

Minutes for July 25, 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>(M)</u>
Gov. Szymczak	<u>MS</u>
Gov. Mills	<u>[Signature]</u>
Gov. Robertson	<u>[Signature]</u>
Gov. Balderston	<u>CB</u>
Gov. Shepardson	<u>[Signature]</u>
Gov. King	<u>[Signature]</u>

Minutes of the Board of Governors of the Federal Reserve System  
on Monday, July 25, 1960. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman  
Mr. Balderston, Vice Chairman  
Mr. Mills  
Mr. Robertson  
Mr. Shepardson

Mr. Sherman, Secretary  
Mr. Kenyon, Assistant Secretary  
Mr. Thomas, Adviser to the Board  
Mr. Knipe, Consultant to the Chairman

Messrs. Marget, Hersey, Sammons, Gekker, Gemmill,  
Irvine, Katz, Maroni, Wallace, and Wood, of  
the Division of International Finance

Messrs. Koch, Robinson, Brill, Dembitz, Williams,  
Altmann, Eckert, Fisher, Gehman, Kalachek, Peret,  
Wood, and Yager, and Miss Dingle, of the Division  
of Research and Statistics

Economic review. The Division of International Finance commented on United States foreign trade and financial developments in selected countries abroad, following which the Division of Research and Statistics summarized domestic economic developments.

Thereafter all of the members of those Divisions except Messrs. Koch, Robinson, and Sammons withdrew, as did Messrs. Thomas and Knipe. Messrs. Molony, Assistant to the Board, Solomon, Director, and Nelson, Assistant Director, Division of Examinations, Hexter, Assistant General Counsel, Hooff, Assistant Counsel, and Potter, Legal Assistant, entered the room at this point.

Items circulated to the Board. The following items, which had been circulated to the members of the Board and copies of which are attached to these minutes under the respective item numbers indicated, were approved unanimously:

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	<u>Item No.</u>
Letter to the Lawrence Savings and Trust Company, New Castle, Pennsylvania, approving the establishment of a branch in Shenango Township.	1
Letter to The Farmers State Bank of Englewood, Ohio, approving an investment in bank premises.	2

Proposed merger of Harris Trust and Chicago National. With reference to the proposed merger of the Harris Trust and Savings Bank and the Chicago National Bank, both of Chicago, Illinois, it was agreed, at the request of the Chairman, to defer further consideration of the matter until Wednesday, July 27, in order that the Chairman might have an opportunity to complete his study of the pertinent files.

Merger of Portland Trust and Valley National (Item No. 3). There had been circulated to the Board a file relating to the application of the Portland Trust Bank, Portland, Oregon, for consent to its proposed merger with The Valley National Bank of Milton, Milton-Freewater, under the title of The Oregon Bank, and for approval of the establishment of a branch at the present location of the national bank in Milton-Freewater. The recommendations of the Federal Reserve Bank of San Francisco and the Board's Division of Examinations were favorable, and letters reflecting the views of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the Department of Justice with respect to the competitive aspects of the proposal were contained in letters included in the file. In summarizing its analysis of the

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application, the Division of Examinations stated:

The proposed merger will provide expanded banking services for the Milton-Freewater area by a banking institution in sound condition and strongly managed, all of which would appear to be in the public interest.

Governor Mills disqualified himself, for personal reasons, from participation in the decision on this matter.

No question was raised with respect to the proposal except as to whether it was sufficiently clear in the record that the transaction would not involve an "insider's" profit inuring to the management of the applicant bank by reason of the purchase of shares of the Milton-Freewater bank as a step preliminary to the effectuation of the merger. In this connection, Mr. Nelson presented information drawn from the application papers and from telephone conversation with an official of the San Francisco Reserve Bank which tended to indicate that no such profit would be derived. The suggestion was made that if it seemed desirable in order to make the record completely clear, further information could be sought from the President of Portland Trust Bank through the San Francisco Reserve Bank.

During the course of this discussion Governor Mills made certain comments, in response to inquiry by a member of the Board, concerning the favorable reputation in the community of the applicant bank's President. Governor Mills made it clear, however, that these comments were not intended to suggest that the Board refrain from making any further inquiry it might consider desirable to complete the record.

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At the conclusion of the discussion satisfaction was expressed with the record in its present status, and approval then was given to the letter to the Portland Trust Bank of which a copy is attached as Item No. 3, Governor Mills not voting.

Study by New York Clearing House Association (Item No. 4). With a letter dated July 21, 1960, Vice President Bilby of the Federal Reserve Bank of New York transmitted to the Board copies of a study of Regulation Q, Payment of Interest on Deposits, which had been made by a special committee of the New York Clearing House Association. The study related particularly to the application of Regulation Q to foreign time deposits. Mr. Bilby's letter stated that the Association had indicated its desire ultimately to make the report public, although the Association would be glad to restrict circulation of the report for such time as the Board might wish to devote to study of the document.

There had been distributed to the members of the Board a proposed letter to President Hayes of the New York Reserve Bank which would indicate that the Board appreciated receiving copies of the study, which had been prepared by the Clearing House Association at its own initiative, but that the question of when and how the study should be made public was a matter for decision by the Association.

Following a brief discussion, the letter to President Hayes, a copy of which is attached as Item No. 4, was approved unanimously.

The meeting then adjourned.

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Secretary's Notes: Governor Shepardson today approved on behalf of the Board a letter to the International Cooperation Administration (attached Item No. 5) with regard to an extension of the detail of Mr. Ralph E. Holben to the Board, and from the Board to Banco de Guatemala.

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

Appointment

Ann R. Clary as Librarian in the Division of Research and Statistics, with basic annual salary at the rate of \$5,685, effective the date of entrance upon duty.

Salary increases, effective August 7, 1960

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Research and Statistics</u>			
Helen R. Grunwell, Chief Draftsman		\$ 8,340	\$ 8,600
Margaret V. Hastings, Research Assistant		5,685	5,850
Monica F. Jones, Statistical Assistant		6,015	6,180
Winofred Racz, Statistical Assistant		6,015	6,180
Maurice H. Schwartz, Chief Analyst		12,470	12,730
Natalie C. Strader, Research Assistant		5,685	5,850
Mary F. Weaver, Statistical Assistant		6,180	6,345
<u>International Finance</u>			
Rita D. Brinley, Secretary		5,170	5,335
John E. Reynolds, Economist		12,470	12,730
<u>Bank Operations</u>			
Esther W. Conover, Supervisor, Reserve Bank Statement Unit		6,180	6,345

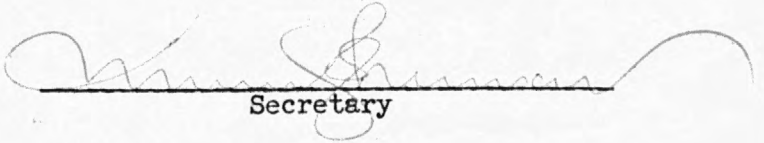
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Salary increases, effective August 7, 1960 (continued)

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Bank Operations</u>			
Mary Louise Roberts, Statistical Assistant		\$5,655	\$5,820
Theodore A. Veenstra, Jr., Technical Assistant		9,215	9,475
<u>Examinations</u>			
Evelyn W. Edwards, Secretary		6,180	6,345
John N. Lyon, Review Examiner		9,735	9,995
M. Patricia McShane, Training Assistant		6,015	6,180
Susan Rowzie, Stenographer		4,355	4,460
<u>Personnel Administration</u>			
M. Callie Wickline, Nurse		6,180	6,345
<u>Administrative Services</u>			
Herbert E. Haney, Senior Programmer		6,435	6,600
Aubrey L. Simmons, Sergeant, Guard Force		4,250	4,355

Governor Shepardson noted on behalf of the Board that applications for retirement, effective July 31, 1960, had been filed by Susan S. Burr, Associate Adviser, Division of Research and Statistics, and Edward L. Hargett, Operator-Mimeograph, Division of Administrative Services.


  
Secretary

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

Item No. 1  
7/25/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

July 25, 1960

Board of Directors,  
Lawrence Savings and Trust Company,  
New Castle, Pennsylvania.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Cleveland, the Board of Governors approves the establishment of a branch on State Route #88 in Lawrence Village Shopping Center, Shenango Township, Pennsylvania, by Lawrence Savings and Trust Company, New Castle, Pennsylvania. 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. 2  
7/25/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

July 25, 1960

Board of Directors,  
The Farmers State Bank  
of Englewood, Ohio,  
Englewood, Ohio.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Cleveland, the Board of Governors of the Federal Reserve System approves, under the provisions of Section 24A of the Federal Reserve Act, an additional investment of \$130,808 in bank premises by The Farmers State Bank of Englewood, Ohio, Englewood, Ohio, for the purpose of constructing a new bank building. It is understood that this investment will be reduced by the net profit on the sale of the old bank building.

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  
7/25/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

July 25, 1960

Board of Directors,  
Portland Trust Bank,  
Portland, Oregon.

Gentlemen:

The Board of Governors of the Federal Reserve System, after consideration of all factors set forth in section 18(c) of the Federal Deposit Insurance Act, as amended by the Act of May 13, 1960, and finding the transaction to be in the public interest, hereby consents to the merger of The Valley National Bank of Milton, Milton-Freewater, Oregon, into Portland Trust Bank, under the charter of the latter bank and new title of The Oregon Bank. The Board of Governors also approves the establishment of a branch by The Oregon Bank at the location of the present office of The Valley National Bank of Milton, 903 South Main Street, Milton-Freewater, Oregon.

This approval is given provided the transactions are consummated within six months from the date of this letter and shares of stock acquired from dissenting shareholders are disposed of within six months from date of acquisition.

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  
7/25/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

July 25, 1960.

Mr. Alfred Hayes, President,  
Federal Reserve Bank of New York,  
New York 45, New York.

Dear Mr. Hayes:

With Mr. Bilby's letter of July 21, 1960, there were transmitted several copies of a study made by a special committee for the New York Clearing House Association of the Board's Regulation Q as it applies to foreign time deposits. Mr. Bilby's letter states that in transmitting the report to the Board through your Bank, the Association indicated a desire ultimately to make the report public although it would be glad to restrict its circulation for such time as the Board might wish to devote to study of the report.

The Board appreciates receiving copies of the study, which will be reviewed with interest by the members of the Board and its staff. However, since the report was prepared by the New York Clearing House Association at its own initiative and without solicitation on the part of the Board of Governors, the question of when and how it should be made public is a matter for decision by the Association.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

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

Item No. 5  
7/25/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

July 25, 1960.

Mr. Harry A. Hinderer,  
Director of Personnel,  
International Cooperation Administration,  
Washington 25, D. C.

Attention: Miss Hood

Dear Mr. Hinderer:

Reference is made to the correspondence of July-October 1959 between the Board of Governors and the International Cooperation Administration concerning the reimbursable detail of Mr. Ralph E. Holben from the I.C.A. to the Board and from the Board to the Banco de Guatemala, and also to your letter of July 15, 1960 concerning an amendment of the reimbursable charges earlier specified so as to include an employer's contribution to health insurance.

The detail of Mr. Holben was arranged for a period of one year to October 15, 1960. The Banco de Guatemala, with Mr. Holben's approval, has now requested an extension of the detail for two additional months. Since Mr. Holben's services have been very valuable to the Bank, the Board of Governors wishes to support this request, and asks the International Cooperation Administration to approve an extension of Mr. Holben's detail to the Board to December 15, 1960.

The Board will seek to amend its contract with the Banco de Guatemala so as to include the new charge of \$3.12 per pay period for health insurance. Mr. Reynolds



Mr. Harry A. Hinderer

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of the Board's staff also understands that the I.C.A. may wish to propose some modification of the charges earlier specified for salary, retirement, insurance, and leave in Mr. Henry Ardai's letter to the Board of September 1, 1959, particularly to take account of the general Government pay raise recently effective. It would be helpful to have a detailed statement of any proposed modifications, together with the effective dates both for them and for the new health insurance charge. These matters could then be taken up with the Banco de Guatemala at the same time as the extension of contract.

Sincerely yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.