separate safes, equipped with two combinations, located within the depot banks' vaults. In the event a depot bank does not have a safe of the kind needed, the St. Louis Bank will purchase such safe and have it installed in the depot bank's vault. The estimated price of a safe is \$1,100 to \$1,200 f.o.b. St. Louis.

The currency will be under the exclusive control of the St. Louis Bank. It will be received at the depot bank by two officers of the St. Louis Bank holding the combinations to the safe, and a representative of the Audit Department. It will be strap counted, and locked in the safe. The safe will be sealed by the Audit Department. The combinations to the safes will be placed in separate envelopes and stored in safe deposit boxes in the vicinity of the four offices and relocation site of the St. Louis Bank. Access to the safe deposit boxes will be permitted only jointly by two officers of the St. Louis Bank. The currency in the safes will be examined periodically by representatives of the Audit Department or by Federal Reserve examiners accompanied by two officers holding the combinations. Prior to an attack emergency, the currency is to be under continuous audit control. It is assumed therefore that prior to an attack, access to the currency will be permitted only by two officers holding the combinations and a representative of the Audit Department, and that the depot banks will be so instructed. Subsequent to an attack emergency, access to the currency may be had by two officers holding the combinations to the safe.

The St. Louis Bank will pay the depot banks a reasonable rental for the space occupied in their vaults and reimburse the depot banks for any increase in insurance rates which might result from the storage of currency in their vaults.

The depot banks will have no direct responsibility for the currency and will assume no risk for the safety of the currency except for loss resulting from their own negligence.

Mr. Delos C. Johns

The Board has been advised that the Treasury Department's supply of \$1 silver certificates is sufficient only to meet current working needs, and that Treasury will not be able to replace \$1 certificates placed in storage until some arrangement can be worked out to provide an emergency supply. Under these circumstances, it is suggested that the storage of \$1 certificates be postponed until the situation is clarified.

It is requested that the Board be kept informed of actual arrangements made with depot banks under this general authorization.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.