Minutes for September 21, 1960

To: Members of the Board

From: Office of the Secretary

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

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

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

Chm. Martin
Gov. Szymczak
Gov. Mills
Gov. Robertson
Gov. Balderston
Gov. Shepardson
Gov. King
Minutes of the Board of Governors of the Federal Reserve System on Wednesday, September 21, 1960. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Balderston, Vice Chairman
Mr. Szymczak
Mr. Mills
Mr. Robertson
Mr. Shepardson
Mr. King
Mr. Sherman, Secretary
Mr. Hackley, General Counsel
Mr. Solomon, Director, Division of Examinations
Mr. Conkling, Assistant Director, Division of Bank Operations
Mr. Nelson, Assistant Director, Division of Examinations
Mr. Rudy, Special Assistant, Legal Division
Mr. Landry, Assistant to the Secretary
Mr. Young, Assistant Counsel
Mr. Langham, Chief, Call Report Section, Division of Bank Operations
Mr. Thompson, Supervisory Review Examiner, Division of Examinations

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:

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<th>Item No.</th>
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<td>Letter to the Federal Reserve Bank of St. Louis concerning possible violations of section 6 of the Bank Holding Company Act by General Bancshares Corporation, St. Louis, Missouri.</td>
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<td>Letter to First Security Corporation, Salt Lake City, Utah, regarding certain purchases of conditional sales contracts by its subsidiaries from another subsidiary, as reported in the report of examination as of the close of business December 31, 1959.</td>
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Letter to Bankers Trust Company, New York City, consenting to its proposed merger with The South Shore Bank of Staten Island, Great Kills, New York, and approving the establishment of a branch in Great Kills.

Letter to the Comptroller of the Currency recommending unfavorably with respect to an application to organize a national bank at New Smyrna Beach, Florida.

Letter to the Comptroller of the Currency recommending unfavorably with respect to an application to organize a national bank at St. Petersburg, Florida.

Mr. Rudy then withdrew from the meeting and Messrs. Shay, Legislative Counsel, Fauver, Assistant to the Board, and Sprecher, Assistant Director, Division of Personnel Administration, entered the room.

Progress report on Chicago Reserve Bank fellowship program.

Copies had been distributed of a letter dated September 14, 1960, from President Allen of the Chicago Reserve Bank suggesting that he make a progress report to the Board on the Bank's fellowship program which began about three years ago and involved four graduate students each year. It was suggested in the letter that, if agreeable to the Board, Mr. Allen and Vice President Mitchell of that Bank could make such a report on the afternoon of October 4, 1960, following the meeting of the Federal Open Market Committee scheduled for that day.
After discussion of this proposal it was agreed that Mr. Allen be informed the Board would be pleased to receive a progress report on this program on October 4 at 2:00 p.m.

Applicability of Federal Employees' Compensation Act to Board employees (Item No. 6). Copies had been distributed of a draft letter to the Department of Labor as attachment to a memorandum dated September 14, 1960, from the Legal Division. The letter would request a ruling as to whether the Federal Employees' Compensation Act applied to employees of the Board.

Mr. Hackley stated that this represented a further development growing out of the letter dated June 10, 1960, from Chairman Hardy of the House Foreign Operations and Monetary Affairs Subcommittee which included, among the several questions presented to the Board, one asking why Board employees were not covered under the Federal Employees' Compensation Act, rather than in a policy with a private insurer. In its reply of June 29, the Board stated that the question of the applicability of the Act to the Board's employees had not been resolved but that it would pursue the question in order to obtain a definite ruling. Mr. Hackley said that shortly thereafter Messrs. Johnson, Chase, and Walter Young of the Board's staff met with Mr. William McCauley, Director of the Bureau of Employees' Compensation of the Department of Labor, to review the entire situation. Mr. McCauley was thoroughly familiar with the background of the problem since the Board by letter dated January 30, 1953, had requested a review
by the Bureau of the same question for the purpose of reconsidering in
the light of subsequent legislation a ruling by the Bureau in 1938 that
the Act did not apply to Board employees. However, the Bureau had never
officially responded to the Board's letter. Mr. Hackley went on to say
that at the recent meeting Mr. McCauley requested that another letter
be sent to the Bureau which would include a legal analysis of the status
of the Board and its employees as well as of the Reserve Banks and their
employees. Apparently the reason for this request, he said, was a
reluctance on the part of the Bureau to rule that Board employees are
covered under the Act, since the Bureau might find difficulty in dis-
tinguishing Board employees from Federal Reserve Bank employees and thus
be compelled to rule that Reserve Bank employees are also covered. Mr.
Hackley noted that a draft letter was prepared and revised in light of
suggestions made by Mr. McCauley and submitted informally to him. It
was now Mr. McCauley's view that the letter was in proper form for
submission to the Bureau for an official ruling.

Mr. Young said that in certain respects the Federal Employees'
Compensation Act provided greater benefits than those furnished under the
Board's present coverage. Thus, from the viewpoint of the Board's
employees, it could be argued that it would be advantageous if the Act
were to apply to them.

Governor Mills commented that the draft letter to Mr. McCauley
constituted excellent source material for many different problems that
might arise because of the clear description that it provided of statutory differences existing between employees of the Board and employees of the Federal Reserve Banks.

The letter to the Department of Labor requesting a ruling as to whether the Federal Employees' Compensation Act is applicable to the Board's employees was then approved. A copy of the letter is attached hereto as Item No. 6.

At this point Messrs. Nelson, Sprecher, and Young withdrew from the meeting.

Christmas and New Year's greeting card program. A memorandum from Mr. Sherman had been distributed under date of September 19, 1960, relating to the question whether the Board should send official Christmas and New Year's greeting cards this fall, a question that had been raised by the letter of June 10, 1960, from Chairman Hardy of the House Foreign Operations and Monetary Affairs Subcommittee.

Chairman Martin said that he had no objection to discontinuing the practice of sending official Christmas and New Year's greeting cards to a list that now included foreign central banks, ministers of finance, United States Government agencies with whom the Board has close working relationships, members and former members of the Federal Advisory Council, Presidents and former Presidents of the Reserve Banks, and directors and former directors thereof. He said that he would be willing personally to undertake to send a note of greetings on behalf of himself or the Board
to all heads of foreign banks that he thought proper. He noted that, in terms of actual cost, it was probable that cards sent by the Federal Reserve Banks involved a considerably greater cost than the $860 greeting card expenditure of the Board in 1959.

Governor Shepardson said that he was not averse to discontinuing the program although from the viewpoint of expense there probably would be little true saving if letters were to be sent instead of cards. He did not think the matter was of great importance, but his view was that the current program could be justified.

Governor Mills remarked that, where the practice was not a matter of personal privilege and was institutional, as in the Board's program, there was an element of good public relations if the program was not overdone. In his opinion the publication of relatively elaborate annual reports by some Federal Reserve Banks could be regarded as more open to criticism than the sending of holiday greeting cards.

Governor Robertson said that he was opposed to continuing the sending of greeting cards to other Federal agencies and to the Reserve Bank Presidents. So far as directors and former directors of Reserve Banks were concerned, he would be willing to continue sending them if there was good evidence that they had much meaning to the individuals concerned. As to foreign central banks and ministers of finance, he felt it appropriate and desirable to continue sending some form of greeting near the end of the year.
Governor King expressed the view, based on his personal experience as a director of the New Orleans Branch, that it was pointless to send printed cards to directors or former directors of the Reserve Banks. He felt, however, that obviously personal greetings from the Chairman or a member of the Board had meaning to directors, and he also suggested that a personal letter from the Chairman to the heads of foreign central banks would be preferable to a printed card.

Governor Szymczak expressed a preference for continuing the present program in toto or abandoning it completely, since he doubted that the program could be refined in the various ways suggested.

Governor Balderston suggested dropping directors and former directors from the mailing list, in part because a substantial portion of the cost of the Board's program was involved in these mailings, and in part because there might be more effective ways of keeping in touch with this group through the medium of occasional mailings of copies of Congressional testimony by Board members or of other material. However, he was in favor of continuing the practice of sending greetings to the heads of foreign central banks either in the form of a card, as at present, or in the form of a personal letter from the Chairman.

Following further discussion, the Board agreed that insofar as the current season at least was concerned, preparation and mailing of printed greeting cards by the Board would be discontinued but that Chairman Martin would send such letters as he believed to be appropriate.
to heads of other central banks and ministers of finance. It was understood that no letter would be sent at this time to the Hardy Subcommittee advising it of the Board's action on this question, nor on such matters as cafeteria prices and automobile liability insurance, also the subject of Subcommittee questions, but that should the Committee inquire as to Board action on these items the inquiry would be answered.

Provision to Congressman Patman of bank holding company and branch bank data (Items 7 and 8). There had been distributed as an attachment to a memorandum dated September 20, 1960, from the Division of Examinations copies of a draft letter to Congressman Patman appending bank holding company data requested in his letter of September 6, 1960, and indicating that branch bank data would be furnished as soon as possible.

Following suggestions for editorial changes in the draft letter and in the attached informational text, Mr. Solomon called attention to an ambiguity in Item 1 of Mr. Patman's request relating to branch bank data which read:

"If the bank is controlled in whole or part by a bank holding company, please list the name of such holding company, and indicate the degree of control."

He said that it was not clear whether this request was intended to refer to all holdings of bank stock by bank holding companies or only stock holdings in subsidiaries of the holding companies. With reference to showing the "degree of control", Mr. Solomon said that the Division of Examinations believed that what Mr. Patman wanted was the identification
of any subsidiary relationship with a bank holding company for those commercial banks operating one or more branches. Therefore, it was the suggestion of the Division of Examinations that the Board at this time furnish only information which would show that the bank operating branches is or is not a subsidiary of a bank holding company.

After a discussion, unanimous approval was given to a letter to Mr. Patman, in the form of attached Item No. 7, transmitting the bank holding company data.

Secretary's Note: On September 26, 1960, a letter was sent to Mr. Patman transmitting the branch bank data. A copy of the letter is attached hereto as Item No. 8.

Weekly money market review. Chairman Martin proposed that, because of the availability of better data on Friday than on Thursday morning, the regular time for the weekly presentation by the staff of a report on money market conditions be shifted from Thursday to Friday, and it was understood that this procedure would be followed in the future.

The meeting then adjourned.

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

Appointment

Clifton L. Shields as Cafeteria Laborer, Division of Administrative Services, with basic annual salary at the rate of $3,185, effective the date of entrance upon duty.
9/21/60

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Salary increases

Levon H. Garabedian, General Assistant, Division of Research and Statistics, from $5,325 to $5,520 per annum, effective October 2, 1960.

Eleanor J. Pratt, Research Assistant, Division of Research and Statistics, from $4,840 to $5,355 per annum, effective October 2, 1960.

Charles E. Evans, from $3,605 to $3,710 per annum, with a change in title from Messenger to Mail Clerk, Division of Administrative Services, effective the date he assumes his new duties.

Leave without pay

Authorization for Margaret V. Hastings, Research Assistant, Division of Research and Statistics, to take leave without pay on three full business days each week, effective the week beginning Monday, September 19 and until December 31, 1960.

Governor Shepardson today approved on behalf of the Board a letter to the Director of the Graduate School, United States Department of Agriculture, confirming arrangements for a thirty-hour Reading Improvement Course for members of the Board's staff, with the understanding that a fee of $52 per person would cover all costs of the program.

Governor Shepardson also approved today on behalf of the Board a letter to the Federal Reserve Bank of New York (attached Item No. 9) approving the appointment of Salvatore P. Montalto as assistant examiner, and a letter to the Federal Reserve Bank of Philadelphia (attached Item No. 10) approving the reappointment of Harold Edwin Ikeler, Jr., as examiner.

Secretary
Mr. Geo. E. Kroner, Vice President,
Federal Reserve Bank of St. Louis,
St. Louis 66, Missouri.

Dear Mr. Kroner:

Your letter of July 22, 1960, raised the question whether there has been a violation of section 6 of the Bank Holding Company Act of 1956 ("the Act") as a result of certain participations in loans that have taken place between subsidiary banks of General Bancshares Corporation ("Bancshares"), as revealed by the report of examination of the Bank of St. Louis prepared by examiners for the Federal Deposit Insurance Corporation, as of the close of business April 8, 1960.

It appears that there have been several instances in which the participating subsidiary bank has not joined at the outset in the credits, with the records showing variances in dates ranging up to fifteen days. Management of the Bank of St. Louis stated, in a letter to the FDIC Examiner in Charge, a copy of which was enclosed with your letter, that "these instances were the result of a lack of promptness on the part of certain employees in carrying out the participation procedure prescribed in the rules drawn by us for the handling of these transactions . . . ." and that "Since we have learned of the situation referred to, special controls have been installed to avoid recurrence of delays in clerical handling of participations." The letter also states that subsidiary banks of Bancshares have in general based their participation procedure on factual situation (f) described in the Board's interpretation which was published at 1958 Federal Reserve Bulletin 1059.

The interpretation in question was published in order to clarify certain situations in which a banking subsidiary of a holding company would be considered to have "joined at the outset" in making
a loan with another such subsidiary, so that the transaction would not be subject to the prohibitions of section 6(a)(4) of the Act, as a "loan, discount or extension of credit", from the one subsidiary to the other. The fourth situation was similar to the third situation described in the Board's interpretation, in that the originating bank had a specific participation loan agreement with the participating bank, and had a deposit with the participating bank. Under instructions from the participating bank, the originating bank, at the time of or immediately after making funds available to the borrower, would make an appropriate entry in the amount of the participating bank's portion of the loan to its own record of its deposit account with the participating bank, and would promptly forward to the participating bank, in the manner usually followed in the ordinary course of business, evidence of that bookkeeping entry together with a certificate of participation in the loan. The originating bank would not, however, as in the third situation described, advise the participating bank by telephone or telegraph of the two preceding steps. Upon receipt of the advice, as transmitted by the usual method, the participating bank would credit the account of the originating bank with the amount of the participation.

In its interpretation, the Board stated that "This fourth situation presented a closer and more doubtful question than the other three. However, considering all the circumstances, including the purposes and legislative history of the last paragraph of section 6(a), . . . this fourth situation should also be considered to be exempt as a 'joining at the outset.'" In view of this language, banks which are members of holding company systems adopting the procedure suggested by situation (4) should be particularly careful to carry out all the requisite steps promptly, and the failure of Bancshares to do so might be regarded as a violation.

The Board stated, in a letter to the Presidents of the Federal Reserve Banks dated December 4, 1956, which appears as part of F.R.L.S. #94140, that violations of the Bank Holding Company Act would be misdemeanors under the United States Criminal Code, and that the procedure, therefore, which is outlined in F.R.L.S. #6503 should be followed in reporting apparent misdemeanors under the Act. The latter interpretation states that:

". . . after September 1, 1943, in determining whether or not to report misdemeanors to the local United States Attorney, your Bank should give consideration
to the question whether the making of such report would be desirable or undesirable in the public interest or would serve any useful purpose in view of the importance of the case and all of its facts and circumstances. Your Bank should then report or not report the matter in the exercise of sound discretion."

Since the Bank states that the delays in question were the result of clerical failures, and that special controls have been installed to prevent recurrence of such instances, the Board believes that it would serve no useful purpose to make a report to the United States Attorney for his determination as to whether the delays amounted to misdemeanors under the Act. Any repetition of similar instances which might be revealed on subsequent examinations of any of the subsidiary banks of Bancshares could, of course, require a different conclusion.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.
Mr. Thos. F. Hawkes, Vice President,
First Security Corporation,
79 South Main Street,
Salt Lake City, Utah.

Dear Mr. Hawkes:

The Federal Reserve Bank of San Francisco has submitted your correspondence concerning that part of the Report of Examination of First Security Corporation, Salt Lake City, Utah, as of the close of business December 31, 1959, which reads:

"Bank Holding Company Act of 1956

"Sale of conditional sales contracts on house trailers by First Security Bank of Utah, N.A. to related banking institutions, Union Bank & Trust Company, Salt Lake City, Utah, and First Security Bank of Rock Springs, Wyoming, appear to be in violation of Section 6(a)(4) of the Act. Details of the sale and purchase transactions are reported in the comment section pages of the involved banks in this examination report."

The unpaid balances of these contracts as of 6/20/60 were:

Ken Garff Trailer Sales purchased by Union Bank and Trust Company $76,414.47;

Capital Trailer Sales purchased by First Security Bank of Rock Springs - $33,772.49; Treasure Uranium and Resources, Inc. $23,635.41.

The Board understands that the above identified transactions were made on a non-recourse basis, after receiving the opinion of your counsel that such transactions were legal, and that none of the transactions were made subsequent to February 28, 1958.
It is the Board's judgment that the transactions are in violation of Section 6(a)(4) of the Act. However, in view of the fact that the transactions were entered into upon advice of counsel and before the Board's interpretation of "discount", the Board is not disposed to require any corrective action in connection with these transactions.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.
September 21, 1960

Board of Directors,
Bankers Trust Company,
New York, New York.

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 South Shore Bank of Staten Island, Great Kills, New York, New York, into and with Bankers Trust Company, New York, New York, under the charter and title of Bankers Trust Company, New York, New York. The Board of Governors also approves the establishment of a branch at 3996 Amboy Road, Great Kills, Staten Island, New York.

This approval is given provided: (1) the proposed merger and establishment of the branch are effected within six months from the date of this letter and substantially in accordance with the Plan of Merger dated June 13, 1960, (2) shares of stock acquired from dissenting stockholders are disposed of within six months from the date of acquisition.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.
September 21, 1960

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

Attention Mr. W. M. Taylor, Deputy Comptroller
of the Currency.

Dear Mr. Comptroller:

Reference is made to a letter from your office dated
April 20, 1960, enclosing copies of an application to organize
a national bank at New Smyrna Beach, Florida, and requesting a
recommendation as to whether or not the application should be
approved.

A report of investigation of the application made by
an examiner for the Federal Reserve Bank of Atlanta indicates
that the proponents plan to provide a capital structure of
$600,000 for the bank instead of $500,000 shown in the applica-
tion. This amount of capital would appear to be adequate. How-
ever, the prospects for earnings of the institution are only fair
and there do not appear to be satisfactory arrangements for manage-
ment. According to the information available, the existing com-
mercial bank is serving the area adequately and there is not suf-
ficient need for the proposed bank. Accordingly, the Board of
Governors does not feel justified in recommending approval of
the application.

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.
September 21, 1960

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

Attention Mr. W. M. Taylor,
Deputy Comptroller of the Currency.

Dear Mr. Comptroller:

Reference is made to a letter from your office dated April 28, 1960, enclosing copies of an application to organize a national bank at St. Petersburg, Florida, signed by Harry R. Playford and associates, and requesting a recommendation as to whether or not the application should be approved.

A report of investigation of the application made by an examiner for the Federal Reserve Bank of Atlanta indicates that the proponents plan to provide a capital structure of $550,000 for the bank instead of $550,000 shown in the application. This amount of capital appears to be adequate. It appears that the bank would be able to generate sufficient business to operate profitably. Since the information discloses that the proposed directors are now serving as directors of the First National Bank in St. Petersburg and would not be eligible under the Clayton Act to serve as directors of the proposed bank and inasmuch as no definite arrangements have been made for management of the bank, this factor cannot be resolved favorably. Moreover, in view of the pending application before you for the organization of a national bank in the vicinity of the intersection of 9th Street and 62nd Avenue, as well as the proximity of existing banks to the area which the proponents plan to serve, it is questionable whether sufficient need exists for the additional banking facility. Accordingly, the Board of Governors does not feel justified in recommending approval of the application at this time.

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.
September 21, 1960

Mr. William McCauley, Director,
Bureau of Employees' Compensation,
Department of Labor,
Washington 25, D. C.

Dear Mr. McCauley:

At a meeting in your office on July 28, 1960, attended by Messrs. Chase, Young, and Johnson of the Board's staff and also attended by Mr. Driscoll of your office, you were advised that the Subcommittee on Foreign Operations and Monetary Affairs of the House Committee on Government operations had recommended that the Board of Governors of the Federal Reserve System explore the possibility that its members, officers, and employees be included under the Federal Employees' Compensation Act rather than be covered, as at present, by an insurance policy for its employees with the Liberty Mutual Insurance Company which provides substantially the benefits of the Longshoremen's and Harborworkers' Compensation Act.

You will recall that prior to 1933 the United States Employees' Compensation Commission had approved claims arising out of injuries to employees of the Federal Reserve Board (now the Board of Governors of the Federal Reserve System). However, in 1938, the Commission ruled that employees of the Board were not "civil employees" of the United States within the meaning of the Federal Employees' Compensation Act. The change in the position of the Commission, as indicated in its letter of May 27, 1938, was apparently based on the provision contained in section 10 of the Federal Reserve Act, as amended by the Act of June 16, 1933, which states that funds derived from assessments on Federal Reserve Banks "shall not be construed to be Government funds or appropriated moneys."

In compliance with the suggestion you made on July 28, there are detailed below certain aspects of the question whether the members, officers, and employees of the Board are included in the term "employees" as defined in section 40 of the Act (5 U.S.C. 790). The pertinent part of that definition reads:
"(b) The term 'employee' includes (1) all civil officers and employees of all branches of the Government of the United States * * * *ft

You are, of course, familiar with the Opinion of the Attorney General of the United States dated November 16, 1914 (30 Op. Atty. Gen. 308) in which he held that the moneys derived from the semiannual assessments levied on the Federal Reserve Banks by the Federal Reserve Board were "public moneys" within the meaning of the auditing statutes for the reasons, among others,

"(1) The assessments are levied by a board whose members in respect to appointment, tenure, duties, and compensation meet all requirements of the definition of 'public officers' and 'officers of the United States.'

"(2) The assessments are levied by such officers pursuant to the provision of a Federal statute and are devoted to the payment of official salaries and the expenses of this official board.

"(3) These moneys, after collection, are no longer the property of the paying banks, and must be viewed as moneys belonging to the United States, and therefore public moneys as defined by the Supreme Court of the United States in Branch v. United States (100 U. S. 673). In United States v. Bromley (12 How. 88, 97) it was held, that postal collections from stamp sales are public revenues:

'The revenue of the Post Office Department being raised by a tax on mailable matter conveyed in the mail, and which is disbursed in the public service, is as much a part of the income of the Government as moneys collected for duties on imports.'

"The analogy is marked, for the reason that in like manner as the money assessed by the Federal Reserve Board is for the special purpose of meeting the salaries and expenses of the board, so the use of the postal collections is confined to sustaining the specific service by and in which they are collected."

The Opinion also stated that consideration of the history of the Federal Reserve Act, "of the general scheme of the whole act, of the functions to be performed by the Federal Reserve Board, and of the method of their performance, leads me to the clear opinion that the board is an independent board or Government establishment."
Since this Opinion was written, section 10 of the Federal Reserve Act has been amended so as to provide that the Board "shall determine and prescribe the manner in which its obligations shall be incurred and its disbursements and expenses allowed and paid, and may leave on deposit in the Federal Reserve Banks the proceeds of assessments levied upon them to defray its estimated expenses and the salaries of its members and employees, whose employment, compensation, leave, and expenses shall be governed solely by the provisions of this Act, specific amendments thereof, and rules and regulations of the Board not inconsistent therewith; and funds derived from such assessments shall not be construed to be Government funds or appropriated moneys." The purpose of this amendment, as you know, was to give the Board greater freedom in employing the highly specialized staff which it needs for the performance of its duties. The amendment did not change the basic nature of the Board as a "Government establishment". It certainly made no change in "the general scheme of the whole Federal Reserve act", or in the governmental character of "the functions to be performed by the Federal Reserve Board," or in "the method of their performance". These were the considerations upon which the Attorney General relied, and it appears that they are as valid now as they were when his Opinion was written.

Because of the provisions of section 10 of the Federal Reserve Act, referred to in the preceding paragraph, employees of the Board of Governors are not subject to Civil Service laws although the President has authority to place Board employees in the classified service at any time he sees fit to do so (12 U.S.C. 248(1)), which seems clearly to indicate that Congress considers Board employees to be civil employees of the United States. Otherwise, Congress would have given the President no such authority. Also, since the Board of Governors prescribes its own leave regulations, Board employees are not subject to Federal leave regulations, although the regulations of the Board are patterned substantially after the Federal regulations. While as indicated elsewhere, the Board has its own retirement system for Board employees, any person employed by the Board, who at the time is a member of the Civil Service Retirement System, continues in that system and matching payments are made by the employee and the Board. Finally, certain statutes applicable to Government employees generally, such as the Federal Employees Health Benefit Act of 1959, and the Federal Employees Group Life Insurance Act of 1954, are also applicable to Board employees.

It would seem that the amendment to the Federal Employees' Compensation Act in 1949 has broadened the coverage of the Act by using the language "all civil officers and employees of all branches of the Government of the United States" so that it is no longer essential that a person's salary should be paid out of the Treasury in order for him
Mr. William McCauley

to be covered, provided he meets, in all other respects, the requirements of a proper definition of "officer" or "employee" of the United States.

At the present time all employees of the Board are under either the Civil Service Retirement Act or the Retirement System of the Federal Reserve Banks. The rules and regulations of the Retirement System provide that if any employee who is retired for disability receives any payments from the United States on account of the same disability, the disability pension payable to him under the Retirement System shall be reduced by the amount of the payments received by him from the United States not provided from contributions made by him; provided, however, that the employing Federal Reserve Bank or Board, with respect to the particular employee, may make a specific request to the Retirement Committee of the Retirement System, which shall have authority to determine the extent of any exception which shall be made to this rule. There is no corresponding provision with respect to death benefits.

At the meeting, you made mention of the Federal Reserve Banks. These are corporations organized pursuant to provisions of the Federal Reserve Act for the performance of public functions. Their stock is owned by the commercial banks which are members of the System. While they have been held to be instrumentalities of the United States, the Supreme Court of the United States has noted that they are not departments of the Government itself. (Emergency Fleet Corporation v. Western Union Tel. Co., 275 U.S. 415, 425 (1928)) The Civil Service laws, Civil Service retirement, Federal leave regulations, Federal Employees Health Benefit Act of 1959, the Federal Employees Group Life Insurance Act of 1954, and certain other statutes applicable to Government employees generally are not applicable to Federal Reserve Bank employees.

The Comptroller General of the United States had occasion in 1939 to consider the question whether a former Federal Reserve Bank employee was subject to the prohibitions contained in the Third Deficiency Appropriation Act approved August 9, 1939, section 3 of which provided that no part of any appropriation contained in that Act should be used to pay the compensation of any officer or employee of the Government of the United States unless such officer or employee is a citizen of the United States or a person in the service of the United States on the date of approval of the Act who being eligible for citizenship has filed a declaration of intention to become a citizen or owes allegiance to the United States. After pointing out that Federal Reserve Banks are controlled by Federal statute and such Banks perform certain functions for the Federal Government, the Comptroller General, nevertheless, held that an employee of a Reserve Bank is not an employee of the United States within the meaning of the above-mentioned Appropriation Act. Decision of September 15, 1939, B-5836. In this same
decision, the Comptroller General pointed out that his office had previously held that an employee of a Federal Reserve Bank is not an employee of the United States within the meaning of the dual compensation statutes. See decision of July 21, 1936, A-76647.

The Board will be glad to provide any further information that you may desire in connection with this matter.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.
The Honorable Wright Patman,
House of Representatives,
Washington 25, D. C.

Dear Mr. Patman:

This refers to your letter of September 6, 1960, regarding information concerning branch banks and holding company banks.

Enclosed herewith are lists (1) of subsidiary banks of each registered bank holding company as of December 31, 1959, together with the deposits of each bank at that date; and (2) of applications under (a) Section 3(a)(2), and (b) Section 3(a)(1) of the Bank Holding Company Act of 1956. It will be noted with respect to (1) that deposits have been included for those banks which are themselves bank holding companies.

The branch bank data are in process of preparation and will be furnished as soon as possible.

Very truly yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.
The Honorable Wright Patman,
House of Representatives,
Washington 25, D. C.

Dear Mr. Patman:

This refers to your letter of September 6, 1960 requesting data concerning branch bank and holding company banks and to our letter of September 21 which stated that the remaining information would be furnished you as soon as possible. Accordingly, the following are enclosed:

(a) IBM listings as of December 31, 1959, showing all commercial banks in the United States by States (and the Virgin Islands), which operate branches. The listings contain (1) the name and address of each bank, (2) total deposits of the bank, (3) name of each branch, and (4) where applicable, in the case of banks which are subsidiaries of a bank holding company, the name of the holding company or companies and the percent of shares outstanding that are owned or controlled.

(b) IBM listings as of December 31, 1959, showing all branches of commercial banks, by Standard Metropolitan Statistical Areas.

(c) Table showing selected assets and liabilities, including total deposits, of all commercial banks, by States, as of December 31, 1959.

Deposit figures for noninsured nonmember banks are not available on punched cards, but the data for those noninsured nonmember commercial banks operating branches have been entered on these listings, with deposit figures as shown in banking directories.
Mr. Patman

The names and addresses of banks and branches are listed in an abbreviated form, due to space limitations in punched cards, but the lists should be self-explanatory.

Sincerely yours,

Wm. McC. Martin, Jr.

Enclosures
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 September 16, 1960, the Board approves the appointment of Salvatore P. Montalto as an assistant examiner for the Federal Reserve Bank of New York. Please advise as to the effective date of the appointment.

It is noted that Mr. Montalto is indebted to The First National City Bank of New York, New York, New York, in the amount of $61.74, and to National Bank of Westchester, White Plains, New York, in the amount of $154.55. Accordingly, the Board's approval of Mr. Montalto's appointment is given with the understanding that he will not participate in any examination of these banks until his indebtedness has been liquidated.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,  
Assistant Secretary.
Mr. Joseph R. Campbell, Vice President,
Federal Reserve Bank of Philadelphia,
Philadelphia 1, Pennsylvania.

Dear Mr. Campbell:

In accordance with the request contained in your letter of September 8, 1960, the Board approves the reappointment of Harold Edwin Ikeler, Jr. as an examiner for the Federal Reserve Bank of Philadelphia. Please advise us as to the date on which the appointment is made effective.

It is noted that Mr. Ikeler is indebted to West Milton State Bank, West Milton, Pennsylvania, a nonmember bank, in the amount of $700. Accordingly, the Board's approval of Mr. Ikeler's reappointment is given with the understanding that he will not participate in any examination of West Milton State Bank until his indebtedness has been liquidated.

This letter supersedes the Board's letter of September 16, 1960, which referred to and approved Mr. Ikeler's reappointment as an assistant examiner rather than as an examiner.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.