

Minutes for July 8, 1960

To: Members of the Board

From: Office of the Secretary

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

It is not proposed to include a statement with respect to any of the entries in this set of minutes in the record of policy actions required to be maintained pursuant to section 10 of the Federal Reserve Act.

Should you have any question with regard to the minutes, it will be appreciated if you will advise the Secretary's Office. Otherwise, please initial below. If you were present at the meeting, your initials will indicate approval of the minutes. If you were not present, your initials will indicate only that you have seen the minutes.

Chm. Martin

Gov. Szymczak

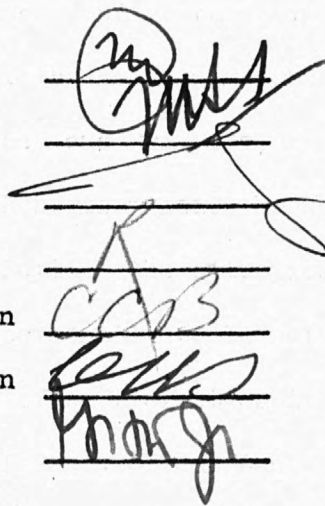
Gov. Mills

Gov. Robertson

Gov. Balderston

Gov. Shepardson

Gov. King

Handwritten initials and signatures on lines next to the names of the board members. The initials for Chm. Martin are circled. The initials for Gov. Szymczak are 'MS'. The initials for Gov. Mills are 'M'. The initials for Gov. Robertson are 'R'. The initials for Gov. Balderston are 'CB'. The initials for Gov. Shepardson are 'S'. The initials for Gov. King are 'K'.

Minutes of the Board of Governors of the Federal Reserve System
on Friday, July 8, 1960. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary
Mr. Thomas, Adviser to the Board
Mr. Young, Adviser to the Board
Mr. Hackley, General Counsel
Mr. Solomon, Director, Division of Examinations
Mr. Koch, Adviser, Division of Research and
Statistics
Mr. Brill, Associate Adviser, Division of Research
and Statistics
Mr. Nelson, Assistant Director, Division of
Examinations
Mr. Landry, Assistant to the Secretary
Mr. Young, Assistant Counsel

Pan American Bank of Miami. Governor Robertson referred to a meeting to discuss the capital and asset problems of the Pan American Bank, Miami, Florida, that took place on June 8, 1960, in the Board's offices. In attendance, in addition to himself and members of the Board's staff, had been Vice President Denmark of the Atlanta Reserve Bank and Mr. Sottile, Chairman of the Executive Committee, and Mr. Moss, President, of Pan American Bank. At that meeting, Governor Robertson said, he had stated that even with the best intentions shown by Mr. Sottile the situation of Pan American Bank had advanced to a point where he personally could not agree to a long, additional delay in the obtaining of sufficient capital for that institution. Accordingly, he had stated that if Pan American Bank did not have the

7/8/60

-2-

necessary additional capital by September 15, 1960, he would recommend to the Board of Governors that it take steps to oust the bank from membership and to the Federal Deposit Insurance Corporation that it cancel the bank's insurance. After the meeting had adjourned and Messrs. Sottile and Moss had departed, it was agreed that Mr. Denmark would advise Commissioner Green of Florida that Mr. Sottile had been informed that action was expected by September 15. Subsequent to the meeting a letter dated June 14 was received from Mr. Sottile stating that he was trying to market \$3 million in stock of the Pan American Bank. Governor Robertson said that last Thursday, June 30, he received a telephone call from Mr. Sottile to the effect that his efforts to market stock of Pan American Bank had been unavailing. Following his telephone conversation with Mr. Sottile, Governor Robertson said he had written a letter to him stating that he personally was unprepared to consider further proposals for obtaining additional capital for Pan American Bank and that he was not inclined to recommend such to the Board. Subsequently, he (Governor Robertson) had learned from Vice President Denmark that President Moss of Pan American thought that the only way out was for Mr. Sottile to sell his banks. Governor Robertson went on to say that it appeared likely to him that Mr. Sottile would either have to sell his banks or certain other assets to meet his obligations prior to September 15 to avoid the bank supervisory problems that otherwise would result. He noted that the Federal Deposit Insurance Corporation had been kept completely informed of these developments

7/8/60

-3-

and agreed fully with his position on them. He said that he was reporting these developments to the Board solely as an informational matter.

Discount rates. The establishment without change by the Federal Reserve Banks of New York, Philadelphia, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Kansas City, Dallas, and San Francisco on July 7, 1960, of the rates on discounts and advances in their existing schedules was approved unanimously, with the understanding that appropriate advice would be sent to those Banks.

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 Cleveland Trust Company, Cleveland, Ohio, approving the establishment of a branch at 14539 Cedar Road, South Euclid, Cuyahoga County.	1
Letter to The Savings Deposit Bank and Trust Company, Elyria, Ohio, approving the establishment of a branch on Depot Street.	2
Letter to The Union Bank and Savings Company, Bellevue, Ohio, approving the establishment of a branch at 114 North Sandusky Street.	3
Letter to The Louisville Trust Company, Louisville, Kentucky, approving the establishment of a branch at 4000 Frankfort Avenue.	4
Letter to The Union Savings Bank of St. Charles, St. Charles, Missouri, approving the establishment of a branch at 627 Clay Street	5

7/8/60

-4-

Letter to the Union Bank, Los Angeles, California, approving an extension of time to establish a branch in the vicinity of Carson Street and Madrona Avenue, Torrance.

Item No.

6

Letter to the Wells Fargo Bank American Trust Company, San Francisco, California, approving the establishment of a branch on North First Street, San Jose.

7

Answers to questions submitted by Commission on Money and Credit

(Item No. 8). There had been distributed a memorandum from Mr. Young dated June 29, 1960, attaching a package of 12 additional answers to questions submitted to the Board by the Commission on Money and Credit on January 12, 1960. Mr. Young recalled that the first group of 11 answers was considered by the Board on June 13, 1960 and subsequently forwarded to the Commission, and that two draft answers were still in preparation and would shortly be made available to the Board. He noted that the Commission had indicated its willingness to accept replies at this time as preliminary drafts subject to further modification as the Board might see fit. It was recommended, therefore, that the attached draft answers be forwarded promptly to the Commission subject to this understanding.

Following discussion, the 12 draft answers to questions submitted by the Commission on Money and Credit were approved for transmission to the Commission, with the understanding that further revisions in the answers could be made by the staff without the necessity of bringing the answers back to the Board. A copy of the letter of transmittal to the Commission on Money and Credit is attached as Item No. 8.

7/8/60

-5-

Mr. Molony, Assistant to the Board, entered the room at this point and Mr. Nelson withdrew.

Proposed seminars to discuss preliminary replies to questions of Commission on Money and Credit (Item No. 9). Copies of a memorandum from Mr. Noyes dated June 29, 1960, had been distributed pertaining to the possibility of holding a seminar at the Board next fall to which approximately 15 outstanding scholars would be invited for several days of informal discussion of the Board's preliminary replies to the Commission on Money and Credit. Discussants would be asked to submit in advance brief written appraisals of the draft answers which might help in organizing a specific agenda for the discussion. As in the case of earlier seminars conducted by the Board, it was suggested that honorariums for the work done in advance of the conference would be paid in the amount of \$100 per discussant, it being estimated that such fees for the conference itself, travel costs, and subsistence allowances would be approximately \$3,000 if all invitees participated. The possibility was also mentioned in Mr. Noyes' memorandum of subjecting the draft replies to System-wide critical appraisal through the seminar technique, thereby providing opportunity to younger members of Reserve Bank research staffs to become better acquainted with the thinking of the Board's staff on economic problems. With respect to such an intra-System seminar, it was expected that two separate sessions would be required in view of the number of economists Reserve Banks were likely to send and the

7/8/60

-6-

optimum size of such seminars. In order to minimize travel expenses, it was suggested that the timing of these intra-System seminars could be coordinated with Federal Open Market Committee meetings.

Governor Mills referred to discussion at the meeting on June 30, 1960, during which he had expressed doubt about the advisability of the Board's holding a seminar to which academic people would be invited to discuss the Board's preliminary answers to questions propounded by the Commission on Money and Credit. He still believed that should a group of representatives from the academic community take a position contrary to the Board's on the various questions submitted by the Commission, it could be a source of embarrassment. He cited as an example the controversial issue of using reserve requirements or System open market operations in executing monetary policy so far as the different benefits to the Treasury involved were concerned. He did not believe that this issue had been met in the answer to question 13 submitted by the Commission. Similarly, there was the question of whether margin requirements were intended to be and were in fact a credit control measure. He cited these questions as examples of areas of possible controversy.

Governor Robertson observed that there was considerable merit in the position taken by Governor Mills. On the other hand, there was much to be said for throwing the Board's record open for critical discussion by a broad group in order to promote understanding of the workings of monetary

7/8/60

-7-

policy. He noted that the proposed academic seminar would have the support of the executive staff of the Commission on Money and Credit and that Mr. Fox, Director of Research for the Commission, would be expected to attend and possibly would benefit from such a seminar. Therefore, although there was a risk of the System's being embarrassed by such a seminar, this risk was worth taking for the sake of presenting all possible points of view. For this reason, Governor Robertson said, he was sympathetic to holding the academic seminar.

Governor Shepardson said that on the condition the Commission did not believe it was untimely to have a discussion of the preliminary replies to their questions before the release of their final report, he believed the holding of an academic seminar would be desirable. However, should the Commission regard such a seminar as untimely, he believed it should not be held.

Following a comment by Governor King that he was neutral on the issue, Chairman Martin said that it would be unfortunate for the Board to be placed in the position of soliciting the Commission's assistance for such a seminar. He pointed out that the Commission itself had an adequate staff for holding such a seminar. He then referred to the possibility that the political atmosphere next fall would be such as to preclude a nonpartisan discussion of monetary policy, adding that it might be better to postpone the proposed academic seminar until after the November elections.

7/8/60

-8-

After the other members of the Board indicated agreement with the views expressed by Chairman Martin, attention turned to the question of holding an intra-System seminar. Following a brief discussion of this matter, it was agreed that plans be made to hold such a seminar in the fall, possibly next October, with the understanding that details would be worked out by the staff for subsequent presentation to the Board, and that the Federal Reserve Banks be so advised. A copy of the letter sent to the Presidents of all Reserve Banks later in the day is attached as Item No. 9.

Request from Federal Reserve Bank of New York concerning questions from the Commission on Money and Credit. Mr. Solomon reported a telephone call from Vice President Crosse of the Federal Reserve Bank of New York informing him that, following receipt from the Commission on Money and Credit of questions similar to the two received by the Board concerning bank supervision, answers had been prepared at the Reserve Bank. Mr. Crosse inquired what the Board's wish was as to the procedure to be followed by the Bank in forwarding these answers. During the ensuing discussion it was brought out that a somewhat different view of the examination function was taken by the New York Bank than by the Division of Examinations.

It was agreed that Mr. Solomon inform Vice President Crosse that the Board had no desire to see the answers prepared by the New York Bank prior to their transmission to the Commission on Money and Credit but that it would appreciate seeing the answers subsequently. It was understood that

7/8/60

-9-

Vice President Crosse would be supplied with copies of the Board's replies to the similar questions received by it from the Commission and that at some later date Chairman Martin would take the occasion to remind Mr. Fox, Director of Research for the Commission, that the examination function within the System was the primary responsibility of the Board.

Messrs. Koch and Brill then withdrew from the meeting.

Eligibility of "Deed of Trust Notes" as collateral for advances to member banks (Item No. 10). There had been distributed a memorandum dated June 29, 1960, from Mr. Walter Young concerning eligibility of "Deed of Trust Notes" issued in connection with the military housing program under Title VIII of the National Housing Act as collateral for advances to member banks. Attached to the memorandum was a draft of letter to the Federal Reserve Bank of Dallas in reply to its letter of March 28, 1960, that would take the position that:

(1) The notes would not be eligible as collateral for 15-day advances under the eighth paragraph of section 13 of the Federal Reserve Act since the "Deed of Trust Notes" are not "bonds, notes, certificates of indebtedness, or Treasury bills" as those words are used in the eighth paragraph;

(2) The notes are not "such notes, drafts, bills of exchange, or bankers' acceptances" as are eligible for rediscount or for purchase by Federal Reserve Banks under the provisions of the Federal Reserve Act, and, accordingly, they are not eligible as collateral for 90-day advances under paragraph eight of section 13;

(3) The notes are not eligible for advances under the last paragraph of section 13 which authorizes 90-day advances to any individual, partnership, or corporation on promissory notes secured by direct obligations of the United States.

7/8/60

-10-

Mr. Young noted that the Dallas Reserve Bank had submitted to the Board for determination the question as to whether certain "Deed of Trust Notes", ordinarily referred to as "Capehart Notes", issued by the so-called "Capehart Corporations" under the provisions of Title VIII of the National Housing Act were eligible as collateral for advances to member banks under any of the provisions of section 13 of the Federal Reserve Act. He said that the Reserve Bank's submission of this matter to the Board resulted from an inquiry received from the Republic National Bank of Dallas as to whether the Capehart Notes were "direct obligations of the United States" and eligible as collateral for advances under the last paragraph of section 13. He went on to say that Title VIII in actual operation provides a complex procedure for obtaining construction of needed military housing whereby a private contractor after competitive bids is selected by the Secretary of Defense or his designee to construct housing facilities on Government-owned land. The contractor then organizes a corporation which, for nominal rental, is granted a long-term lease of the Government property by the Secretary on the basis of which the corporation obtains a construction loan secured by a mortgage on the lease. After completion of the construction, the corporation obtains from a private lending institution a loan secured by a long-term mortgage on the lease and building and evidenced by a "Deed of Trust Note". At this point, the project, subject to the encumbrance, is turned over to the Secretary who, on behalf of the United States, executes a guaranty which

7/8/60

-11-

obligates him, without prior demand being made upon the corporation-mortgagor, to pay the principal and interest on the long-term mortgage. At the same time, the Secretary acquires custody of the property and the capital stock of the corporation is transferred to the Secretary. When this is done, Mr. Young said, nothing apparently remains of the corporation except a "shell" which, upon payment of the mortgage obligation, is required by law to be dissolved by the Secretary. He noted that as a part of the modus operandi the Federal Housing Commissioner insures the final long-term mortgage.

Mr. Young said that he had discussed the foregoing procedure with representatives of the General Counsel's Office of both the Federal Housing Administration and the Defense Department to secure such additional information as might be of assistance in resolving the question presented by the Dallas Reserve Bank. He noted further that the Treasury Department accepts "Deed of Trust Notes" at face value as collateral to secure Treasury tax and loan accounts under Departmental Circular 92, that the Office of the Comptroller of the Currency regarded these notes as constituting a direct obligation of the United States, and that the Dallas Reserve Bank's counsel took the same position regarding these notes as was expressed in the draft letter to the Reserve Bank attached to his memorandum of June 29. According to Mr. Young, the reasons for taking this position, namely, that the notes should not be regarded as "direct obligations of the United States" within the meaning of the last paragraph of section 13 of the Federal Reserve Act and the Board's

7/8/60

-12-

Regulation A, Advances and Discounts by Federal Reserve Banks, were as follows: (1) the notes are not executed by the United States or an agency thereof; (2) the Treasury does not consider the Government's obligation under the notes as a part of the public debt; (3) the positions taken by the Treasury and the Comptroller of the Currency with respect to these notes were for different purposes; (4) to regard these notes as direct obligations within the meaning of the last paragraph of section 13 could open the door in future similar cases; (5) the term "direct obligations" is parenthetically defined in two places in section 3(a) of Regulation A as meaning only bonds, notes, Treasury bills, or certificates of indebtedness of the United States.

Governor King commented that although he agreed technically with the conclusion reached by the Legal Division on this question, in view of the fact that monetary policy was frequently criticized because of its particular effect on the construction industry, as a practical matter it might be advisable to depart from a narrow interpretation of section 13 and the Board's Regulation A. However, he did not feel strongly about the matter.

Governor Mills expressed concern lest such a liberal interpretation of collateral eligible for advances by the Federal Reserve Banks cause the monetary authorities to lose to that extent control over the volume of credit they intended to supervise.

Mr. Hackley observed that the question at issue was a close one. He noted that not only had the Treasury Department and the Comptroller of the

7/8/60

-13-

Currency ruled on the nature of "Deed of Trust Notes" but that the Attorney General in a letter to the Secretary of Defense dated October 22, 1959, advised that the Secretary's guarantee constituted a final obligation of the United States, and that its validity was not conditional upon an expressed pledge of the faith and the credit of the United States, nor would it depend on the evidence of appropriations for its payment. However, it was the opinion of the Legal Division that these technical constructions of the nature of the notes in question were contrary to the general intent of section 13 of the Federal Reserve Act. Furthermore, as expressed by Governor Mills, it seemed undesirable as a policy matter to expand the meaning of section 13, advances to individuals, partnerships, and corporations on direct obligations of the United States, to bring about provision of a secondary market by the Reserve Banks for securities guaranteed by the Defense Department. He said, in reply to a question from Mr. Thomas, that the notes concerned differed from Merchant Marine bonds in that the latter were not direct obligations of the United States Government.

Following an observation by Governor Robertson that should it ever be deemed advisable to include other types of direct Treasury obligations aside from Treasury bonds, notes, bills, and certificates of indebtedness within the meaning of section 13, Regulation A could be amended, the letter to the Dallas Reserve Bank expressing the view that "Deed of Trust Notes" should not be regarded as "direct obligations of the United States" within

7/8/60

-14-

the meaning of the last paragraph of section 13 and the Board's Regulation A was approved unanimously. A copy of this letter is attached as Item No. 10.

All of the members of the staff with the exception of Mr. Sherman then withdrew from the meeting.

Luncheons for central bank delegates. Governor Shepardson stated that tentative arrangements had been made for the Board to give the usual luncheons for representatives of foreign central banks who would be attending the annual meetings of the International Monetary Fund and the International Bank for Reconstruction and Development on September 28 and 29, 1960, and that unless there was objection to these dates, plans would go forward on that basis. He also noted that in past years, because these were in the nature of "command performances" for the members of the Board and staff, the cost of these luncheons had been paid by the Board. In all other cases, Board and staff members paid for their own lunches, he said, and he stated reasons why, in this case, it was preferable that Board and staff members also bear the cost of their lunches. He therefore recommended that the giving of the luncheons be approved with the understanding that the Board would pay the cost of lunches for visiting central bankers and that the Board discontinue the practice of paying the cost of lunches for Board and staff members who might attend.

Governor Shepardson's recommendation was approved unanimously.

The meeting then adjourned.

7/8/60

-15-

Secretary's Note: Governor Shepardson today approved on behalf of the Board the following items:

Memoranda from appropriate individuals concerned recommending increases in the basic annual salaries of the following persons on the Board's staff, effective July 10, 1960:

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u> ^{1/}	
		<u>From</u>	<u>To</u>
<u>Office of the Secretary</u>			
Margaret J. Molster, Assistant Supervisor, Administrative, Subject, and FOMC Files (Change in title from Senior Records Clerk)		\$ 5,335	\$ 5,655
<u>Research and Statistics</u>			
Robert M. Fisher, Economist		9,735	10,635
Mary T. Gregory, Statistical Clerk		4,355	4,460
Marcia L. Mehl, Clerk-Stenographer		4,460	4,565
Gail Roberts, Secretary (Change in title from Clerk-Stenographer)		4,670	4,840
Frances D. Skehan, Statistical Assistant (Change in title from Statistical Clerk)		4,565	4,675
Edward Snyder, Economist		9,215	10,635
Dorothy E. Swink, Statistical Clerk		4,250	4,355
<u>Examinations</u>			
James H. Joyce, Assistant Federal Reserve Examiner		5,355	5,520
Jerome T. Kelley, Senior Federal Reserve Examiner		12,990	13,250
Louis W. Zidek, Federal Reserve Examiner		8,080	8,955
<u>Personnel Administration</u>			
Judith J. Sherbine, Clerk-Stenographer (*Meritorious increase approved July 7, 1960, brings salary to \$4,460)		4,250	4,355*

^{1/} Adjusted where necessary to correspond with steps in new salary schedule, effective July 10.

7/8/60

-16-

Salary increases, effective July 10, 1960 (continued)

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary 1/</u>	
		<u>From</u>	<u>To</u>
<u>Administrative Services</u>			
Philip D. Faber, Supply Clerk		\$ 4,340	\$ 4,445
William Hyde, Guard		4,880	4,985
Blanche E. Peacock, Charwoman		3,710	3,815
Hiram Roush, Guard		4,130	4,235
Ralph A. Sherrod, Photographer (Offset)		6,178	6,490
Davis H. Wilson, Chief, Automatic Data Processing and Telegraph Services		9,995	10,255

Office of the Controller

L. Waite Waller, Jr., Accounting Technician	6,600	6,765
---	-------	-------

Letter to the Federal Reserve Bank of New York (attached Item No. 11) approving the appointment of Bruce A. Cassella and Joseph J. DePaolo as assistant examiners.

Letter to the Federal Reserve Bank of Cleveland (attached Item No. 12) approving the appointment of Gary C. Kornish as assistant examiner.

Letter to the Federal Reserve Bank of Cleveland (attached Item No. 13) approving the designation of David Rose and Terry Stith as special assistant examiners, the designation of four persons as special assistant examiners on an unrestricted basis, and the designation of four other persons as special assistant examiners on a restricted basis.

Letter to the Federal Reserve Bank of San Francisco (attached Item No. 14) noting that Donald R. Maas, an assistant examiner, will not participate in any examination of the bank of which his father is an officer.


Secretary

1/ Adjusted where necessary to correspond with steps in new salary schedule, effective July 10.

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

Item No. 1
7/8/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 8, 1960

Board of Directors,
The Cleveland Trust Company,
Cleveland, Ohio.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Cleveland, the Board of Governors approves the establishment of a branch at 14539 Cedar Road, South Euclid, Cuyahoga County, Ohio, by The Cleveland Trust Company, Cleveland, Ohio. This approval is given provided the branch is established within nine months from the date of this letter.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

2547

Item No. 2
7/8/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 8, 1960

Board of Directors,
The Savings Deposit Bank
and Trust Company,
Elyria, Ohio.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Cleveland, the Board of Governors approves the establishment of a branch on Depot Street, Elyria, Lorain County, Ohio, by The Savings Deposit Bank and Trust Company, Elyria, Ohio. This approval is given provided the branch is established within six months from the date of this letter.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 3
7/8/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 8, 1960

Board of Directors,
The Union Bank and Savings Company,
Bellevue, Ohio.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Cleveland, the Board of Governors approves the establishment of a branch at 114 North Sandusky Street, Bellevue, Ohio, by The Union Bank and Savings Company, Bellevue, Ohio. This approval is given provided the branch is established within nine months from the date of this letter.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 4
7/8/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 8, 1960

Board of Directors,
The Louisville Trust Company,
Louisville, Kentucky.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of St. Louis, the Board of Governors of the Federal Reserve System approves the establishment of a branch at 4000 Frankfort Avenue, Louisville, Kentucky, by The Louisville Trust Company, Louisville, Kentucky, provided the branch is established within six months from the date of this letter.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.



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

2550

Item No. 5
7/8/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 8, 1960

Board of Directors,
The Union Savings Bank of
St. Charles,
St. Charles, Missouri.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of St. Louis, the Board of Governors of the Federal Reserve System approves the establishment by The Union Savings Bank of St. Charles, St. Charles, Missouri, of a branch at 627 Clay Street, St. Charles, Missouri, provided the branch is established within six months from the date of this letter.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 6
7/8/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 8, 1960



Board of Directors,
Union Bank,
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 extends until July 14, 1961, the time within which Union Bank may establish a branch in the vicinity of Carson Street and Madrona Avenue, Torrance, California, under the authorization contained in the Board's letter of July 14, 1959.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 7
7/8/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 8, 1960



Board of Directors,
Wells Fargo Bank American Trust Company,
San Francisco, 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 Civic Center on North First Street, San Jose, California, by Wells Fargo Bank American Trust Company, provided the branch is established within one year from the date of this letter.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 8
7/8/60

OFFICE OF THE CHAIRMAN

July 8, 1960

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

Dear Frazar:

You will recall that in mid-June the Board submitted draft answers to 11 of the 25 questions addressed to us by the Commission. I am transmitting herewith another group of 12 draft answers and hope to have the balance of the answers available within the month.

As in the case of the earlier submission, we are transmitting these drafts on the understanding that they may be subject to later revision if further review and consideration suggest the need therefor. We will continue to keep your staff advised on these matters.

Sincerely yours,

Bill M.

Wm. McC. Martin, Jr.

Enclosures

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

Item No. 9
7/8/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 8, 1960.



Dear Sir:

Enclosed is a set of the draft answers to all but two of the questions addressed to the Board by the Commission on Money and Credit and referred to in its letter of January 12, 1960. (A copy of the initial 22 questions that the Commission submitted was sent to you on February 11, and three additional questions subsequently were submitted to the Board relating to bank examination and supervision.) It is hoped that the answers to the two remaining questions will be available within the month. Copies of all answers are also being sent by the Director of Research and Statistics to the head of research at your Bank.

In approving the transmission of a group of 12 of these answers to the Commission on Money and Credit today, the Board also considered and approved a proposal that arrangements be made for a discussion of the draft replies by economists from throughout the Federal Reserve System early in the fall of this year, probably in October. The purpose of this letter is to let you know of the plans for such a meeting, which will be held in the Board's building in Washington. Details as to the timing of the discussions, which will follow the seminar technique, will be forwarded to your Bank later, along with an indication of the number of System economists that it might be desirable to plan on having in attendance at these discussions.

Very truly yours,

Merritt Sherman,
Secretary.

Enclosures
TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

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

Item No. 10
7/8/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 8, 1960



Mr. T. A. Hardin, Vice President,
Federal Reserve Bank of Dallas,
Dallas 2, Texas.

Dear Mr. Hardin:

This is in response to your letter of March 28, 1960, with enclosures, in which you submitted to the Board for determination the question as to whether certain "Deed of Trust Notes", issued under the provisions of Title VIII of the National Housing Act in connection with the military housing program, are eligible as collateral for advances to member banks under any of the provisions of section 13 of the Federal Reserve Act.

It is understood that the "Deed of Trust Notes" are issued by so-called "Capehart Corporations" and that the financing institutions which advance the funds for the housing construction look to the Defense Department for payment pursuant to a so-called guaranty agreement executed by the Secretary of Defense or his designee under which the United States undertakes to make each periodic payment which becomes due on the note without prior demand for such payment.

After careful consideration of the questions involved, the Board has concluded that:

- (1) The notes would not be eligible as collateral for 15-day advances under the eighth paragraph of section 13 of the Federal Reserve Act since the "Deed of Trust Notes" are not "bonds, notes, certificates of indebtedness, or Treasury bills" as those words are used in the eighth paragraph;

Mr. T. A. Hardin

-2-

(2) The notes are not "such notes, drafts, bills of exchange, or bankers' acceptances" as are eligible for rediscount or for purchase by Federal Reserve Banks under the provisions of the Federal Reserve Act, and, accordingly, they are not eligible as collateral for 90-day advances under paragraph eight of section 13;

(3) The notes are not eligible for advances under the last paragraph of section 13 which authorizes 90-day advances to any individual, partnership, or corporation on promissory notes secured by direct obligations of the United States.

Some comment seems desirable with respect to (3) above. Notwithstanding the fact that in a broad sense the Government's contract to make periodic payments on the notes without prior demand appears to be a direct obligation of the United States, it is the Board's view that the Government's contract does not constitute such an obligation within the meaning of the last paragraph of section 13. Under that paragraph, advances by Reserve Banks are authorized on such obligations subject to such "limitations, restrictions, and regulations" as the Board may prescribe. While the term "direct obligations of the United States" is not specifically defined in Regulation A, nevertheless in two places in section 3(a) of that Regulation, the term is parenthetically defined as meaning only bonds, notes, Treasury bills, or certificates of indebtedness of the United States. Clearly this evidences an intent that the term shall have that meaning wherever it is used in the Regulation.

Of course, the "Deed of Trust Notes" are eligible for advances under section 10(b) although at a rate of interest not less than one-half of one per cent per annum higher than the highest rate applicable to discounts for member banks then in effect.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.



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

Item No. 11
7/8/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 8, 1960

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 July 5, 1960, the Board approves the appointment of Bruce A. Cassella and Joseph J. DePaolo as assistant examiners for the Federal Reserve Bank of New York. Please advise as to the effective dates of the appointments.

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. 12
7/8/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 8, 1960

CONFIDENTIAL (FR)

Mr. Paul C. Stetzelberger, Vice President,
Federal Reserve Bank of Cleveland,
Cleveland 1, Ohio.

Dear Mr. Stetzelberger:

In accordance with the request contained in your letter of June 29, 1960, the Board approves the appointment of Gary C. Kornish as an assistant examiner for the Federal Reserve Bank of Cleveland. Please advise as to salary rate and the effective date of the appointment.

It is noted that Mr. Kornish is indebted to The Ohio Savings & Trust Company, New Philadelphia, Ohio, a State member bank, in the amount of \$950. Accordingly, the Board's approval of the appointment of Mr. Kornish is given with the understanding that he will not participate in any examination 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. 13
7/8/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 8, 1960



Mr. G. T. Quast, Chief Examiner,
Federal Reserve Bank of Cleveland,
Cleveland 1, Ohio.

Dear Mr. Quast:

In accordance with the request contained in your letter of June 30, 1960, the Board approves the designation of David Rose and Terry Stith as special assistant examiners for the Federal Reserve Bank of Cleveland.

Inasmuch as Lawrence Gibson, Charles G. Glass, Robert Groh, and Ollie McEntyre are no longer indebted to any member bank, the Board approves their designation as special assistant examiners for the Federal Reserve Bank of Cleveland on an unrestricted basis.

The Board also approves the designation of the following individuals as special assistant examiners for the Federal Reserve Bank of Cleveland for the purpose of participating in examinations of banks except the bank listed immediately above their names:

The Fifth Third Union Trust Company
Cincinnati, Ohio

Harry Goebel, Jr.

The First National Bank of Cincinnati
Cincinnati, Ohio

Thomas Petroze

Mr. G. T. Quast

- 2 -

The Peoples-Liberty Bank and Trust Company
Covington, Kentucky

Robert Baughman

The Provident Bank
Cincinnati, Ohio

Robert R. Eveleth

All authorizations heretofore given your Bank to designate these employees as special assistant examiners are hereby canceled. Appropriate notations have also been made in our records of the other names to be deleted from the list of special assistant examiners.

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. 14
7/8/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 8, 1960

CONFIDENTIAL (FR)

Mr. Eliot J. Swan, First Vice President,
Federal Reserve Bank of San Francisco,
San Francisco 20, California.

Dear Mr. Swan:

This will acknowledge your letter of June 28, 1960,
with reference to Donald R. Maas, whose appointment as an
assistant examiner for the Federal Reserve Bank of San Francisco
was approved by the Board on January 20, 1959.

It is noted that Mr. Maas is the son of Fred Maas,
Executive Vice President of Farmers and Merchants Bank of
Central California, Lodi, California, a State member bank.
It is understood that Mr. Maas will not participate in any
examination of Farmers and Merchants Bank of Central California
as long as his father is an officer of that bank.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.