

Minutes for September 23, 1960

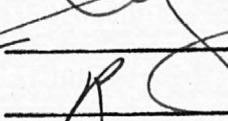
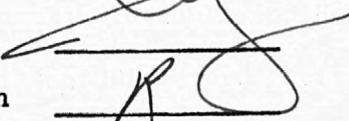
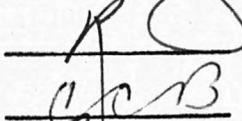
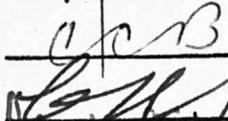
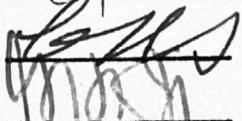
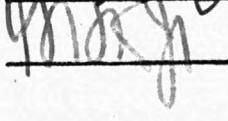
To: Members of the Board

From: Office of the Secretary

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

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

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

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

Minutes of the Board of Governors of the Federal Reserve System on  
Friday, September 23, 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. Sherman, Secretary  
Mr. Kenyon, Assistant Secretary  
Mr. Thomas, Adviser to the Board  
Mr. Young, Adviser to the Board  
Mr. Molony, Assistant to the Board  
Mr. Noyes, Director, Division of Research and  
Statistics  
Mr. Koch, Adviser, Division of Research and  
Statistics  
Mr. Sammons, Associate Adviser, Division of  
International Finance  
Mr. Keir, Chief, Government Finance Section,  
Division of Research and Statistics  
Mr. Gemmill, Economist, Division of International  
Finance

Money market review. Messrs. Thomas and Keir reported on bank  
reserves and developments in the money market, including the Treasury's  
advance refunding of certain intermediate-term bonds.

Messrs. Molony, Koch, Sammons, Keir, and Gemmill then withdrew  
and Messrs. Hackley, General Counsel; O'Connell and Hooff, Assistant  
General Counsel; and Nelson, Assistant Director, Division of Examinations,  
entered the room.

Discount rates. The establishment without change by the Federal  
Reserve Banks of New York, Philadelphia, Cleveland, Richmond, St. Louis,  
Kansas City, Minneapolis, and Dallas on September 22, 1960, of the rates

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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 or distributed to the Board. The following items, which had been circulated or distributed 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 Oregon Bank, Portland, Oregon, approving an extension of time to establish a branch at The Dalles.	1
Letter to the Federal Reserve Bank of New York approving its acting as fiscal agent for the International Bank for Reconstruction and Development in respect to a proposed issue of Two Year Bonds of 1960, due October 1, 1962.	2
Letter to the Stockmen's Bank, Gillette, Wyoming, granting its request for permission to exercise fiduciary powers.	3
Letter to the Union National Bank of Laredo, Laredo, Texas, approving its application for fiduciary powers.	4

Northwest Bancorporation--Roseville Bank (Item No. 5). A memorandum dated September 22, 1960, from Mr. O'Connell, Assistant General Counsel, had been distributed in connection with the hearing ordered by the Board in regard to the application of Northwest Bancorporation to acquire shares of the proposed Roseville Northwestern National Bank, St. Paul, Minnesota. The memorandum stated that attorneys for five banks in the area of the proposed bank had appealed to the Board from an order of the Hearing Officer denying the petitioners' request to participate in the hearing in the capacity of

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"parties", with right of cross-examination and presentation of evidence, argument, and briefs. Although the Hearing Officer had denied the request of the petitioners to participate as parties in the hearing, he had granted their request to offer testimony and had specified the terms under which that permission was granted. In essence, the petitioners asserted that their legal rights would be adversely affected by a decision approving the proposed acquisition; that if the Hearing Officer's order was enforced there would not be a full hearing with full disclosure of the facts; that they were entitled to frame the hearing record precedent to possible appeal from an adverse decision; and that the Board's Rules for Formal Hearings contemplate full participation in a public hearing by all parties directly interested and directly affected. Attached to the memorandum was a draft of an Order affirming the order of the Hearing Officer.

The Order was approved unanimously. A copy is attached as

Item No. 5.

Report on competitive factors (Woodbury, New Jersey). A memorandum dated September 20, 1960, from the Division of Examinations had been distributed submitting a proposed report to the Comptroller of the Currency on the competitive factors involved in a proposed consolidation of The First National Bank and Trust Company of Woodbury, Woodbury, New Jersey, with Woodbury Trust Company, Woodbury, New Jersey. The conclusion of the report stated in part that the proposed transaction

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would consolidate two successful independent institutions under common ownership and management and would eliminate competition.

Following a discussion of the banking characteristics of the area, certain suggestions were made for changes in the wording of the conclusion of the report. The report was then approved unanimously in a form reflecting these suggestions.

The conclusion in the report, as subsequently transmitted to the Comptroller of the Currency, read as follows:

Each of the banks involved in the proposed consolidation has a demonstrated capacity to compete successfully for banking business in and around Woodbury. It is indicated that consummation of instant application would consolidate two successful independent institutions under common ownership and management and would reduce competition in the immediate area.

During the foregoing discussion Mrs. Semia, Technical Assistant, Office of the Secretary, entered the room.

Proposed study by Social Science Research Council. A memorandum dated September 22, 1960, from Messrs. Young and Noyes had been distributed in connection with a proposed study by the Social Science Research Council. The memorandum stated that Dr. Paul Webbink, Vice President of the Council, had recently inquired whether the Board might be interested in collaborating with the Council in a research project that it was believed might be of special interest to the Board and its staff as well as to the Council of Economic Advisers. The project was an outgrowth of recommendations by the Social Science Research Council's Committee on Economic Stabilization,

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based on a year's survey of research needs in the area of stabilization analysis and policy. The project would undertake to explore the potentialities of econometric methods of projecting the economy's future performance and assess the utility of these methods as a supplement to other approaches to economic projection.

The memorandum went on to say that the project plans called for enlisting the efforts of a group of about a dozen scholars, each of whom would be assigned the task of developing and testing alternative econometric approaches to the analysis of fluctuations in a specific area of economic activity such as consumption, housing, investment, prices, etc. The project was planned as a two-year exercise. Each participant would be expected to spend the first year primarily in developing an intimate knowledge of existing statistical materials in his designated area and in evaluating known experiments that had employed econometric methods. The group would meet for a three-week session in the summer of 1961 to review progress and integrate approaches. The following academic year would be devoted to organizing data in more final form and testing of formulations, with a final review session scheduled for the summer of 1962. Total costs were estimated at about \$100,000.

The memorandum pointed out that the Board's flow of funds accounts might well provide the statistical framework for much of the analysis, and recommended that the Board authorize the staff to explore the matter further with the Social Science Research Council.

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In discussion it was brought out that the academicians who were committed to participate in the survey were a distinguished group; that one member of the Board's staff--Mr. Brill--had been approached about working with the group, and several others had been approached about offering assistance to the participants; and that the Social Science Research Council was a highly respected non-profit organization established under the auspices of private foundations. The Board had already participated in one satisfactory project with the Council, namely, a research training institute for teachers of money and banking that was held in the summer of 1957. It was stated that as the project took shape the Council had come to believe that within the Government, particularly the Federal Reserve and the Council of Economic Advisers, a sufficient element of public interest might be involved in the completion of the project to justify financial support of the program.

Question was raised as to whether the inquiry had seemed to contemplate that the Federal Reserve might underwrite the entire cost of \$100,000 or whether there would be additional subscribers, to which the reply was made that apparently the problem of the Council would be simplified if the Federal Reserve were to underwrite the entire cost, although the Council no doubt would be glad to have the Board support even a part of the program. The project was a complicated one in essence, and having a combination of financial underwriters would increase its complexity.

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Inquiry was made as to what amount of Mr. Brill's time might be required, if the Board were to authorize his participation, in response to which it was pointed out that, since the academicians who were participating would not be on leaves of absence but would handle their assignments for the Council in addition to their usual professional duties, the same sort of arrangements apparently would be contemplated for Mr. Brill and any other staff members who might be authorized to participate.

Governor Mills indicated that he had some doubt as to whether the Board should finance an outside organization in a project of this kind. If the project had the promise that seemed to be expected of it, it would in a sense be similar to the Talle Subcommittee studies that the Board undertook several years ago pursuant to Congressional request, and if that were the approach the study perhaps should be focussed entirely in the Board. Therefore, while he would explore the matter further, he would avoid any encouragement of financial support at this point. If the Social Science Research Council had its origin in support by the Carnegie Institution and the Rockefeller Foundation, it would appear as though the project should be foundation-supported, except for the participation of Mr. Brill without interruption of his compensation from the Board.

After further discussion the staff was authorized to explore further the possibilities of participation in the project without, however, giving any commitment for financial support of the program by the Board. It was understood that the staff would then report back to the Board.

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During the foregoing discussion Messrs. Johnson, Director, and Sprecher, Assistant Director, Division of Personnel Administration, entered the room. At its conclusion Messrs. Thomas, Young, Noyes, and O'Connell withdrew from the meeting.

Retirement allowances of certain disabled employees (Item No. 6).

A memorandum dated September 16, 1960, from the Division of Personnel Administration had been circulated in regard to supplemental retirement allowances of certain disabled retirees of the Federal Reserve Banks. The memorandum pointed out that on June 29, 1960, the Board approved a proposal submitted by the Presidents' Conference for supplementing the retirement allowances of specified groups of Reserve Bank employees who retired before becoming eligible for Social Security benefits. The approval was given subject to the condition that increased allowances be deferred until age 50 for any retirees in the specified groups who had not yet reached that age. However, it was recognized that proposed legislation was then before the Congress removing the age 50 requirement for drawing similar Social Security disability benefits. Approval of that legislation was imminent at the time the Presidents' Conference met on September 12, 1960, and the Conference voted that, if the legislation was enacted, the requirement of attaining age 50 be removed also for Reserve Bank retirees. The law in question was signed by the President on September 13, 1960, and the Division of Personnel Administration therefore recommended that the Board approve the action of the Presidents'

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Conference. A draft of letter to the Chairman of the Presidents' Conference reflecting that approval was attached to the memorandum.

After a brief discussion, during which Governor Robertson stated that although he would not vote to disapprove the recommendation he considered this another step in the wrong direction because it followed the principle of equating Reserve Bank employees with Government employees whenever it was to their advantage, the letter was approved unanimously. A copy is attached as Item No. 6. It was also understood that letters would be sent to the five Federal Reserve Banks concerned authorizing them to make the necessary payments to the Retirement System.

Payment of retirement benefits (Item No. 7). A memorandum dated September 16, 1960, from the Division of Personnel Administration had been circulated in connection with the approval on September 6, 1960, of Public Law 86-713, amending the Civil Service Retirement Act. The effect of the law was to provide a day-after concept for the commencement of annuities and survivor benefits in lieu of the first-of-the-month concept previously contained in the Civil Service Retirement Act. It also eliminated the previous provision that annuities accrue and are payable for full months only and substituted a provision allowing accrual and payment of retirement annuities for any portion of a month up to the point at which the right to further annuity payment ceases because of death (or other terminating event). Under established Board practice, the provisions of the Act would automatically be applied to the Board

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Plan of the Retirement System of the Federal Reserve Banks unless the Board took adverse action. The memorandum recommended that the Board interpose no objection, and a draft of letter to that effect to the Secretary of the Retirement System of the Federal Reserve Banks was attached.

After a brief discussion, the letter was approved unanimously. A copy is attached as Item No. 7.

Mr. Chase, Assistant General Counsel, joined the meeting during consideration of the foregoing item.

Arizona banking study (Items 8 and 9). Drafts of two letters had been circulated, one to the Federal Reserve Bank of San Francisco and the other to the Comptroller of the Currency, in regard to a request from the Assistant Chief of the Los Angeles Office, Antitrust Division, Department of Justice, for information to expand table 3 in the San Francisco Reserve Bank's study "Investigation of Banking in Arizona" to include the years 1951 through 1954 and 1956 to 1960. In order to comply with the request, it would be necessary for the San Francisco Bank to obtain certain call report data. The information was requested for one State member bank, three national banks, and several nonmember insured banks. The San Francisco Reserve Bank had inquired if the unpublished information requested should be furnished and if, in regard to the three national banks, the consent of the Comptroller of the Currency should be obtained. The Reserve Bank also stated that it

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intended to suggest to the Justice Department official that he apply directly to the Federal Deposit Insurance Corporation for the information needed in regard to the nonmember insured banks.

The circulated draft of reply to the San Francisco Bank expressed the Board's approval of furnishing the information in regard to the member State bank, and the letter to the Comptroller of the Currency asked his opinion as to furnishing the information regarding the three national banks.

During discussion, the comment was made by Governor Mills that although he had always had serious reservations about furnishing unpublished information, either to Government agencies or others, it seemed appropriate to comply with this request. Having furnished the original study of banking in Arizona to the Department of Justice, it would not seem logical to refuse information on banking institutions involved in that study to supplement the particular table in question.

The letters to the Federal Reserve Bank of San Francisco and to the Comptroller of the Currency were then approved unanimously. Copies are attached as Items 8 and 9.

Daily computation of interest on savings deposits (Item No. 10).

A draft of letter had been circulated replying to an inquiry from the Federal Reserve Bank of San Francisco concerning the propriety of a plan for computing interest on savings deposits on a daily basis. Briefly stated, the plan contemplated computation of interest on savings deposits

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at the rate of 3 per cent per annum on a day-to-day basis, with the interest to be paid, posted, and compounded at the end of each calendar quarter. Deposits received during the first ten days of each month would earn interest from the first of that month, and withdrawals made or accounts closed during the last three business days of a quarter would not result in loss of interest, as there were no minimum balance or minimum period requirements.

The Federal Reserve Bank of San Francisco had enclosed newspaper advertisements by banks following plans similar to the one described, along with other material obtained from those banks. The Reserve Bank also transmitted a copy of a letter from Bank of America National Trust and Savings Association in which the position was taken that the procedure followed by banks utilizing such a system, while within the letter of the Board's Regulation Q, Payment of Interest on Deposits, "is clearly not within the spirit of either the regulation or of Section 19 of the Act. As a practical matter, interest is being paid on demand deposits." Bank of America contended that the funds being solicited were, in many cases, not true savings but temporary deposits such as funds held in trust for future use. Its letter therefore suggested an amendment to Regulation Q that would have the effect of prohibiting the payment of interest on savings deposits unless they remained in the bank for such time as would, in the opinion of the Board, insure that the deposits were being used for genuine savings purposes.

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The draft of reply to the Federal Reserve Bank of San Francisco held that, although the banks concerned might be accepting accounts that ordinarily would not seem suitable for savings deposits, the purpose of the deposit was not a test under the present Regulation and there would seem to be no way to prevent the payment of interest on a daily basis, although interest should not be compounded on less than a quarterly basis. The letter also stated that the question of an amendment to Regulation Q was under consideration but had not been resolved.

During discussion of the proposed reply, Governor Shepardson directed several questions to the staff relating to whether the funds, including trust funds, that the member banks in question were soliciting could be regarded as savings deposits within the definition presently contained in Regulation Q. The comments made in response indicated that the position taken in the proposed letter would be consistent with positions taken by the Board in the past relative to the placement in savings accounts of trust funds. In the view of the legal staff, the practices under discussion could not be regarded as violating the present provisions of the Regulation, but the question of the advisability of amending the Regulation remained under consideration and would be the subject of a recommendation by the staff to the Board.

Governor Shepardson then stated that he did not like the practice, although apparently nothing could be done about it in the present circumstances.

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Governor Mills commented that the problem might tend to solve itself over the next few months if banks became less inclined to be as liberal in the payment of interest on deposits. As he recalled, it is a common practice of trust departments to keep trust funds awaiting investment in savings accounts rather than let them lie idle and thus lose income for the beneficiaries. Here, the objection of Bank of America centered on the rate of interest and the manner in which interest was computed, and he could find no way of holding that a violation of the Regulation, even the spirit of it, was involved. What could be questioned was the judgment of the banks concerned in offering to accept funds at so high a cost on what amounted to a demand basis.

After further discussion, the letter to the Federal Reserve Bank of San Francisco was approved unanimously, with the understanding that the staff would continue to consider, and make a recommendation to the Board on, a possible amendment to Regulation Q. A copy of the approved letter is attached as Item No. 10.

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 September 22, 1960, the following items relating to the Board's staff:

Maternity leave

Susan Rowzie, Stenographer, Division of Examinations, to work an additional two weeks, through October 14, 1960, before beginning maternity leave.

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Outside activities

Gary P. Smith, Legal Assistant, Legal Division, to accept appointment as a commissioned officer in the District of Columbia National Guard Reserves.

Henry Tate, Messenger, Board Members' Offices, to work part-time as a real estate salesman for Hanson's Mortgage Company, Washington, D. C.

Governor Shepardson today approved on behalf of the Board the following items:

Memorandum dated September 22, 1960, from Mr. Koch, Adviser, Division of Research and Statistics, recommending the transfer of Bernice T. Mann from the position of Secretary in the Board Members' Offices to the position of Secretary in the Division of Research and Statistics, with no change in her basic annual salary at the rate of \$5,820, effective September 26, 1960.

Memorandum dated September 16, 1960, from Mr. Kelleher, Director, Division of Administrative Services, recommending acceptance of the resignation of Loreto J. Clavelli, Supply Clerk in that Division, effective September 21, 1960.

Memorandum dated September 22, 1960, from the Division of Examinations (attached Item No. 11) recommending the employment of Charles N. Griffin on a contractual basis for a period estimated from October 1 to December 1, 1960, with appointment as Federal Reserve Examiner.

Letter to the Director, Graduate School, United States Department of Agriculture, Washington, D. C., confirming tentative arrangements for a sixteen-week training course in Technical Report Writing for members of the Board's staff at a total cost of \$1,200.

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Secretary

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

Item No. 1  
9/23/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

September 23, 1960

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

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of San Francisco, the Board of Governors extends to January 2, 1961, the time within which The Oregon Bank may establish a branch at The Dalles, Oregon, under the authorization contained in a letter dated November 25, 1959.

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  
9/23/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

September 23, 1960

Mr. H. A. Bilby, Vice President,  
Federal Reserve Bank of New York,  
New York 45, New York.

Dear Mr. Bilby:

This refers to your letter of September 15, 1960, and its enclosures, concerning the proposed issue by the International Bank for Reconstruction and Development of Two Year Bonds of 1960, due October 1, 1962. In that letter you state that it is proposed to amend Schedule A of the Fiscal Agency Agreement dated as of February 6, 1950, between the International Bank and your Bank to include the bonds in question.

The Board of Governors approves of your Bank acting as fiscal agent in respect of the proposed issue by the International Bank of the Two Year Bonds of 1960, due October 1, 1962, and approves the execution and delivery by your Bank of an Agreement with the International Bank in the form or substantially in the form of Supplement 19 to the Fiscal Agency Agreement dated as of February 6, 1950, between your Bank and the International Bank, enclosed with your 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  
9/23/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

September 23, 1960

Board of Directors,  
Stockmen's Bank,  
Gillette, Wyoming.

Gentlemen:

This refers to your request for permission, under applicable provisions of your condition of membership numbered 1, to act in certain fiduciary capacities.

Following consideration of the information submitted, the Board of Governors of the Federal Reserve System grants permission to the Stockmen's Bank to act as executor, administrator, and guardian, with the understanding that your bank will not accept fiduciary appointments of other kinds without first obtaining the permission of the Board.

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. 4  
9/23/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

September 23, 1960

Board of Directors,  
Union National Bank of Laredo,  
Laredo, Texas.

Gentlemen:

The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers and grants Union National Bank of Laredo 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 Texas. 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.

UNITED STATES OF AMERICA

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

WASHINGTON, D. C.

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In the Matter of the Application of  
 NORTHWEST BANCORPORATION  
 for prior approval of acquisition of  
 shares of the proposed Roseville  
 Northwestern National Bank, St. Paul,  
 Minnesota

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DOCKET NO.  
BHC-57

ORDER AFFIRMING HEARING OFFICER'S ORDER

By order dated September 13, 1960, the Hearing Officer assigned to conduct the hearing in the above matter denied a request by petitioners that they be admitted to participation in the said hearing with the full status of opposing parties, with right to conduct cross-examination, to present evidence, and to make arguments and submit briefs in any of the proceedings. By that order, however, petitioners were granted the opportunity to participate to the extent specified in the order. On September 20, 1960, petitioners filed with the Board an appeal from the order of the Hearing Officer insofar as that order denied petitioners' request to be admitted to the hearing with full status as parties and insofar as the order "attempts to eliminate the factor of 'convenience, needs, and welfare' of the area involved".

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Upon consideration of the appeal and the statement of reasons and authorities in support thereof, and the Hearing Officer's order and accompanying memorandum, it appearing to the Board that no error has been committed by the Hearing Officer in limiting petitioners' participation to the extent and in the manner provided, and it appearing further that said order does not eliminate from consideration during the hearing the statutory factor of convenience, needs, and welfare of the area involved, the Hearing Officer's order of September 13, 1960, is affirmed.

Dated at Washington, D. C., this 23rd day of  
September 1960.

By order of the Board of Governors.

(Signed) Merritt Sherman

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Merritt Sherman,  
Secretary.

(SEAL)

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

Item No. 6  
9/23/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

September 23, 1960

Confidential (FR)

Mr. D. C. Johns,  
Chairman, Conference of Presidents,  
c/o Federal Reserve Bank of St. Louis,  
St. Louis 66, Missouri.

Dear Mr. Johns:

On June 29, 1960, the Board of Governors approved a proposal of the Conference of Presidents to supplement the retirement allowances of certain groups of Reserve Bank employees who retired prior to becoming eligible for Social Security benefits.

The Board has now considered a further proposal of the Conference at its meeting on September 13, 1960, to extend this supplementation program to provide immediate payments for members of the Retirement System who retired on a disability basis and who are presently under age 50.

The Board approves this supplementary proposal as submitted by the Presidents' Conference, subject to the approval of the supplemental payments by the Board of Directors of the individual Federal Reserve Banks concerned, effective November 1, 1960. It is understood that such payments are to be made in the manner prescribed in the Board's letter of June 29, 1960.

A copy of this letter is being sent to the President of each of the five Reserve Banks concerned.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

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

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Item No. 7  
9/23/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

September 23, 1960

Mrs. Valerie R. Frank, Secretary,  
Retirement System of the  
Federal Reserve Banks,  
Federal Reserve Bank of New York,  
New York 45, New York.

Dear Mrs. Frank:

The Board of Governors interposes no objection to increasing the benefits of the Board Plan of the Retirement System of the Federal Reserve Banks in order that they may conform with those provided in Public Law 86-713, accelerating the commencing dates of Civil Service Retirement annuities, and for other purposes.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

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

Item No. 8  
9/23/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

September 23, 1960

Mr. John A. O'Kane,  
Vice President and General Counsel,  
Federal Reserve Bank of San Francisco,  
San Francisco 20, California.

Dear Mr. O'Kane:

Reference is made to your letter of August 26, 1960, advising that Mr. James M. McGrath, Assistant Chief, Los Angeles Office, Antitrust Division, United States Department of Justice, has asked to have for the use of the Department of Justice information that would be needed to expand Table 3 of your Bank's study "Investigation of Banking in Arizona" to include therein the years 1951 through 1954 and 1956 through 1960. Your letter states that in order to supply this information, it will be necessary for your Bank to obtain copies of the front and back of the December 31st call reports of Southern Arizona Bank and Trust Company for each year from 1956 through 1959, as well as for June 15, 1960, either from the Board of Governors or from the Federal Reserve Bank of Dallas.

The Board has these call reports in its files and will send you copies for delivery to Mr. McGrath. The Board has written the Comptroller of the Currency asking whether his office wishes to have Mr. McGrath furnished with the data with respect to the three national banks named in your letter. As soon as a reply is received, you will be advised.

It is noted that you plan to suggest to Mr. McGrath that he apply directly to the Federal Deposit Insurance Corporation for information needed in respect to nonmember insured banks.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

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

Item No. 9  
9/23/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

September 23, 1960



The Honorable Ray M. Gidney,  
Comptroller of the Currency,  
Washington 25, D. C.

Dear Mr. Gidney:

The Department of Justice is making an investigation in order to determine whether or not to institute antitrust proceedings based upon banking developments in Arizona. The Department has requested, and the Board of Governors has furnished it with, certain unpublished information in this connection, and the Board is now in receipt of a further request for copies of the front and back of the December 31st call reports of certain State member banks for each year from 1951 through 1954 and from 1956 through 1959, as well as for June 15, 1960. The Department desires similar information as of the same dates in respect to the following national banks: Valley National Bank, Phoenix, Arizona; First National Bank of Arizona, Phoenix, Arizona; and The First National Bank of Holbrook, Holbrook, Arizona.

The Board is furnishing the Department with the above data respecting the State member banks. The Federal Reserve Bank of San Francisco has in its files and can furnish the Department with the above data with respect to the named national banks, but will not do so unless the Board receives advice from your office that your office has no objection. Accordingly, it would be appreciated if you will advise the Board in the premises.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

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

Item No. 10  
9/23/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD



September 23, 1960

Mr. H. N. Mangels, President,  
Federal Reserve Bank of San Francisco,  
San Francisco 20, California.

Dear Mr. Mangels:

This refers to your letter of August 24, 1960, presenting the question whether plans adopted by certain member banks of your District for computing interest on savings deposits on a daily basis comply with the provisions of Regulation Q.

As you know, the Board in a ruling published in the 1936 Federal Reserve Bulletin at page 192 expressed the opinion that a member bank is not prohibited from paying interest on a savings account notwithstanding the fact that the funds have actually been on deposit with the bank for a period of less than three months, and even though the account is closed between the bank's regular interest paying dates. In effect this means that a member bank may compute interest on a daily basis, and the advertising material of these member banks, submitted with your letter, does not appear to be in contravention of this authority.

The banks may be accepting accounts which ordinarily would not seem suitable for savings deposits. However, it is noted from the inter-office memorandum of Union Bank dated December 18, 1959, that care is to be exerted in order to prevent the use of savings accounts as checking accounts and consideration is to be given to the possibility of this being "temporary money" and to how long this "term money" is expected to remain on deposit. Regardless of the purpose of the deposit, which is not a test under the present Regulation, if such accounts qualify as savings deposits there would seem to be no way to prevent the payment of interest on a daily basis having in mind, of course, the limitation on compounding interest on less than a quarterly basis.

Mr. H. N. Mangels

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The question whether an amendment to Regulation Q should be adopted which would ensure the use of savings accounts for genuine "savings" purposes is under consideration but has not been resolved at this time.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

Item No. 11  
9/23/60

3627

Office Correspondence

Date September 22, 1960.

Board of Governors

Subject: Employment of Charles N. Griffin  
(retired) on contractual basis and his  
appointment as Federal Reserve Examiner.

Division of Examinations

CONFIDENTIAL (FR)

There is shortly to be put into effect a program for the emergency storage of unissued Federal Reserve notes at the Salt Lake City Branch of the Federal Reserve Bank of San Francisco. It is contemplated that shipments of the currency from Washington will commence early in October and extend over a period of approximately two months.

As presently viewed, the currency to be stored will constitute an inactive reserve and therefore it is desirable that it be held under the permanent seal of the Board's examiners, as well as the seal of the Reserve Bank's General Auditor. In view of the large quantity of currency and the limited working space that will remain in the vault after the currency is placed therein, it is felt that representatives of the General Auditor and of the Board's examiners should be on hand at the initial stowage of the currency to avoid subsequent re-handling.

In view of the schedule of the field examining staff for the next several weeks, Chief Federal Reserve Examiner Schaeffer feels that he cannot designate a member of his staff for this assignment. Neither is it practicable for the Division of Examinations to make available a man from its office staff at the present time. In the circumstances, the employment, on a contractual basis, of recently retired examiner Charles N. Griffin for this special assignment is recommended. It is estimated that his services will be required from October 1 to December 1, 1960.

We have determined from Mr. Griffin that he is available. The engagement will require that Mr. Griffin travel from his home at Lake City, South Carolina, to the present duty station of the field examiners so that he can spend a day for indoctrination in the procedures to be followed in examining and controlling the currency. From that point he will proceed directly to Salt Lake City to remain until the program is completed, after which he will return to his place of residence.

It is suggested that Mr. Griffin be retained at a fee of \$35 per day. It is contemplated that he will not be compensated for the days on which the Salt Lake City Branch is normally closed for business, unless the Reserve Bank elects to continue to process the currency on such days. Mr. Griffin has stated that he prefers to travel to Salt Lake City by rail;

To: Board of Governors

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it is felt that travel days should be considered work days insofar as his being paid his fee is concerned. In addition to the aforementioned fee, it is recommended that Mr. Griffin be paid transportation expenses and the usual per diem in lieu of subsistence of \$12. (In view of his continuing travel status while he is on this assignment, it is assumed that the per diem in lieu of subsistence would apply on nonwork days.)

It is recommended also that Mr. Griffin be commissioned as an examiner for the duration of this assignment in order that he may have the proper credentials and status.

Although no provision was made in the 1960 budget for this unforeseen contingency, there are budgetary offsets arising from vacancies that have existed in the field staff.