

Minutes of the Board of Governors of the Federal Reserve System on
Tuesday, October 25, 1960. The Board met in the Board Room at 9:00 a.m.

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

Mr. Sherman, Secretary
Mr. Thomas, Adviser to the Board
Mr. Molony, Assistant to the Board

Vault cash and reserve requirements. Chairman Martin said that he had asked the Board to meet at this time for a preliminary exploration of the timing of possible action, and announcement thereof, to implement the 1959 Act of Congress relating to vault cash and reserve requirements of member banks so as to provide a substantial part of reserves that would be needed by the banking system to meet seasonal and other needs during November and December of this year. Specifically, he had reached the conclusion that it would be desirable to authorize all member banks to count all vault cash in computing their reserve requirements at an early date and to equalize the reserve requirements against net demand deposits of central reserve city banks and reserve city banks, even though Public Law 86-114 did not require the elimination of central reserve cities until July 28, 1962. He did not have in mind any action or decision on these questions this morning but felt that some discussion of the possibility of such action would be helpful before this morning's meeting of the Federal Open Market Committee with the thought that the Board could

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meet tomorrow to discuss whether or not action should be taken and, if so, at what time. He then asked that Mr. Thomas comment on the projected needs for reserve funds during November and December of this year, both in terms of the amounts of reserves that would be needed and the timing of such demands.

In his response to this request, Mr. Thomas referred to a memorandum that he had distributed under date of October 24, 1960, that presented information and commented on some of the considerations related to further action to release vault cash holdings of member banks for use as reserves.

There followed an informal discussion of the question presented by Chairman Martin, at the conclusion of which it was understood that the matter would be taken up by the Board on the following day.

The meeting then recessed and reconvened at 12:50 p.m. with the same members of the Board present as at the 9:00 a.m. session, along with Messrs. Sherman and Kenyon. The following also were present:

Messrs. Erickson, Hayes, Bopp, Fulton, Leach, Allen, Johns, Deming, Leedy, Irons, and Mangels, Presidents of the Federal Reserve Banks of Boston, New York, Philadelphia, Cleveland, Richmond, Chicago, St. Louis, Minneapolis, Kansas City, Dallas, and San Francisco, respectively, and Mr. Patterson, First Vice President, Federal Reserve Bank of Atlanta.

Absorption of exchange charges. At Chairman Martin's request, Governor Robertson reported on developments during the past few weeks in connection with the Board's ruling of August 4, 1960, regarding absorption

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of exchange charges, including receipt by the Board of a letter dated September 1, 1960, from the Bank Management Commission of the American Bankers Association recommending a modification and liberalization of that ruling and receipt of a letter from the Association of Reserve City Bankers dated October 13, 1960, recommending a change in the ruling similar to that proposed by the Bank Management Commission.

After a brief discussion of Governor Robertson's report, the meeting recessed and reconvened in the Board Room at 2:20 p.m. with the same attendance as at the close of the 12:50 p.m. session except that Chairman Martin and Governors Robertson and Shepardson were not in attendance and Mr. Hackley, General Counsel, was present.

There was a further discussion of the Board's August 4 ruling regarding the absorption of exchange charges and of possible changes that might be made in that ruling. A memorandum of this discussion has been placed in the Board's files.

The meeting then adjourned.

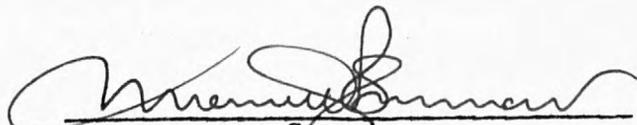
Secretary's Notes: Pursuant to the recommendations contained in memoranda from appropriate individuals concerned, Governor Shepardson today approved on behalf of the Board increases in the basic annual salaries of the following persons on the Board's staff, effective October 30, 1960:

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<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Research and Statistics</u>			
Murray Altmann, Economist		\$10,895	\$11,155
Frank deLeeuw, Economist		9,215	9,475
Priscilla S. Goodby, Economist (Change in title from Research Assistant)		5,685	6,435
Mary C. Jackson, Statistical Clerk		4,040	4,145
Virginia Lambert, Secretary		5,170	5,335
Elsie T. Nelson, Economist		7,095	7,260
Ann M. VanEckhardt, Statistical Assistant		4,675	4,840
<u>Bank Operations</u>			
John D. Smith, Technical Assistant		8,600	8,860
<u>Examinations</u>			
Irwin W. Robinson, Assistant Federal Reserve Examiner		6,930	7,095
<u>Administrative Services</u>			
John C. Simmons, Laborer		3,605	3,710
Wilhelmina K. Steele, Operator, Tabulating Equipment		4,075	4,180

Governor Shepardson also approved today on behalf of the Board a letter to the Federal Reserve Bank of Minneapolis (attached Item No. 1) approving the designation of Howard L. Knous as special assistant examiner.



 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

October 25, 1960



CONFIDENTIAL (FR)

Mr. Frederick L. Deming, President,
Federal Reserve Bank of Minneapolis,
Minneapolis 2, Minnesota.

Dear Mr. Deming:

In accordance with the request contained in your letter of October 14, 1960, the Board approves the designation of Howard L. Knous as a special assistant examiner for the Federal Reserve Bank of Minneapolis.

It is noted that Mr. Knous is indebted to First National Bank of Minneapolis, Minneapolis, Minnesota, in the amount of \$7,577.79 for a mortgage on his home. Accordingly, the Board's approval of the designation of Mr. Knous is given with the understanding that he will not participate in any examination of First National Bank of Minneapolis until his indebtedness has been liquidated.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.