

Minutes for December 5, 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



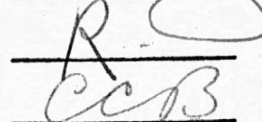
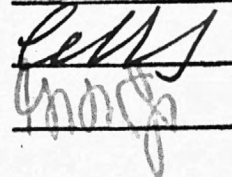
Gov. Mills

Gov. Robertson

Gov. Balderston

Gov. Shepardson

Gov. King

Minutes of the Board of Governors of the Federal Reserve System on  
Monday, December 5, 1960. The Board met in the Board Room at 10:00 a.m.

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

Mr. Kenyon, Assistant Secretary  
Mr. Thomas, Adviser to the Board  
Mr. Young, Adviser to the Board  
Mr. Shay, Legislative Counsel  
Mr. Molony, Assistant to the Board  
Mr. Fauver, Assistant to the Board  
Mr. Noyes, Director, Division of Research  
and Statistics  
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. Messrs. Thomas and Keir reported on money  
market developments, bank reserves, the money supply, and related matters.

At the conclusion of this presentation Messrs. Shay, Molony, Fauver,  
Koch, and Keir withdrew from the meeting and the following entered the room:

Mr. Hackley, General Counsel  
Mr. Farrell, Director, Division of Bank  
Operations  
Mr. Solomon, Director, Division of  
Examinations  
Mr. Johnson, Director, Division of Personnel  
Administration  
Mr. Hooff, Assistant General Counsel  
Mr. Rudy, Special Assistant, Legal Division  
Mr. Furth, Associate Adviser, Division of  
International Finance

12/5/60

-2-

Mr. Nelson, Assistant Director, Division of  
Examinations  
Mr. Smith, Assistant Director, Division of  
Examinations  
Mr. Sprecher, Assistant Director, Division of  
Personnel Administration  
Mr. Leavitt, Supervisory Review Examiner, Division  
of Examinations

Discount rates. The establishment without change by the Federal Reserve Banks of New York and San Francisco on December 1, 1960, of the rates on discounts and advances in their existing schedules was approved unanimously, with the understanding that appropriate advice would be sent to those Banks.

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

	<u>Item No.</u>
Letter to The County Trust Company, White Plains, New York, approving the establishment of a branch in the Town of Mount Pleasant, Westchester County.	1
Letter to the Federal Reserve Bank of Atlanta regarding the eligibility of the Southern Regional Advisory Council on Nuclear Energy to maintain a savings account with a member bank.	2
Letter to Muscatine Bank and Trust Company, Muscatine, Iowa, approving the establishment of a branch on East Third Street between Cedar and Walnut Streets.	3
Letter to Pascagoula-Moss Point Bank, Moss Point, Mississippi, approving an investment in bank premises.	4

12/5/60

-3-

Item No.

5

Letter to Hellerstein and Hellerstein, Denver, Colorado, regarding the applicability of the Bank Holding Company Act of 1956 to the acquisition of voting shares of a second industrial bank by Thrift Finance Company.

Mr. Rudy then withdrew from the meeting.

Renewal of gold loans to El Salvador (Item No. 6). There had been distributed under date of December 5, 1960, copies of a memorandum from the Division of International Finance recommending that the Board approve three-month renewals of outstanding loans on gold totaling \$6 million to the Central Reserve Bank of El Salvador, for availability on the expiration of the present loans, which were to mature on December 6 and 28, 1960, and January 5 and 17, 1961. Agreement was expressed with the substance of a memorandum dated November 30, 1960, from the Federal Reserve Bank of New York, which pointed out that heavy rains had delayed coffee shipments from El Salvador and that political uncertainties in that country had created unusually heavy demands for dollar exchange. Although the political situation was still somewhat uncertain, El Salvador had an excellent payment record and was committed by its agreement with the International Monetary Fund to continue to follow conservative monetary policies. According to the memorandum from the New York Reserve Bank, it was expected that this year's coffee crop, when exported, would



12/5/60

-4-

provide sufficient exchange to repay the gold loans to the Federal Reserve System as well as advances that had been made to El Salvador by the International Monetary Fund.

Governor Mills indicated that he would favor approving the request for renewal of the outstanding gold loans. He noted, however, that according to available figures and reports, there had been a rather important deterioration in the financial position of El Salvador, going beyond the effect of bad weather on the coffee crop. This deterioration, taken in combination with the unsettled political conditions in that country, apparently had made it necessary to request renewal of the Federal Reserve gold loans, along with a rather substantial increase in the standby arrangements with the International Monetary Fund and broader recourse to the use of those standby facilities. Therefore, while political reasons argued strongly for consenting to renewal of the loans on gold, the economic background of El Salvador was not entirely reassuring at the present time. Governor Mills commented in this connection that the material presented for the Board's consideration with respect to the renewal request contained no reference to the budgetary position of El Salvador, which he guessed might be worsening.

Mr. Furth replied that the political upheaval in El Salvador was the result of economic deterioration and had resulted in some further deterioration. However, it appeared to be generally believed that the

12/5/60

-5-

new government would follow relatively satisfactory monetary and fiscal policies. It also appeared to be the feeling within the Monetary Fund and the United States Government that the new government should be given at least the same amount of help as was given to the previous government. If the political disturbances had not occurred, renewal of the loans on gold probably would not have been requested; if there was reason to believe that the loans could be repaid in another three months, the fact that some economic deterioration had occurred would not appear to constitute a reason for refusing the requested renewal. One could not be sure, of course, what the new government would do, but the best guess at present seemed to be that it would perform satisfactorily.

Unanimous approval then was given to a telegram to the Federal Reserve Bank of New York approving the requested renewal of the outstanding gold loans to the Central Reserve Bank of El Salvador totaling \$6 million. A copy of the telegram is attached as Item No. 6.

Proposed sale of gold to the Treasury (Item No. 7). There had been distributed before the meeting copies of a memorandum dated December 5, 1960, from the Division of International Finance regarding a proposed sale by the International Monetary Fund to the United States Treasury of approximately \$300 million of gold and investment of the proceeds in short-term United States Government securities. Attached to the memorandum were a copy of a telegram dated December 2, 1960, from the Federal Reserve

12/5/60

-6-

Bank of New York requesting authorization to act as fiscal agent for the International Monetary Fund in connection with the proposed arrangement, and a draft of telegram to the Bank containing such authorization.

The wire from the New York Reserve Bank explained that the proposal involved the sale of approximately \$300 million of the Fund's gold, which would be in addition to the sales of \$200 million and \$300 million in 1956 and 1959, respectively, and investment of the proceeds of the proposed sale in United States Government securities having a term to maturity not exceeding 12 months. Also involved was an agreement on the part of the Secretary of the Treasury to resell to the Fund at the price prevailing at the time of resale the same quantity of gold that was proposed to be purchased, and the application to the United States Government securities acquired, and to the proceeds of sale or redemption thereof, of the maintenance of gold value clause of the Articles of Agreement of the Fund.

In sketching the background of the matter, Mr. Furth said it was asserted that the proposal would not have been made except that, with few drawings outstanding and receipts lagging, earnings of the International Monetary Fund were insufficient to cover expenditures and also permit the accumulation of additional reserves. Within the Federal Reserve System, Mr. Furth commented, some persons were not completely happy about the proposal, the main reason being the possibility of

12/5/60

-7-

adverse world reaction if the arrangement were interpreted as meaning that the position of the United States was such that it had to borrow gold to keep its reserves from falling further. On the other hand, if the world at large felt that it was a proper function of the Fund to come to the aid of the United States in such a situation, perhaps those apprehensions were unfounded. At any rate, the arrangement had been approved, and the New York Reserve Bank was simply requesting authority to act as fiscal agent for the Monetary Fund in this connection.

Governor Mills said that he would favor granting the requested authorization, but that he had a question to raise. He gathered this would be the third time that the United States Treasury had given a commitment to the International Monetary Fund that, if and when the Fund wished to convert back into gold from United States Government securities, the Fund would be made whole. He inquired whether, in the circumstances, there appeared to be a possibility that such a commitment would create pressure on the part of some central banks to ask the United States for guarantees against their dollar balances; that is, guarantees to make them whole if there should ever be a change in the official value of the dollar.

Mr. Furth replied by referring to the maintenance of gold value clause contained in the Articles of Agreement of the Monetary Fund. If, in spite of that, he said, the current transaction should be regarded as



12/5/60

-8-

a precedent by foreign central banks, the question was whether this would be as unsatisfactory as it would have been several months ago when the United States balance of payments was in serious deficit on current account. At present, the outflow of gold appeared to be principally the result of a cyclical situation, reflecting interest rate differentials and persistent foreign uncertainty about the dollar. If foreign central banks were willing to maintain additional dollar balances so that the flow of funds would not have an effect on the gold position of the United States, there appeared to be a good chance that the gold outflow would cease. Under such conditions, the idea of an agreement among foreign central banks would not have the same connotations as at a time when the United States balance of payments was in structural deficit.

After further discussion, unanimous approval was given to a telegram to the Federal Reserve Bank of New York approving its acting as fiscal agent for the International Monetary Fund in connection with the sale of approximately \$300 million of gold by the Fund to the United States Treasury and the investment of the proceeds in United States Government securities. A copy of the telegram is attached as Item No. 7.

Messrs. Thomas and Furth then withdrew from the meeting.

Report on competitive factors (Oil City and Greenville, Pennsylvania). Under date of November 21, 1960, distribution had been made of a proposed report to the Federal Deposit Insurance Corporation

12/5/60

-9-

on the competitive factors involved in a planned acquisition of assets and assumption of liability to pay deposits made in Farmers and Merchants Trust Company, Greenville, Pennsylvania, by First Seneca Bank and Trust Company, Oil City, Pennsylvania.

Governor Balderston suggested an editorial change in the conclusion of the proposed report, which was then unanimously approved in a form containing the following conclusion:

The two banks involved in this proposal do not appear to be in competition because of their locations. It does not seem probable that the proposal would affect the competitive banking situation in Clarion County or Venango County. In the Greenville area, the conversion of this unit bank to a branch of a larger institution may tend to intensify competition.

Messrs. Hooff, Nelson, and Leavitt withdrew from the meeting at this point.

Contract with National Bureau of Economic Research. A memorandum from Mr. Noyes dated November 28, 1960, submitting for the Board's consideration a proposed contract with the National Bureau of Economic Research Incorporated, New York, New York, had been distributed. The proposed contract, which would involve the supplying of certain current data and analytical work by the Bureau during 1961 in return for payment by the Board of \$7,500, was similar but not identical to contracts with the National Bureau for the past two years. The major difference was that the proposed contract made provision for more exchange of information concerning and growing out of analytical work in progress under Bureau

12/5/60

-10-

auspices and less exchange of purely statistical information than in the past. The reduction in the amount of statistical information was due to the fact that the Division of Research and Statistics was now obtaining from the Bureau of the Census (temporarily at least without cost) similar information on a more current and complete basis than the National Bureau could make available. A letter contract dated November 10, 1960, from the National Bureau which, if signed and dated by the Secretary of the Board, would be legally binding as between the two parties, indicated that much of the work in progress at the Bureau was highly relevant to problems of monetary policy. As noted in Mr. Noyes' memorandum, the staff felt that the continuation of this association with the Bureau would be advantageous to the Board, and that it would be helpful to be advised as to the lines that the Bureau's work in progress was taking and to be provided an opportunity, where the staff felt it appropriate, to discuss with the Bureau its tentative conclusions. For these reasons, it was the recommendation of the Division of Research and Statistics that the proposed contract be approved. Tentative provision for the contract's renewal had been made in the 1961 budget of the Division of Research and Statistics.

In a discussion of the proposed contract, Governor Mills indicated that he would favor its execution. However, although there were benefits to be derived from it, he felt that the contract could equally well be

12/5/60

-11-

interpreted as a subsidy. In a sense it appeared that the Board would be subsidizing the National Bureau of Economic Research for the production of material not fundamental to the Board's general program.

Mr. Noyes agreed that the Board's program could survive without the availability of the information that would be obtained under the contract. The contract, he said, would be in the nature of a subscription, just as the Board might subscribe to a magazine produced primarily for other purposes but nevertheless of benefit.

Asked by Governor Robertson whether the Board would benefit by receiving the services offered under the contract, Mr. Noyes replied affirmatively, adding that he felt the benefits received would be equal to the cost involved.

Governor Shepardson inquired whether it was not true that the Bureau was proceeding along lines somewhat different than those reflected in the Board's statistical series, and that the Board's staff considered it important to keep abreast of what the Bureau was doing.

Mr. Young replied in the affirmative and stated that this was an important aspect of the matter. If the Bureau was engaging in those particular activities, that tended to relieve the burden on the Board's staff. Thus, it might be said that the Board was avoiding a certain amount of cost.

Thereupon, execution of the proposed contract with the National Bureau of Economic Research was approved unanimously.



12/5/60

-12-

Messrs. Young and Noyes then withdrew from the meeting.

Report of examination--Federal Reserve Bank of Cleveland. Mr. Smith commented on the examination of the Federal Reserve Bank of Cleveland made as of August 1, 1960, the report on which had completed circulation to the members of the Board. On the basis of his comments, it was agreed that there appeared to be no matters disclosed by the examination which required action on the part of the Board.

In reply to a question by Governor Balderston regarding procedures envisaged for the verification of currency placed at cash agent banks pursuant to the emergency planning program, Mr. Smith reviewed the procedures followed and contemplated to be followed by the General Auditor of the Cleveland Reserve Bank, along with the steps taken by the Board's examining staff at the time of the most recent examination of the Reserve Bank. He indicated that no decision had yet been made as to the exact procedures that would be followed in the future by the Board's examining staff, but that the matter was under active consideration.

All of the members of the staff except Messrs. Kenyon, Johnson, and Sprecher then withdrew.

Emergency planning document. Governor Robertson exhibited a volume entitled The Emergency Plan of the Board of Governors of the Federal Reserve System for an Attack Situation which had been prepared under the direction of the Board's Coordinator of Defense Planning, and said that copies were being distributed today to each member of the Board to be maintained for

12/5/60

-13-

reference purposes. In explaining the contents, Governor Robertson pointed out that the loose leaf arrangement would permit keeping the volume up to date. He added that suggestions by any member of the Board would be welcomed.

Retirement allowance for Mr. Bryan (Item No. 8). There had been circulated to the members of the Board a memorandum from the Division of Personnel Administration dated November 21, 1960, recommending approval of a contract between the Federal Reserve Bank of Atlanta and President Malcolm Bryan dated November 12, 1960, which would provide a stated minimum retirement allowance for Mr. Bryan under certain conditions. The wording of the agreement was similar in substance to the agreements already entered into, and approved by the Board, with respect to the Presidents of the Boston, New York, and Chicago Reserve Banks and Senior Vice President Hickman of the Cleveland Bank. On the basis of an assumed final salary rate of \$35,000 per annum, Mr. Bryan would be guaranteed a minimum annual allowance at age 65 of \$14,000, with approximately \$10,500 paid by the Retirement System of the Federal Reserve Banks and the balance paid by the Atlanta Reserve Bank. As Mr. Bryan would not complete 10 years of creditable service under the Retirement System until April 1, 1961, the terms of the agreement would not become effective before that date.

Following a brief discussion, the agreement was approved unanimously, with the understanding that the Secretary of the Board would affix his

12/5/60

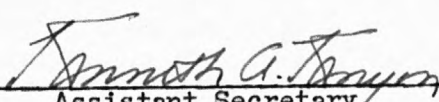
-14-

signature to the agreement on behalf of the Board and that appropriate advice would be sent to the Chairman of the Federal Reserve Bank of Atlanta. Governor Robertson's vote was on the same basis as his votes with respect to similar agreements with the Presidents of certain other Reserve Banks.

Copies of the letter sent to Chairman Mitchell and the agreement between the Reserve Bank and Mr. Bryan are attached under Item No. 8.

The meeting then adjourned.

Secretary's Note: On December 2, 1960, Governor Shepardson approved on behalf of the Board a letter to the Federal Reserve Bank of St. Louis (attached Item No. 9) approving the appointment of Harold G. Welkener, Joseph C. Welman, Jr., and Harold E. Uthoff as examiners.

  
Assistant Secretary



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

Item No. 1  
12/5/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

December 5, 1960

Board of Directors,  
The County Trust Company,  
White Plains, New York.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of New York, the Board of Governors of the Federal Reserve System approves the establishment of a branch 190 feet west of the intersection of Pleasantville Road and Franklin Avenue, Unincorporated Village of Thornwood, Town of Mount Pleasant, Westchester County, New York, by The County Trust Company, White Plains, New York, provided the branch is established within one year from the date of this letter.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.



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

Item No. 2  
12/5/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

December 5, 1960



Mr. Harold T. Patterson,  
First Vice President and General Counsel,  
Federal Reserve Bank of Atlanta,  
Atlanta 3, Georgia.

Dear Mr. Patterson:

This refers to your letter of October 19, 1960, requesting the Board's opinion as to whether the Southern Regional Advisory Council on Nuclear Energy is eligible to maintain a savings account with a member bank.

It is stated that the Council is an unincorporated association created by resolution of the Southern Governors' Conference, representing sixteen states. It is also stated that the Council is a non-profit organization whose purpose is to promote, through instruction, peacetime applications of atomic energy in the Southern Region.

The Board is of the opinion that even if the Council is considered to be a political subdivision, it seems fairly evident that the Council is performing primarily an educational function. Accordingly, it would seem to fall within the class of excepted organizations permitted by section 217.1 of Regulation Q to maintain savings accounts with member banks, because operated primarily for educational or similar purposes and not operated for profit.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.



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

Item No. 3  
12/5/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

December 5, 1960

Board of Directors,  
Muscatine Bank and  
Trust Company,  
Muscatine, Iowa.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Chicago, the Board of Governors of the Federal Reserve System approves the establishment of a branch on the south side of East Third Street between Cedar and Walnut Streets, Muscatine, Iowa, by Muscatine Bank and Trust Company, provided the branch is established within one year from the date of this letter.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.

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

Item No. 4  
12/5/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD



December 5, 1960

Board of Directors,  
Pascagoula-Moss Point Bank,  
Moss Point, Mississippi.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Atlanta, the Board of Governors of the Federal Reserve System approves, under the provisions of Section 24A of the Federal Reserve Act, an additional investment in bank premises of not to exceed \$200,000 by Pascagoula-Moss Point Bank for completing construction of a new bank building in Pascagoula.

At the time of its original approval on October 17, 1958, of an additional investment in bank premises of not to exceed \$750,000 for the construction of a new bank building, the Board, feeling that expenditure of so large a sum would result in a disproportionately heavy investment in fixed assets, granted its approval provided capital structure of the bank were increased by \$600,000 through the sale of additional common stock and with the understanding that proceeds of the sale of the present bank building would be applied to reduce the bank premises account. While the Board approves this additional investment of \$200,000, the bulk of which has already been spent, it believes that the investment in fixed assets should be reduced as rapidly as possible.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.

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

Item No. 5  
12/5/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

December 5, 1960



Mr. Louis A. Hellerstein,  
Hellerstein and Hellerstein,  
1545 First National Bank Building,  
Denver 2, Colorado.

Dear Mr. Hellerstein:

Your letter of September 8, 1960, submitted the following question:

"May a company acquire a second industrial bank organized under the laws of the State of Colorado without the necessity of approval from the Board of Governors of the Federal Reserve System?"

In response to the Board's request additional information was submitted with your letter of November 2, 1960. As you recognized, your question relates to the applicability of the Bank Holding Company Act of 1956 to the acquisition of voting shares of a second industrial bank by Thrift Finance Company, a Colorado corporation.

On the basis of the information which you have submitted, it is understood that the factual situation is substantially as follows: Thrift Finance Company owns 25 per cent or more of the shares of Thrift Industrial Bank, Denver, Colorado. Thrift Finance Company proposes to acquire 25 per cent or more of the voting shares of Craig Industrial Bank, Craig, Colorado. Among other things, both of the industrial banks lend money and have the authority to discount commercial paper, issue notes, bonds and investment certificates and buy stocks, bonds and mortgages.

It appears that both banks accept interest-bearing savings deposits payable upon presentation of a passbook or evidenced by time certificates (Thrift certificate); that, with respect to savings deposits, the practice of both of these banks is that the depositors may withdraw any and all deposits at any time; and that, with respect



Mr. Louis A. Hellerstein

-2-

to time certificates, both banks permit surrender at any time after six months from the date of issuance with no interest, however, unless the certificate is outstanding upon interest paying due dates.

It is further understood that industrial banks in Colorado are subject to the General Business Incorporation Law of that State with respect to organization, directors, stockholders, amendments, powers, and dissolution, among other things; and that Colorado law prohibits industrial banks from carrying commercial or demand bank deposits, or lending money in excess of 10 per cent of their capital and surplus to any one person or corporation, or accepting trusts other than acting as escrow agents. On the other hand, it is also understood that industrial banks in Colorado are required to register with the Bank Commissioner of that State; that they are subject to the regulation of the Commissioner who must give his permission before an industrial bank may be authorized to do business; and that the Bank Commissioner is required by law to examine each industrial bank twice a year.

Section 2(c) of the Bank Holding Company Act defines a "bank" as meaning "any national banking association or any State bank, savings bank, or trust company".

While the definition of what constitutes a bank may vary in the statutes and in opinions of the courts, there appears to be at least one element in each of them, namely, that a bank is an institution which receives and pays out deposits. Not all banks, of course, engage in every type of activity generally considered to be an ordinary banking function. On the basis of some authority, both banks would be considered as engaging in banking even though their receiving of savings deposits was the only function they exercised. As indicated above, it is understood both banks make loans, and have the power to discount commercial paper and issue notes, bonds and investment certificates. While they do not receive demand deposits subject to check, both institutions engage in activities substantially like those conducted by an ordinary "bank" or "savings bank".

It is the opinion of the Board, therefore, that Thrift Industrial Bank and Craig Industrial Bank should be regarded as banks for purposes of the Bank Holding Company Act. It follows from this conclusion that Thrift Finance Company would become a bank holding company, should it purchase 25 per cent or more of the voting shares of the Craig Industrial Bank since it already owns 25 per cent or more of the voting shares of the Thrift Industrial Bank. Therefore,

Mr. Louis A. Hellerstein

-3-

under section 3(a) of the Bank Holding Company Act of 1956, it would be unlawful, except with the prior approval of the Board of Governors, for 25 per cent or more of the voting shares of the Craig Industrial Bank to be acquired.

Should your client decide to make application for the purchase of 25 per cent or more of the voting shares of the Craig Industrial Bank, the necessary forms can be secured by writing to Mr. L. F. Mills, Vice President, Federal Reserve Bank of Kansas City, Kansas City 6, Missouri. A copy of this letter is being furnished to Mr. Mills.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

T E L E G R A M  
LEASED WIRE SERVICEItem No. 6  
12/5/60BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTON

December 5, 1960

COOMBS - NEW YORK

Your wire December 1. Board approves renewal of loan or loans on gold up to a total amount of \$6 million by your Bank to the Banco Central de Reserva de El Salvador. The renewal of \$6 million in loans will be made on the basis of four separate drawings maturing as follows:

\$2 million on December 6, 1960

\$1 million on December 28, 1960

\$1 million on January 5, 1961

\$2 million on January 17, 1961

Other terms and conditions of the loans are as follows:

- (a) To be made up to 98 per cent of the value of gold bars set aside in your vaults under pledge to you;
- (b) To mature in three months with option to repay at any time before maturity, both the loans and repayments to be in multiples of \$1 million;
- (c) To bear interest at the discount rate of your Bank in effect of the date on which such loan or loans are made.

It is understood that the usual participation will be offered to the other Federal Reserve Banks.

(Signed) Merritt Sherman

SHERMAN

T E L E G R A M  
LEASED WIRE SERVICEItem No. 7  
12/5/60BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTON

December 5, 1960

COOMBS - NEW YORK

In response to your wire of December 2, 1960, the Board approves your Bank acting as fiscal agent for the International Monetary Fund in connection with the proposed arrangement relating to the sale of approximately \$300 million of gold by the Fund to the U. S. Treasury and the investment of the proceeds in U. S. Government securities.

(Signed) Merritt Sherman

SHERMAN

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

Item No. 8  
12/5/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

December 5, 1960



Personal and Confidential (FR)

Mr. Walter M. Mitchell,  
Chairman,  
Federal Reserve Bank of Atlanta,  
Atlanta 3, Georgia.

Dear Mr. Mitchell:

This refers to Mr. Hibbert's letter of November 14, 1960, enclosing four copies of an Agreement dated November 12, 1960, entered into between the Federal Reserve Bank of Atlanta and President Bryan, providing for a minimum retirement allowance for President Bryan under certain conditions.

The Board of Governors approves the Agreement as entered into between the Bank and Mr. Bryan on November 12, 1960, and the Secretary of the Board of Governors has affixed his signature in the place indicated in the Agreement.

One executed copy of the Agreement has been retained for the Board's files, and the original and the two other copies are returned herewith.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

Enclosure.



For and in consideration of the mutual promises of each party hereto, this Agreement is entered into between MALCOLM BRYAN and the FEDERAL RESERVE BANK OF ATLANTA, Atlanta, Georgia.

Subject to all of the applicable provisions of law, MALCOLM BRYAN agrees to serve as an officer of the said FEDERAL RESERVE BANK as long as such service shall be mutually agreeable to the parties hereto.

For and on account of such service, said FEDERAL RESERVE BANK shall pay said MALCOLM BRYAN as follows:

- (1) Said FEDERAL RESERVE BANK shall pay to said MALCOLM BRYAN a salary at the rate of \$35,000 per annum during the period ending December 31, 1960, and thereafter during his service as an officer of said FEDERAL RESERVE BANK and prior to his retirement his salary shall be as determined from time to time in accordance with applicable provisions of law;
- (2) If, having attained the age of 65, said MALCOLM BRYAN shall retire with not less than 10 years of service creditable under the Retirement System of the Federal Reserve Banks, and if he is President of said FEDERAL RESERVE BANK at the time of his retirement, said FEDERAL RESERVE BANK shall pay to said MALCOLM

BRYAN after such retirement and during the remainder of his lifetime an amount per annum which, together with his regular retirement allowance under the Retirement System of the Federal Reserve Banks (without regard to optional benefits or conversion, or additional voluntary contributions), will aggregate a sum equal to 40 per cent of the annual salary being paid to him at the time of his retirement; and

- (3) If, without having attained the age of 65, said MALCOLM BRYAN shall retire with not less than 10 years of service creditable under the Retirement System of the Federal Reserve Banks, and if he is President of said FEDERAL RESERVE BANK at the time of his retirement, the aggregate sum equal to 40 per cent of salary referred to in the preceding paragraph (2) shall be reduced by the application of the then current table of pension reduction factors of the Bank Plan of the Retirement System of the Federal Reserve Banks, and the portion of the aggregate that is payable by said FEDERAL RESERVE BANK shall be the difference between the dollar amount represented by such lesser percentage of salary and the regular retirement allowance payable at the attained age by said Retirement System.

This Agreement does not obligate the said MALCOLM BRYAN to remain as an officer of the said FEDERAL RESERVE BANK, and does not

constitute an Agreement by the said FEDERAL RESERVE BANK or the Board of Governors of the Federal Reserve System that he will continue in such capacity; it does not obligate the said FEDERAL RESERVE BANK to appoint, reappoint, or continue him as an officer, nor does it obligate the Board of Governors of the Federal Reserve System to approve his appointment or re-appointment or his compensation.

Witness our hands and seals this 12th day of November, 1960.

*Malcolm Bryan*  
MALCOLM BRYAN

FEDERAL RESERVE BANK OF ATLANTA

By *Patty Mitchell*  
Chairman of Board of Directors

Attest:

*George Hibbert*  
Secretary, Board of Directors

The above Agreement has been approved by the Board of Governors of the Federal Reserve System and in witness thereof, the seal of the said Board is attached and its Secretary has affixed his signature.

(SEAL)

(Signed) Merritt Sherman  
Secretary

December 5, 1960  
(Date)

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

Item No. 9  
12/5/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

December 2, 1960



CONFIDENTIAL (FR)

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

Dear Mr. Kroner:

In accordance with the request contained in your letter of November 17, 1960, the Board approves the appointment of Harold G. Welkener, Joseph C. Welman, Jr., and Harold E. Uthoff, at present assistant examiners, as examiners for the Federal Reserve Bank of St. Louis, effective January 1, 1961.

It is understood that Mr. Welman owns  $41\frac{2}{3}$  shares of stock in Bank of Kennett, Kennett, Missouri, a nonmember insured bank of which his father is president and director. Accordingly, the Board's approval of Mr. Welman's appointment is given with the understanding that he will not participate in any examination of Bank of Kennett while a stockholder in that bank or as long as his father is an officer or director of the institution.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.