

Minutes for November 25, 1960

To: Members of the Board

From: Office of the Secretary

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

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

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

Chm. Martin

Gov. Szymczak

Gov. Mills

Gov. Robertson

Gov. Balderston

Gov. Shepardson

Gov. King

*Handwritten initials and signatures:*  
A large circle containing initials, possibly "JW", is written over the lines for Chm. Martin and Gov. Szymczak.  
A long horizontal line with a loop at the right end is written over the line for Gov. Mills.  
A large letter "R" is written over the line for Gov. Robertson.  
The initials "CSB" are written over the line for Gov. Balderston.  
The initials "SM" are written over the line for Gov. Shepardson.  
The initials "MK" are written over the line for Gov. King.

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

PRESENT: Mr. Martin, Chairman  
Mr. Szymczak  
Mr. Mills  
Mr. Shepardson

Mr. Sherman, Secretary  
Mr. Thomas, Adviser to the Board  
Mr. Shay, Legislative Counsel  
Mr. Molony, Assistant to the Board  
Mr. Fauver, Assistant to the Board  
Mr. Koch, Adviser, Division of Research and Statistics  
Mr. Landry, Assistant to the Secretary  
Mr. Keir, Chief, Government Finance Section, Division of Research and Statistics

Report on money market. Mr. Keir reported on recent developments in the money market and Mr. Thomas summarized and commented on bank credit conditions.

Following these reports all members of the staff with the exception of Messrs. Sherman and Landry withdrew and Messrs. Hackley, General Counsel; Farrell, Director, Division of Bank Operations; Solomon, Director, Nelson and Goodman, Assistant Directors, and Leavitt, Supervisory Review Examiner, Division of Examinations, entered the room.

Discount rates. The establishment without change by the Federal Reserve Banks of Cleveland, Chicago, and St. Louis on November 23, 1960, of the rates on discounts and advances in their existing schedules was approved unanimously, with the understanding that appropriate advice would be sent to those Banks.

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

	<u>Item No.</u>
Letter to The Central Trust Company, Cincinnati, Ohio, approving the establishment and operation of a branch at 3770 Reading Road, in place of the branch at 3500 Reading Road.	1
Letter to Union Bank and Trust Company, Helena, Montana, approving an investment in bank premises.	2
Letter to The First Liberty National Bank, Liberty, Texas, approving its application for fiduciary powers.	3
Letter to The First National City Bank of New York, New York City, approving an extension of time to establish a branch in the Tsim Sha Tsui District of the Kowloon Section of the Colony of Hong Kong.	4
Letter to the Federal Reserve Bank of Chicago approving the payment of a 5 per cent dividend of \$20,000 on December 15, 1960, by Manistee County Savings Bank, Manistee, Michigan, under the provisions of Section 5199, United States Revised Statutes.	5
Letter to the Presidents of all Federal Reserve Banks and Vice Presidents in charge of all branches regarding instructions pertaining to daily clearings through the Interdistrict Settlement Fund.	6

Application to organize national bank at Niceville, Florida

(Item No. 7). There had been circulated under date of November 15, 1960, a file relating to an application to organize a national bank at Niceville, Florida, concerning which the Federal Reserve Bank of Atlanta had recommended

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unfavorably. The recommendation of the Division of Examinations was favorable, provided management satisfactory to the Comptroller of the Currency was provided for the proposed bank. When the file was in circulation, Governor Mills attached a note indicating doubt as to the recommendation of the Division of Examinations and a preference for the recommendation of the Federal Reserve Bank of Atlanta.

Governor Mills said that his position on this application stemmed from several considerations, including the accessibility of banking facilities in the adjacent community of Valparaiso, two miles from the site of the proposed bank, the fact that banking needs in the area of Niceville arose largely from the population at a nearby military base, the unimpressive banking and financial background of the organizers of the proposed bank, and the economic situation through which the State of Florida was currently passing. While he recognized this was a matter for decision by the Comptroller of the Currency, he doubted that the facts supported the need for a favorable recommendation by the Board regarding the application.

Mr. Solomon stated that the Division of Examinations recognized this as a borderline application, and had so stated in its memorandum to the Board dated November 15. What had weighed with the Division in making its recommendation was that the area concerned seemed capable of supporting an additional bank which would add to the public convenience in Niceville, population 6,300, and in a trading area having a population of about 21,000. He

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noted that so far as the bank management factor was concerned, the draft letter to the Comptroller of the Currency recommending favorably with respect to the application stated that the recommendation was conditioned upon arrangements for management that were satisfactory to the Comptroller's Office.

In the ensuing discussion, the other members of the Board who were present expressed views similar to those indicated by Governor Mills.

Accordingly, unanimous approval was given to a letter to the Comptroller of the Currency in the form of attached Item No. 7 recommending unfavorably with respect to an application to organize a national bank at Niceville, Florida.

Report on competitive factors (Baltimore, Maryland). Distribution had been made of a proposed report to the Comptroller of the Currency on the competitive factors involved in a planned purchase of assets and assumption of liabilities of The Saint James Savings Bank of Baltimore City, Baltimore, Maryland, by The First National Bank of Baltimore, Baltimore, Maryland. The report concluded as follows:

The application at hand involves the purchase of assets and assumption of liabilities of a relatively small mutual savings bank by the second largest commercial bank in Baltimore. Although First National does some business in each of the banking activities from which Saint James draws primary support, the converse is not true and Saint James is totally inactive in the principal areas of First National's operations. This difference in the basic characteristics of the principal volume of business of each indicates nominal competition between the two. The volume of deposits and number of offices of the selling bank is insubstantial in the context of area banking resources and the proposed transaction represents no apparent trend toward dominance by First National.

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In discussion, question was raised as to the accuracy of the population figures given in the report. The report was unanimously approved for transmittal to the Comptroller of the Currency, with the understanding that before transmittal the population figures therein would be checked.

All members of the staff with the exception of Mr. Sherman then left the meeting.

Temporary assignment at the Board for Mr. Alderfer of the Federal Reserve Bank of Philadelphia (Item No. 8). Governor Shepardson referred to the action taken by the Board on October 6, 1960, in assigning to Mr. Molony, Assistant to the Board, the senior staff responsibility for editorial work relating to various external written communications by or on behalf of the Board, and to the understanding that Mr. Molony would need staff assistance in carrying forward this assignment. Governor Shepardson said that tentative arrangements had now been made to secure the services of Mr. Evan B. Alderfer, Economic Adviser of the Federal Reserve Bank of Philadelphia, for approximately one year from about December 1, 1960, with the understanding that the salary of Mr. Alderfer would continue to be paid by the Federal Reserve Bank of Philadelphia but that the Board would reimburse the Bank for all other expenses incurred by Mr. Alderfer incident to the assumption of the assignment. This would include living accommodations in Washington. Should Mr.

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Alderfer decide at a later date to move his family to Washington, additional adjustments that might be mutually agreed upon would be made to cover certain costs. One other question that had been raised by President Bopp related to a teaching assignment that Mr. Alderfer was now carrying in Philadelphia and to the manner in which Mr. Alderfer might be compensated as an offset to the loss of income that he would suffer by reason of his inability to continue that teaching assignment while at the Board's offices.

With respect to the latter point, Chairman Martin suggested that such a matter should be left in the hands of the Philadelphia Bank, which had agreed to bear the salary costs of Mr. Alderfer while he was on assignment at the Board, and there was general concurrence with this suggestion.

Unanimous approval was then given to the arrangements outlined by Governor Shepardson and to a letter to Mr. Bopp, President of the Federal Reserve Bank of Philadelphia, in the form of attached Item No. 8.

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:

#### Appointments

Adeline R. Lamb as Accounting Technician, Office of the Controller, with basic annual salary at the rate of \$4,345, effective the date of entrance upon duty.

James R. Turner as Offset Press Operator (Multilith), Division of Administrative Services, with basic annual salary at the rate of \$4,098, effective the date of entrance upon duty.

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Salary increases, effective November 27, 1960:


Charlotte L. Hanovega, Statistical Assistant, Division of Research and Statistics, from \$4,510 to \$4,830 per annum.

James R. Smith, Assistant Review Examiner, Division of Examinations, from \$5,685 to \$6,435 per annum.

Pursuant to the action of the Board on September 14, 1960, there was sent today to the Presidents of all Federal Reserve Banks the letter of which a copy is attached as Item No. 9 relating to supplemental payments that may be made on behalf of Federal Reserve Bank personnel upon involuntary separation from service.

  
Secretary





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

Item No. 1  
11/25/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

November 25, 1960

Board of Directors,  
The Central Trust Company,  
Cincinnati, Ohio.

Gentlemen:

The Board of Governors approves the establishment and operation by The Central Trust Company of a branch at 3770 Reading Road, Cincinnati, Ohio, in place of the branch at 3500 Reading Road.

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. 2  
11/25/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

November 25, 1960



Board of Directors,  
Union Bank and Trust Company,  
Helena, Montana.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Minneapolis, the Board of Governors of the Federal Reserve System approves, under the provisions of Section 21A of the Federal Reserve Act, the unauthorized expenditure of \$36,195 utilized to complete construction of your banking quarters and the investment of not to exceed \$50,000 for the purpose of acquiring and improving property to be used for parking facilities. The amount of these investments is in addition to the investment of \$925,000 approved by the Board on April 8, 1958.

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. 3  
11/25/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

November 25, 1960



Board of Directors,  
The First Liberty National Bank,  
Liberty, Texas.

Gentlemen:

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

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

Item No. 4  
11/25/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

November 25, 1960

The First National City Bank of New York,  
55 Wall Street,  
New York 15, New York.

Gentlemen:

In view of the request contained in your letter of October 27, 1960, transmitted through the Federal Reserve Bank of New York, and on the basis of the information furnished, the Board of Governors extends to June 30, 1962, the time within which your Bank may establish a branch in the Tsim Sha Tsui District of the Kowloon Section of the Colony of Hong Kong, as approved by the Board on December 9, 1959.

It is understood the branch will be located at 72 Nathan Road. The location of the branch may not be changed, after establishment, without the prior approval of the Board of Governors.

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. 5  
11/25/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

November 25, 1960

Mr. Hugh J. Helmer, Vice President,  
Federal Reserve Bank of Chicago,  
Chicago 90, Illinois.

Dear Mr. Helmer:

This acknowledges your letter of November 7, 1960, recommending approval of a payment of a 5 per cent dividend of \$20,000 on December 15, 1960, by the Manistee County Savings Bank, Manistee, Michigan, under the provisions of Sec. 5199 U.S.R.S.

The Board concurs in your recommendation and approves the payment of the above-mentioned dividend. Since it is probable that the payment of another semi-annual dividend in 1961 will be prohibited without Board approval, it is suggested that the member bank be advised that it must request permission in advance of any future declaration of a dividend as long as it is subject to the prohibition of this statute.

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. 6  
11/25/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

November 25, 1960.



Dear Sir:

The purpose of this letter is to consolidate current instructions pertaining to daily clearings through the Interdistrict Settlement Fund. This supersedes the Board's letters of February 17, 1920 (X-1835) and May 21, 1952 (S-1458).

Each Federal Reserve Bank and Branch should telegraph the Board as early as possible in the afternoon, and in no event later than 7:30 p.m., Washington time, its daily Interdistrict Settlement Fund clearing telegram (code EXNAG), giving credits to other Reserve Banks and Branches covering that day's business. It will be necessary to have a telegraph operator on duty at each Bank and Branch until these telegrams have been received and verified at the Board, and release instructions given from Washington.

The Board will effect the settlement and will dispatch the return clearing telegrams to the Reserve Banks and Branches the following morning.

Upon receipt of the Board's clearing telegram (code EXNOV), the Bank's books should be closed for the preceding day.

It is understood that your Bank will immediately notify the Board by telegram of any difference disclosed by checking the previous night's balance in the Interdistrict Settlement Fund as reported in the daily settlement telegram; any difference between the monthly summary of transactions in the Fund, G.15(a), and your Bank's records; or any difference otherwise noted.

Very truly yours,

Merritt Sherman,  
Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS AND VICE PRESIDENTS  
IN CHARGE OF ALL BRANCHES

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

Item No. 7  
11/25/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

November 25, 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 June 7, 1960, enclosing copies of an application to organize a national bank at Niceville, Florida, and requesting a recommendation as to whether or not the application should be approved.

Information contained in a report of investigation of the application made by an examiner for the Federal Reserve Bank of Atlanta indicates that the proposed capital structure of the bank would be adequate in relation to the anticipated volume of business and that its future earnings would be fair. However, according to the information available, there appears to be some question as to the adequacy of the proposed management and it does not appear that a sufficient need exists for another bank in the community at this time. 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) Elizabeth L. Carmichael

Elizabeth L. Carmichael,  
Assistant Secretary.

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

Item No. 8  
11/25/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

November 25, 1960

Mr. Karl R. Bopp, President,  
Federal Reserve Bank of Philadelphia,  
Philadelphia 1, Pennsylvania.

Dear Mr. Bopp:

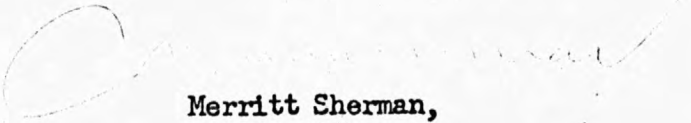
This letter will confirm the verbal arrangements made by Governor Shepardson with you regarding the loan to the Board of Governors of the services of Mr. Evan B. Alderfer of your Research Department for approximately one year from about December 1, with the possibility of earlier release if circumstances permit.

It is understood that the salary of Mr. Alderfer will continue to be paid by the Federal Reserve Bank of Philadelphia but that your Bank will be reimbursed by the Board for all expenses incurred by him incident to the assumption of this assignment, including living accommodations in Washington. Since the arrangement contemplates that Mr. Alderfer will for a short period have frequent occasion to travel from Washington to Philadelphia and return during this assignment, such expenses as he may incur for this purpose would also be regarded as reimbursable.

Should Mr. Alderfer decide at a later date to move his family to Washington, the above arrangement will be subject to such adjustment as may be mutually agreed upon to reimburse him direct for the additional expense which this may involve.

The Board is appreciative of your willingness to make Mr. Alderfer's services available and hopes that the above arrangements will be satisfactory.

Very truly yours,

  
Merritt Sherman,  
Secretary.



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

Item No. 9  
11/25/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

November 25, 1960.



Dear Sir:

Reference is made to the Board's letter of June 7, 1956, S-1592, FRLS 9152, relating to supplemental payments that may be made on behalf of Federal Reserve Bank personnel upon involuntary separation from service.

In response to an inquiry from a Federal Reserve Bank, the Board has stated that, in applying the last paragraph of S-1592 in the case of an individual who is not entitled to the benefits of Section 3, Subdivision (2)(c) of the current Rules and Regulations of the Retirement System of the Federal Reserve Banks, it is appropriate for a Reserve Bank to consider all service of an officer or employee at any Reserve Bank or at the Board of Governors in determining the maximum permissible payment that may be made under this provision.

Very truly yours,

A large, stylized handwritten signature in dark ink, appearing to read "Merritt Sherman".

Merritt Sherman,  
Secretary.