

Minutes for August 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 proposed to place in the record of policy actions required to be kept under the provisions of Section 10 of the Federal Reserve Act an entry covering the item in this set of minutes commencing on the page and dealing with the subject referred to below:

Page 2 Amendments to Regulation D, Reserves of Member Banks.

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 'SS'. The initials for Gov. King are 'K'.

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

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

Mr. Kenyon, Assistant Secretary  
Mr. Shay, Legislative Counsel  
Mr. Molony, Assistant to the Board  
Mr. Noyes, Director, Division of Research and  
Statistics  
Mr. Dembitz, Associate Adviser, Division of  
Research and Statistics  
Mr. Landry, Assistant to the Secretary  
Mr. Keir, Chief, Government Finance Section,  
Division of Research and Statistics  
Mr. Yager, Economist, Division of Research and  
Statistics

Report on money market. Messrs. Noyes and Yager reported on  
money market and bank credit developments, including reference to current  
Treasury financing.

At the conclusion of this report the following entered the room:

Mr. Farrell, Director, Division of Bank Operations  
Mr. Solomon, Director, Division of Examinations  
Mr. Johnson, Director, Division of Personnel  
Administration  
Mr. Hexter, Assistant General Counsel  
Mr. Robinson, Adviser, Division of Research and  
Statistics  
Mr. Conkling, Assistant Director, Division of  
Bank Operations  
Mr. Kiley, Assistant Director, Division of Bank  
Operations

1/ Entered meeting at point indicated in minutes.

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Mr. Nelson, Assistant Director, Division of  
Examinations  
Mr. Collier, Chief, Current Series Section,  
Division of Bank Operations  
Mr. Fry, Economist, Division of Research and  
Statistics

Amendments to Regulation D relating to vault cash and reserve requirements. At previous meetings of the Board, most recently on August 4, 1960, there had been preliminary discussions of action that might be taken with regard to an additional release of vault cash, along with the relationship thereof to further actions affecting reserves that might be taken by the Board over the next several months, including changes in reserve requirements, a change from two days to three days in the maximum deferment period under the Reserve Bank check collection schedules, and the establishment of standards for the classification of reserve cities and for exemption of individual banks from reserve city requirements.

Subsequent to the meeting on August 4, there had been distributed to the members of the Board copies of an alternative schedule of actions, known as "Plan D", which had been prepared by Mr. Dembitz. A significant feature of this plan would be to move forward to August 25, 1960, the effective date of the release of a larger portion of vault cash at country banks. In the form in which it was distributed to the Board, Plan D provided for releasing vault cash in excess of 3 per cent of demand deposits at country banks effective August 25, 1960, for releasing

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vault cash in excess of 1 per cent at central reserve city and reserve city banks effective September 1, 1960, and for reducing the reserve requirement against demand deposits applicable to central reserve city banks from 18 per cent to 17-1/2 per cent, also effective September 1, 1960. Actions contemplated by this plan at the end of November 1960 included release of the remaining vault cash at all member banks, an increase in the reserve requirement for country banks from 11 to 12-1/2 per cent, and an increase in the requirement for reserve city banks from 16-1/2 to 17 per cent. A change to three-day maximum deferment was contemplated for January 1961. The estimated net effect of these actions would be to release approximately \$810 million of reserves to the banking system, after allowance for a reduction of \$500 million of reserves incident to the change in maximum deferment. It was suggested that the net release of reserves might be offset fully or in part by gold outflow and growth needs, and that consequently the net open market sales needed, if any, might be negligible.

In commenting on Plan D, Mr. Dembitz pointed out that if it should be thought preferable to release vault cash in excess of 2-1/2 per cent rather than 3 per cent at country banks on August 25, 1960, the amount of reserves released would be in the order of \$275 million rather than \$150 million, and the number of country banks that would receive some benefit would be expanded to around 4,600. The final result of the entire program in terms of reserves released would of course remain unchanged.

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Governor Balderston said it had occurred to him that it might be desirable, in connection with announcing such a release of vault cash, to indicate also that other actions of a less agreeable nature to the banking system would be contemplated later. He then distributed a draft of possible statement by the Board which, having in mind the statement of the House Managers in the Conference Report on reserve requirement legislation that became effective July 28, 1959, would indicate minimum recourse to open market sales as a means of offsetting reserves released through actions in respect to vault cash.

After comments by Governor Balderston on the factors involved in making such a statement, Governor Robertson inquired whether there was a feeling that the Board was not going forward with the change to three-day maximum deferment.

Governor Balderston replied that, on the contrary, Plan D seemed to rely on the offset that would be provided by a change to three-day maximum deferment in January 1961, and he added that such action would have to be announced considerably before the effective date in order to allow the banks to make necessary adjustments. On the other hand, there was a question as to how specific the Board might want to make any announcement at this time.

Governor Robertson said he felt the Board was almost obliged to take advantage of the present opportunity to deal with both the deferment schedule and the reclassification of reserve cities, and he agreed with

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Governor Balderston that an announcement considerably in advance of both such actions would be required.

At this point Governor Mills emphasized that the discussion today should be kept in complete confidence by all those in the room, and the other members of the Board indicated agreement with this comment.

Turning to the proposal before the Board and the announcement that might be made in connection with any action taken at this time, Governor Mills pointed out that the purpose of an additional release of vault cash would be to inject reserves into the banking system against anticipated seasonal credit requirements, a seasonal outflow of currency, and a possible additional outflow of gold. Those reasons, he suggested, would make such action completely logical. In his opinion, the issuance of a statement indicative of actions that might be taken in the future would be a questionable procedure and might lead only to undue discussion and prognostications with regard to System policy. Therefore, he would suggest confining any announcement to the action initially taken, holding in complete secrecy any further discussion of the additional release of vault cash until near the date or dates when actions might be taken.

Governor Robertson agreed with the thought that it would not be necessary, in connection with an initial action on vault cash, to make an announcement regarding the balance of the total program that was contemplated. He then inquired as to the amount of time that was thought to be required for giving notice of actions in respect to the reclassification of reserve cities and a change to three-day maximum deferment,

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and the staff replies were in terms of about a 60-day notice concerning the change in maximum deferment, with perhaps about the same extent of advance notice regarding the classification of reserve cities.

At this point Mr. Fauver, Assistant to the Board, entered the room and Messrs. Keir and Yager withdrew.

Governor Balderston then stated that despite the form of announcement he had put forward for discussion, his feelings on the matter were much like those of Governor Mills. If the Board could take initial action in August, in view of the surrounding circumstances, without giving an indication of other actions so far ahead of the prospective effective dates, that might be prudent. According to the contemplated program, all additional vault cash would be released at the end of November and conceivably at that time the Board might decide to eliminate the remaining differential between the reserve requirements of central reserve and reserve city banks, which would serve to offset an announcement on three-day maximum deferment. By November, however, the Board would have to make a full disclosure of the program; it could not delay beyond that time.

At this point Governor Shepardson presented for purposes of discussion various arguments that might be advanced in favor of an announcement at this time that would go beyond the initial part of the program outlined in Plan D. Among other things he made reference to the fact that structural adjustments in the banking system were necessitated in order to implement the reserve requirement legislation enacted in July 1959.

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There followed a discussion of the advantages and disadvantages of alternative forms of announcement. This included a suggestion by Mr. Farrell that the Board might achieve its objectives by an announcement indicating that reserves are needed at this season of the year and ordinarily are supplied by open market operations, but that this year the Board had decided, in light of the recent legislation, to supply reserves by releasing additional vault cash as needed, which would require some offsetting actions when the reserves were no longer needed.

Governor Robertson suggested that the actions on vault cash scheduled in Plan D to become effective August 25 and September 1, 1960, could be taken without announcement of subsequent actions. However, when the balance of the program was released, the Board would have to make an announcement in regard to three-day maximum deferment and the reclassification of reserve cities. Although the Board would not have to specify future actions on vault cash or specify whether reserve requirements for certain classes of banks would be raised, it would have to make an announcement, in ample time for member banks to adjust, on the reclassification of reserve cities and a change to three-day maximum deferment. Therefore, the reduction of reserve requirements for central reserve city banks to 17-1/2 per cent, scheduled in Plan D to become effective September 1, 1960, could be coupled with announcement of a change in maximum deferment and reclassification of reserve cities. To summarize, he would suggest an immediate announcement limited to the actions on

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vault cash at reserve city and country banks, followed by announcement in September with regard to a reduction in reserve requirements of central reserve city banks, on maximum deferment, and on the classification of reserve cities. This would allow several months for the banks to make adjustments. The statement could also indicate that changes would be made in reserve requirements or in vault cash provisions to take care of reserve needs as they might arise in carrying out the total program.

Governor Shepardson commented, with respect to the first move, that an appropriate statement perhaps could be made without detailing what actions were contemplated in the future. As Governor Robertson had suggested, a further announcement might be made prior to the actions envisaged in November. However, if the thought was to make that kind of a statement, the advantage of waiting until some time in September was not clear to him. In any event, he noted, questions were likely to be received from bankers in connection with an announcement phrased in general terms, and he assumed Governor Robertson would feel that the Board should be prepared to answer such questions.

Governor Robertson replied that this was correct insofar as the three-day maximum deferment and the classification of reserve cities were concerned. The only thing left would be the further release of vault cash and the possible raising of reserve requirements in offset.

Governor Mills said he could find no reason to go beyond the items in Plan D that were scheduled to become effective August 25 and

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September 1, 1960. Consequently, he would let those actions stand on their own feet. Then the Board would have a full month or six weeks in which those actions could be digested before it raised any question about the reclassification of reserve cities or maximum deferment. If there was an announcement that the deferment schedule would be changed, this would produce all of the reactions and questions foreseen by Governor Shepardson. This would amount to borrowing trouble, because the matter could be dealt with just as well at a later date.

In reply to a question by Governor Balderston, Governor Mills said he would favor acting at this time to release vault cash in excess of 2-1/2 per cent at country banks effective August 25, and in excess of 1 per cent at central reserve and reserve city banks effective September 1, along with a reduction of the reserve requirement for central reserve city banks from 18 to 17-1/2 per cent, also effective the first of September.

Governor King expressed agreement with the statement just made by Governor Mills, which he gathered would be generally consistent with the type of announcement that had been suggested by Mr. Farrell. One thing to be considered in planning what was to be done in the future, he pointed out, was the fact that a full Board, when available, might not concur in a program tentatively agreed upon. He would not want to be a party to making a decision that would be binding upon the full Board or put the full Board in a position where its thinking was prejudiced.

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Governor King then said that he would subscribe to the first part of the program outlined in Plan D, including reduction of the reserve requirement for central reserve city banks, along with a statement of the type Mr. Farrell had suggested and an understanding that the Board would plan to work toward a change in maximum deferment later in the year. Personally, he would even go so far as to take action at this time to release some high percentage of vault cash and raise reserve requirements at reserve city and country banks to 17 and 12.5 per cent, respectively. Then, at a later time, the Board could consider whether to move to three-day maximum deferment in January 1961 or take action through other means to absorb reserves after the turn of the year. He realized, however, that this would be quite a radical departure from what had been discussed up to the moment, and he would not object to taking the first series of steps outlined in Plan D.

Following additional discussion, Governor Balderston noted that there appeared to be unanimity of opinion with respect to the proposed additional release of vault cash at country banks on August 25 and at other banks on September 1, but that there did not appear to be unanimity with respect to acting at this time to reduce the reserve requirement of central reserve city banks.

There ensued comments on the projected need for reserves in the forthcoming period during which Governor Mills pointed out that a substantial amount of Federal Reserve credit was outstanding in the form

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of repurchase agreements, which at some point apparently would be converted into a permanent basis through open market action unless the Desk was advised, through early announcement, of action by the Board on vault cash and on the reserve requirements of central reserve city banks and thereupon could act to avoid reserves becoming superfluous.

Governor Robertson stated that he would go along with action to release vault cash in excess of 2-1/2 per cent for country banks and in excess of 1 per cent for other banks, but that he would not want to go further at this time.

Governor Shepardson said he also would go along on that basis, although he was not completely clear with regard to the reason to deferring action on the reserve requirement for central reserve city banks.

Governor Robertson replied that he thought the action on central reserve city banks should be tied in as closely as possible with announcement of the change to three-day maximum deferment because the central reserve city banks would be affected substantially by the latter action. He saw no great need for announcing a reduction of central reserve city requirements at this time, and he thought it would be wise, therefore, to defer such action for the reason he had indicated.

Members of the staff commented that action on vault cash alone would provide practically no benefit to the central reserve city banks and that the present spread of effective reserve requirements as between central reserve city and reserve city banks would be increased through

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the vault cash action, following which Governor Robertson stated that neither of those points would cause him a great deal of concern.

Governor Shepardson then stated that he could go along with the view expressed by Governor Robertson.

Governor King stated that he would favor the indicated actions on vault cash along with a reduction of central reserve city requirements. He noted that there was another adjustment yet to be made for central reserve city banks no later than the middle of 1962, and that this might present an opportunity for coupling an announcement with an announcement of change in maximum deferment.

After further discussion of timing, it was learned that Governor Szymczak had just returned to his desk from vacation. Upon being advised by telephone of the discussion that was under way, Governor Szymczak joined the meeting and was informed of the views that had been expressed up to this point.

There followed a further discussion during which members of the Board summarized their positions and the reasons therefor.

Governor Szymczak then stated that he would vote, along with Governors Mills and King, to take action at this time to release vault cash in excess of 2-1/2 per cent at country banks effective August 25, to release vault cash in excess of 1 per cent at central reserve and reserve city banks effective September 1, and to reduce the reserve requirement for central reserve city banks from 18 per cent to 17-1/2 per cent, also effective the first of September.

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Governor Balderston stated that he would vote in the same manner.

Accordingly, it was agreed to amend the Supplement to Regulation D, Reserves of Member Banks, so as to release vault cash in excess of 2-1/2 per cent of demand deposits for country banks effective August 25, 1960, to release vault cash in excess of 1 per cent for central reserve and reserve city banks effective September 1, 1960, and to reduce the reserve requirement against demand deposits for central reserve city banks from 18 per cent to 17-1/2 per cent, also effective September 1, 1960. Governors Robertson and Shepardson voted "no", for the reasons they had stated, on the reduction of the reserve requirement applicable to central reserve city banks.

It was understood that an announcement of the action taken would be released to the press today at 4:00 p.m. EDT, that the Federal Reserve Banks and branches would be advised of the action by telegram, and that arrangements would be made for publication of a notice in the Federal Register. It was also understood that the staff would prepare a draft of press release and that the Board would meet this afternoon for consideration of the draft.

At this point the following withdrew from the meeting: Messrs. Shay, Molony, Fauver, Noyes, Robinson, Dembitz, Conkling, Collier, and Fry.

Discount rates. The establishment without change by the Federal Reserve Banks of New York, Philadelphia, Chicago, and San Francisco on

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August 4, 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 Phillipsburg Trust Company, Phillipsburg, New Jersey, approving the establishment of a branch at 707-713 New Brunswick Pike, Pohatcong Township.	1
Letter to the Wachovia Bank and Trust Company, Winston-Salem, North Carolina, approving the establishment of a branch in Greensboro.	2
Letter to the Bank of Neosho, Neosho, Missouri, approving the establishment of a branch at 115 South Jefferson Street.	3
Letter to the California Bank, Los Angeles, California, approving the establishment of a branch in Burbank.	4
Letter to the California Bank, Los Angeles, California, approving the establishment of a branch in Corona.	5
Letter to the First National Bank of Shelbyville, Shelbyville, Tennessee, approving its application for fiduciary powers.	6
Letter to The Commercial State Bank, Pocahontas, Iowa, waiving the requirement of six months' notice of withdrawal from membership in the Federal Reserve System.	7
Letter to the Comptroller of the Currency recommending favorably with respect to an application to organize a national bank at St. Petersburg, Florida.	8

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Item No.

Letter to the Federal Reserve Bank of Chicago approving the payment of salary to the Bank's marble maintenance man at a specified rate for that portion of his time which is spent performing the duties of a marble setter. 9

With respect to Items 4 and 5, letters to the California Bank, Los Angeles, California, approving branch applications, Governor Robertson commented that the approval of such branches should not be construed as having been given on the basis of the bank's statement that it planned to obtain an additional \$20 million of capital through its parent organization, Firstamerica Corporation, since it appeared that such plan would depend on settlement of the current Federal antitrust proceeding against the parent, which might go on for a number of years. Although the bank was definitely undercapitalized, it had good management, and he would not advocate denying these branch applications, but he would not want to indicate through such action that the Board was relying on the statement of the applicant bank in regard to obtaining new capital.

With respect to Item No. 8, concerning the proposed organization of a new national bank in Florida, Governor Mills commented that he was always disturbed whenever there were indications, as in this instance, that the organizers of Florida banks had strong real estate connections. He called attention to the fact that in this case the sponsors of the new national bank showed heavy indebtedness despite substantial net worth, and that if their asset positions had "water" in them the organizers

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might not be as substantial financially as at first it would appear, particularly in view of the current economic situation in Florida.

Report on competitive factors (Fort Thomas-Newport, Kentucky).

There had been circulated a proposed report to the Comptroller of the Currency on the competitive factors involved in the proposed purchase of assets and assumption of liabilities of The Highland Bank, Fort Thomas, Kentucky, by Newport National Bank, Newport, Kentucky. The conclusion of the report was as follows:

The proposal would eliminate one competitor in the area. However, it appears that competition in Fort Thomas would be intensified through the operation of a branch of a larger bank.

No objection being indicated, the report was approved unanimously for transmittal to the Comptroller.

Use of examination report. Under date of August 5, 1960, there had been distributed a draft of letter to Pacific State Bank, Hawthorne, California, that would deny its request for permission to allow the State Corporation Commissioner to review the current report of examination of the bank. The draft reply would state in part that "the Board has felt that it is in the best interest of all banks to take a firm stand against disclosure of confidential information by making the rule that examination reports may not be shown to persons other than those properly connected with the bank and to bank supervisory agencies who maintain strict confidentiality."

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A letter dated July 25, 1960, from the Pacific State Bank, submitted through the Federal Reserve Bank of San Francisco, indicated that the contemplated review was in connection with an offer to exchange stock between the stockholders of the bank and Hawthorne Financial Corporation, a holding company. It was noted in this letter that the Corporation Commissioner would accept the report of examination in place of a formal audit of the bank, which he would otherwise require, and that, although such an audit was in process, it could be terminated at a considerable saving to the bank. The data obtained would be transposed into a statistical breakdown of the type used by the Corporation Commissioner in connection with appraising applications of the kind in question.

Governor Mills expressed agreement with the position proposed to be taken, but suggested that there be added to the draft letter a statement to indicate clearly that a bank examination is not an audit.

Governor Robertson proposed that the Board give its consent to the request of Pacific State Bank, since he believed that a bank should not be prevented from showing its report of examination to a State official. He noted that the purpose of the rule of confidentiality pertaining to bank examination reports was to protect the bank from dissident shareholders and others seeking access to the report. Where the bank itself made the request, he felt that the rule should not apply. He added that he thought many banks would give a State official access to the examination report without requesting authorization.

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In the ensuing discussion, Governor Shepardson expressed agreement with the position stated in the proposed letter, while Governors Balderston, Szymczak, and King expressed agreement with the view stated by Governor Robertson. As to the wording of the letter, there was general agreement with the suggestion of Governor Mills, and with the further suggestion that the confidential nature of the examination report should be emphasized since there had been an indication in this case that use of the report in the manner indicated might result in some portions of the report being made public.

Secretary's Note: Before the letter to the Pacific State Bank was actually sent, certain additional information was developed that the staff considered it desirable to present to the Board. Accordingly, there was further discussion of the matter at the meeting on August 10, 1960.

Exchange of property by Richmond Reserve Bank (Item No. 10).

There had been distributed under date of August 5, 1960, a memorandum from the Division of Bank Operations attaching a letter dated July 26, 1960, from the Federal Reserve Bank of Richmond regarding a proposed real estate trade in which the Bank would exchange the so-called Palmieri property in Richmond for other property more suitable for possible future expansion of the head office at no cost to the Bank except an appraisal fee and real estate agent's commission. There was also attached to the memorandum a draft of telegram that would interpose no objection to the proposed exchange of property.

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Following a summary by Mr. Farrell of the various advantages that would accrue to the Richmond Bank, including the receipt of property having a greater appraised value, the telegram to the Richmond Reserve Bank interposing no objection to the proposed exchange of property was approved unanimously. A copy is attached as Item No. 10.

Messrs. Nelson and Kiley then withdrew from the meeting.

Payment for unused vacation leave. Governor Balderston referred to the meeting on August 4, 1960, when, by a vote of three to two, it had been decided to authorize the Reserve Banks to pay the beneficiary of any officer or employee dying while in active service for vacation leave earned but unused at the time of death. He recalled that consideration had also been given at that time to a draft of letter to the Federal Reserve Bank of Atlanta denying a request that such a payment be authorized to the beneficiary of an officer who died in 1959, and that it had been suggested that all Reserve Banks be requested to submit information on such cases since 1954. However, question had been raised subsequent to the meeting as to whether it was the majority view that such further exploration be made. Therefore, it was his suggestion that the subject be placed on the agenda for tomorrow's meeting for further consideration after Governor Szymczak had had an opportunity to study the matter, and it was agreed that this procedure would be followed.

Mr. Johnson then withdrew from the meeting.

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Reply to question No. 1 of Hardy Subcommittee. Governor Shepardson referred to the revised draft of reply to question No. 1 of the Hardy Subcommittee, relating to float, which had been prepared in the light of comments received from the Federal Reserve Banks on an earlier draft and had been distributed with a transmittal memorandum dated July 28, 1960, from the Office of the Secretary. He asked whether it was intended to discuss the revised draft in the near future.

The comments made in response indicated that it would seem well to postpone consideration of the revised draft until such time as the question of a change in maximum deferment of check credit from two days to three days could be studied further, for the decision reached on that point would have a direct bearing on the nature of the reply to the Subcommittee. It was also indicated that the staff had not contemplated sending the revised draft of reply to the Reserve Banks for comment.

The meeting then recessed and reconvened in the Board Room at 2:30 p.m., with Messrs. Balderston, Szymczak, Mills, Robertson, Shepardson, and King present. From the staff, Messrs. Kenyon, Molony, Fauver, Noyes, Farrell, Hexter, Robinson, and Dembitz were present.

Amendments to Regulation D (Items 11 and 12). Pursuant to the understanding at this morning's session, there were distributed to the members of the Board copies of a draft of press release to be issued later this afternoon concerning the action taken by the Board with respect to additional release of vault cash and reduction of the reserve requirement for central reserve city banks.

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There followed a review of the proposed press statement during the course of which various changes were suggested.

At the conclusion of the discussion unanimous approval was given to a press statement in the form attached as Item No. 11, with the understanding that it would be released today at 4:00 p.m. EDT.

Also attached, under Item No. 12, is a copy of the Supplement to Regulation D, Reserve of Member Banks, reflecting the action taken by the Board today.

The meeting then adjourned.

Secretary's Notes: Pursuant to recommendations contained in memoranda from appropriate individuals concerned, Governor Shepardson approved on behalf of the Board on August 5, 1960, the following items relating to the Board's staff:

#### Salary increases

Rufus S. Hill, Jr., Legal Assistant, Legal Division, from \$6,180 to \$6,435 per annum, effective August 7, 1960.

Herbert E. Haney, Senior Programmer, Division of Administrative Services, from \$6,600 to \$7,560 per annum, effective August 7, 1960.

#### Transfers

Quincy W. Barnes, from the position of Messenger to the position of Mail Clerk, Division of Administrative Services, with an increase in his basic annual salary from \$3,500 to \$3,605, effective August 7, 1960.

Edward Cross, from the position of Operator, Offset Press (Multilith), to the position of Bindery Worker, Division of Administrative Services, with an increase in his basic annual salary from \$4,784 to \$5,262, effective August 7, 1960.

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Transfers (continued)

Philip D. Faber, from the position of Supply Clerk to the position of Xerox-Mimeograph Operator, Division of Administrative Services, with no change in his basic annual salary at the rate of \$4,445, effective August 7, 1960.

James R. Jordan, from the position of Mail Clerk to the position of Operator, Duplicating Devices, Division of Administrative Services, with no change in his basic annual salary at the rate of \$4,130, effective August 7, 1960.

Judith D. Taylor, from the position of Clerk-Stenographer in the Division of Personnel Administration to that of Stenographer in the Legal Division, with no change in her basic annual salary at the rate of \$4,040, effective August 7, 1960.

Governor Shepardson also approved on behalf of the Board on August 5, 1960, the following items:

Memorandum dated August 3, 1960, from Mr. Johnson, Security Officer, recommending that the position of Employee Relations Technician in the Division of Personnel Administration be declared sensitive and that the incumbent be cleared by means of a full field investigation.

Memorandum dated August 5, 1960, from Mr. Kern, Assistant Director, Division of Administrative Services, recommending that the charge for meals to cafeteria employees be increased from \$4.25 to \$5.50 per pay period, effective August 8, 1960.

Memorandum dated August 4, 1960, from Mr. Kern, Assistant Director, Division of Administrative Services, recommending that Ev-Air-Tight Calking Company be authorized to perform certain repair work on the granite retaining walls leading to the east and west courts, at a cost of \$395, with the understanding that the expenditure would be charged to the contingent fund in the Building Repair and Alteration Account of the Division.

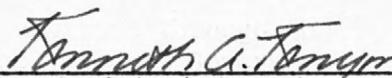
After consideration of a memorandum dated August 5, 1960, from the Office of the Controller, Governor Shepardson today approved on behalf of the Board the payment of a bill in the amount of \$1,100 submitted by Price Waterhouse & Co. for consulting services

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rendered with respect to the matter of property and depreciation accounting policies for the Federal Reserve Banks, pursuant to the Board's authorization of February 1, 1960, with the understanding that this action also constituted approval of an overexpenditure of \$1,100 in the Contractual Professional Services Account in the 1960 budget of the Board Members' Offices.

Governor Shepardson also approved today on behalf of the Board a letter to the Federal Reserve Bank of Cleveland (attached Item No. 13) approving the appointment of Maynerd A. Kimball as assistant examiner.

  
Assistant Secretary

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

Item No. 1  
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ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

August 8, 1960

Board of Directors,  
Phillipsburg Trust Company,  
Phillipsburg, New Jersey.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of New York, the Board of Governors of the Federal Reserve System approves the establishment of a branch at 707-713 New Brunswick Pike, Pohatcong Township, Warren County, New Jersey, by Phillipsburg Trust Company, 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  
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ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

August 8, 1960

Board of Directors,  
Wachovia Bank and Trust Company,  
Winston-Salem, North Carolina.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Richmond, the Board of Governors of the Federal Reserve System approves the establishment of a branch by Wachovia Bank and Trust Company, Winston-Salem, North Carolina, at the intersection of Sunset Drive and Battleground Avenue, Greensboro, North Carolina, provided the branch is established within six months 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  
8/8/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

August 8, 1960

Board of Directors,  
Bank of Neosho,  
Neosho, Missouri.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Kansas City, the Board of Governors approves the establishment of a branch at 115 South Jefferson Street, Neosho, Missouri, by Bank of Neosho. 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. 4  
8/8/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

August 8, 1960

Board of Directors,  
California 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 approves the establishment of a branch in the vicinity of the intersection of Victory and Chandler Boulevards, Burbank, California, by California Bank, provided the branch is established within one year from the date of this letter.

It is understood that plans are now under consideration whereby the principal shareholder, Firstamerica Corporation, will provide substantial additional capital funds.

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  
8/8/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

August 8, 1960



Board of Directors,  
California 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 approves the establishment of a branch in the vicinity of the intersection of Sixth Street and Victoria Avenue, Corona, California, by California Bank, provided the branch is established within one year from the date of this letter.

It is understood that plans are now under consideration whereby the principal shareholder, Firstamerica Corporation, will provide substantial additional capital funds.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM Item No. 6  
WASHINGTON 25, D. C. 8/8/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

August 8, 1960



Board of Directors,  
First National Bank of Shelbyville,  
Shelbyville, Tennessee.

Gentlemen:

The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers and grants First National Bank of Shelbyville 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 Tennessee. 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) Elizabeth L. Carmichael

Elizabeth L. Carmichael,  
Assistant Secretary.

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

Item No. 7  
8/8/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

August 8, 1960



Board of Directors,  
The Commercial State Bank  
Pocahontas, Iowa.

Gentlemen:

The Federal Reserve Bank of Chicago has forwarded to the Board of Governors your letter dated July 21, 1960, together with the accompanying resolution signifying your intention to withdraw from membership in the Federal Reserve System and requesting waiver of the six months' notice of such withdrawal.

In accordance with your request, the Board of Governors waives the requirement of six months' notice of withdrawal. Upon surrender to the Federal Reserve Bank of Chicago of the Federal Reserve Bank stock issued to your institution, such stock will be canceled and appropriate refund will be made thereon. Under the provisions of Section 10(c) of the Board's Regulation H, your institution may accomplish termination of its membership at any time within eight months from the date the notice of intention to withdraw from membership was given.

It is requested that the certificate of membership be returned to the Federal Reserve Bank of Chicago.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.

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

Item No. 8  
8/8/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

August 8, 1960



Comptroller of the Currency,  
Treasury Department,  
Washington 25, D. C.

Attention Mr. W. M. Taylor,  
Deputy Comptroller.

Dear Mr. Comptroller:

Reference is made to a letter from your office dated April 13, 1960, enclosing copies of an application to organize a national bank at St. Petersburg, Florida, and requesting a recommendation as to whether or not the application should be approved.

A report of investigation of the application conducted by an examiner for the Federal Reserve Bank of Atlanta indicates that a beginning capital structure of \$650,000 will be provided for the bank instead of \$500,000, as shown in the application. The examiner indicates that the revised amount is somewhat inadequate in view of the anticipated volume of deposits that the bank may acquire. It is reported that the area to be served by the proposed bank is developing rapidly and that the prospects for successful operations are favorable. Although the chief executive officer has not yet been selected, competent advice and consultation will be available from the proposed affiliated bank, Citizens National Bank of St. Petersburg, and proposed management is therefore regarded as satisfactory. Accordingly, the Board of Governors recommends favorable consideration of the application provided arrangements for capital structure and executive management are made which would be satisfactory to your office.

The Board's Division of Examinations will be glad to discuss any aspects of this case with representatives of your office if you so desire.

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. 9  
8/8/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

August 8, 1960



CONFIDENTIAL (FR)

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

Dear Mr. Newman:

The Board of Governors approves the payment of salary by the Federal Reserve Bank of Chicago to the Bank's Marble Maintenance Man for time spent performing the duties of a Marble Setter, at the rate of \$4.15 per hour. The increase of fifteen cents per hour is retroactive to June 1, 1960, in accordance with the request contained in your letter of July 21, 1960.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.

Item No. 10  
8/8/60

**TELEGRAM**  
LEASED WIRE SERVICE

**BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTON**

August 8, 1960

**Leach - Richmond**

**Board interposes no objection to exchange of "Palmieri"  
lot for "Rothese" lot as described in Mr. Wayne's letter of  
July 26, 1960.**

(Signed) Kenneth A. Kenyon

**Kenyon**

8/8/60

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

Statement for the Press

For release at 4:00 p.m. EDT  
August 8, 1960.

August 8, 1960.

The Board of Governors of the Federal Reserve System today amended its Regulation D, relating to bank reserves and reserve requirements, in three respects. The amendments will become effective August 25 and September 1, 1960.

The changes, made in further implementation of a 1959 Act of Congress relating to vault cash and reserve requirements, will make available about \$600 million of additional reserves for expanding bank credit as the economy enters the season of rising credit needs. The changes are as follows:

1. Effective August 25, 1960, member banks outside of central reserve and reserve cities ("country banks") will be permitted to count, in meeting their reserve requirements, any vault cash that they hold in excess of 2-1/2 per cent of their net demand deposits. At present they can only count any vault cash that they hold in excess of 4 per cent of net demand deposits.
2. Effective September 1, 1960, reserve city and central reserve city banks similarly will be permitted to count vault cash in excess of 1 per cent of their net demand deposits, instead of the present 2 per cent.
3. Effective September 1, 1960, the reserve requirement of central reserve city banks against their net demand deposits, now 18 per cent, will be reduced to 17-1/2 per cent. This change is a first step toward compliance with a provision of the 1959 Act that the differential between the requirements of central reserve city and reserve city banks be eliminated by July 28, 1962. Since the requirement for banks in reserve cities is now 16-1/2 per cent, the present action reduces the differential from 1-1/2 percentage points to 1 point.

As a result of the first two changes, it is estimated that about four-fifths of the 6,200 member banks will be in a position to count a part of their vault cash in meeting their required reserves.

The amount of reserves made available by today's actions on vault cash will be around \$480 million, of which somewhat more than half would be at country banks and almost all of the remainder at reserve city banks. The reduction in the requirement of central reserve city banks arising from the third change will release about \$125 million of reserves.

8/8/60

**SUPPLEMENT TO REGULATION D****Section 204.5—Supplement**

ISSUED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Effective as to member banks not in reserve and central reserve cities at opening of business on August 25, 1960, and as to member banks in reserve and central reserve cities at opening of business on September 1, 1960.

(a) **Reserve percentages.**—Pursuant to the provisions of section 19 of the Federal Reserve Act and § 204.2 (a), but subject to paragraph (b) of this section, the Board of Governors of the Federal Reserve System hereby prescribes the following reserve balances which each member bank of the Federal Reserve System is required to maintain on deposit with the Federal Reserve Bank of its district:

- (1) If not in a reserve or central reserve city—
  - (i) 5 per cent of its time deposits, plus
  - (ii) 11 per cent of its net demand deposits.

- (2) If in a reserve city (except as to any bank located in such a city which is permitted by the Board of Governors of the Federal Reserve System, pursuant to § 204.2 (a) (2), to maintain the reserves specified in subparagraph (1) of this paragraph)—

- (i) 5 per cent of its time deposits, plus
  - (ii) 16½ per cent of its net demand deposits.

- (3) If in a central reserve city (except as to any bank located in such a city which is permitted by the Board of Governors of the Federal Reserve System, pursuant to § 204.2 (a) (2), to maintain the reserves specified in subparagraph (1) or (2) of this paragraph)—

- (i) 5 per cent of its time deposits, plus
  - (ii) 17½ per cent of its net demand deposits.

(b) **Counting of currency and coin.**—In partial compliance with the reserve requirements of paragraph (a) of this section, the amount of a member bank's currency and coin shall be counted to the extent that it exceeds 1 per cent of the bank's net demand deposits in the case of a bank subject to the requirements for banks located in central reserve and reserve cities, and to the extent that it exceeds 2½ per cent of the bank's net demand deposits in the case of a bank subject to the reserve requirements for banks not located in central reserve and reserve cities.

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

Item No. 13  
8/8/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

August 8, 1960

CONFIDENTIAL (FR)

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

Dear Mr. Stetzelberger:

In accordance with the request contained in your letter of July 26, 1960, the Board approves the appointment of Maynerd A. Kimball 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. Kimball is indebted to Central National Bank of Cleveland, Cleveland, Ohio, in the amount of \$10,700 for the purchase of a home. Accordingly, the Board's approval of Mr. Kimball's appointment is given with the understanding that he will not participate in any examinations of that bank until his indebtedness has been liquidated.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.

