

Minutes for December 19, 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 19, 1960. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman 1/
Mr. Balderston, Vice Chairman
Mr. Szymczak
Mr. Mills
Mr. Robertson
Mr. Shepardson

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Young, Adviser to the Board
Mr. Hackley, General Counsel
Mr. Noyes, Director, Division of Research
and Statistics
Mr. Masters, Associate Director, Division
of Examinations
Mr. Koch, Adviser, Division of Research
and Statistics
Mr. Furth, Adviser, Division of International
Finance
Mr. Nelson, Assistant Director, Division of
Examinations
Mr. Bass, Assistant Controller
Mr. Landry, Assistant to the Secretary
Mr. Leavitt, Supervisory Review Examiner,
Division of Examinations

Discount rates. The establishment without change by the Federal Reserve Bank of Minneapolis on December 16, 1960, of the rates on discounts and advances in its existing schedule was approved unanimously, with the understanding that appropriate advice would be sent to that Bank.

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:

1/ Entered meeting at point indicated in minutes.

12/19/60

-2-

Item No.

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| Letter to Manufacturers Trust Company, New York, New York, approving an extension of time to establish a branch at 2084 Linden Boulevard, Brooklyn. | 1 |
| Letter to Bound Brook Trust Company, Bound Brook, New Jersey, approving an extension of time to establish a branch at the southwest corner of West Union Avenue and Vosseller Avenue. | 2 |

Report on competitive factors (Argyle--Troy, New York). There had been distributed under date of December 13, 1960, a proposed report to the Comptroller of the Currency on the competitive factors involved in the planned merger of The National Bank of Argyle, Argyle, New York, with and into The Manufacturers National Bank of Troy, Troy, New York, under the charter and title of the latter. The conclusion of the report was as follows:

The proposed merger will result in the elimination of a small country bank and the limited competition now existing between it and the Salem branch of The Manufacturers National Bank of Troy. It would appear the resulting bank would be in a position to offer expanded services to the Argyle area.

The report was approved unanimously.

Report on competitive factors (Bucyrus--Crestline, Ohio). Distribution had been made under date of December 5, 1960, of a proposed report to the Comptroller of the Currency on the competitive factors involved in the proposed consolidation of The First National Bank of Bucyrus, Bucyrus, Ohio, and The Farmers & Citizens State Bank, Crestline, Ohio. The report concluded as follows:

12/19/60

-3-

There appears to be very little competition between the two banks involved in the proposal. The consolidation would not appear to have any effect of consequence upon the competitive situation in Bucyrus. However, in Crestline the conversion of this unit bank to a branch of a larger bank with more diversified services may well tend to stimulate competition.

The report was approved unanimously.

Mr. Leavitt then withdrew from the meeting.

Loan on gold (Item No. 3). Under date of December 19, 1960, copies had been distributed of a memorandum from the Division of International Finance attaching a wire from the Federal Reserve Bank of New York dated December 15, 1960, relative to a request by the Central Reserve Bank of El Salvador for a \$5 million loan on gold additional to its outstanding \$6 million loan. The Central Reserve Bank ascribed its need for the additional loan to the lateness of shipments and delayed sales of coffee and indicated that the requested loan would be used "in case of an emergency." The memorandum stated that although total borrowing by the Central Reserve Bank during this year exceeded its normal seasonal level, it appeared to the Division of International Finance that the basic situation was still sound. Reference also was made to the recent recognition by the United States of the new Government of El Salvador and to the indication in a letter dated December 8, 1960, from the President of the Central Reserve Bank that the country's coffee exports were beginning to rise following earlier delays. It was the recommendation of the Division of International Finance, as expressed in the

12/19/60

-4-

memorandum, that Board approval be given to the request of the Central Reserve Bank of El Salvador.

Following comments by Mr. Furth, unanimous approval was given to a wire to the Federal Reserve Bank of New York approving the granting of a loan or loans on gold up to a total of \$5 million to the Central Reserve Bank of El Salvador on specified terms and conditions. A copy of the wire is attached hereto as Item No. 3.

Chairman Martin entered the room at this point, as did Mr. Fauver, Assistant to the Board, and Mr. Furth withdrew.

Assessment for Board expenses during the first half of 1961. Copies had been distributed under date of December 16, 1960, of a memorandum from Mr. Bass recommending that an assessment of .00230 of the total paid-in capital and surplus of the Federal Reserve Banks as of December 31, 1960, be levied upon the Banks to meet estimated expenses of the Board of Governors for the first half of 1961. Such a rate would produce an estimated \$2,820,050 compared with prorated budget expenses of \$3,392,986, the difference representing an estimate of cash available to the Board.

The memorandum noted that for a number of years it had been the practice to include in each semiannual assessment a sum (generally \$100,000 to \$200,000) to provide cash over and above the budget requirement, such additional cash serving to provide a contingency fund against any unforeseen substantial expenses that might arise during the six-month period before the

12/19/60

-5-

next semiannual assessment. The record for the past ten years (1951-1960) showed that except for the year 1955, when an unbudgeted general pay increase was approved, no portion of the contingency fund provisions had ever been used. In the light of this experience, no provision for a contingency fund had been made in computing the assessment for the first half of 1961. The memorandum noted that if circumstances should indicate the advisability of providing a contingency fund at the time of the mid-year assessment, an appropriate amount could then be included.

Following comments by Governor Shepardson, the recommendation of the Office of the Controller that an assessment of .00230 of the total paid-in capital and surplus of the Federal Reserve Banks as of December 31, 1960, be levied upon the Banks was approved unanimously.

Mr. Bass then withdrew from the meeting.

Retail trade statistics (Item No. 4). There had been distributed copies of a draft of letter to the Chairman of the Conference of Presidents of the Federal Reserve Banks expressing concurrence in the action taken by the Conference at its meeting on December 12, 1960, with respect to the retail trade statistics program.

Governor Balderston suggested that it would be helpful if Mr. Sherman, Chairman of the Committee of Five representing the Federal Reserve, the trade, and the other Government agencies involved, would bring the Board up to date on developments in connection with the Committee's program.

12/19/60

-6-

In response, Mr. Sherman made reference to the terms of the action of the Presidents' Conference on December 12, as summarized in the memorandum of topics submitted by the Conference preparatory to the joint meeting of the Board and the Presidents the following day. This action, he noted, in effect constituted approval of the continuation of the Committee of Five, with an indication that the Presidents were agreeable to having the System's representatives on the Committee continue to work with the trade in attempting to put into effect certain proposed curtailments in the program of department store statistics as of the end of the year and in attempting to institute some positive measures of a constructive nature looking toward improvement of the retail trade statistics. The Committee's progress report issued under date of October 28, 1960, might not appear to represent much in the way of a positive step forward, he said, unless the prospective elimination of some of the present detailed reports could be considered constructive. However, it furnished a setting for carrying on further work in line with what the Department of Commerce and the Budget Bureau, as well as the Federal Reserve, hoped would lead to improved data on retail distribution. The present program seemed to have the support of the trade as well as the Federal Reserve Banks and the other Government agencies. The action of the Presidents indicated, in effect, that they were agreeable to having the work proceed and that sympathetic consideration would be given to any request that might be made for some purchase or purchases of data from the Department of Commerce at some stage if that fitted in with the objective of enabling the Department to improve its retail trade statistics. The Department expected to submit a

12/19/60

-7-

request for appropriations in the spring of next year, Mr. Sherman said, but the funds, if granted, would not become available until the first of July. In the meantime the Department would like to do some experimental work, and it might request financial assistance from the Federal Reserve.

It was not envisaged, Mr. Sherman continued, that the work of the Federal Reserve Banks in the department store field would terminate in the near future, although there would be some reduction in the amount of work the Reserve Banks were doing. However, in three or four years the program could lead to the development of better statistics by the Department of Commerce, which might make it unnecessary for the Federal Reserve to continue in the picture, or at least might permit the Federal Reserve to proceed on a limited basis.

Governor Balderston inquired whether there appeared to be any feeling of unhappiness among the Presidents or within the trade, to which Mr. Sherman replied that he thought there was almost no feeling of unhappiness on the part of the Presidents. Mr. Hayes, who previously had indicated some concern about the slowness of the program in this field, now seemed quite satisfied with developments and expressed the view that it would be a mistake to take arbitrary action. Mr. Irons, Chairman of the Conference Committee on Research and Statistics, also seemed satisfied. As to the trade, a report of a recent meeting indicated that question had been raised as to whether the System would be willing to continue certain department store reports

12/19/60

-8-

that were not necessary from the standpoint of the System if the stores wanted them, on a reimbursable basis. On this point the Presidents had authorized the System representatives on the Committee of Five to continue any report scheduled for elimination, on a cost basis or otherwise, provided the strictly interim character of any reimbursable arrangements was made clear to the stores served. This was the only indication of unhappiness on the part of the trade thus far, Mr. Sherman said, and it had been taken into account by the action of the Presidents.

Following comments by members of the Board which indicated their satisfaction with the progress of the work of the Committee of Five, the proposed letter to the Chairman of the Presidents' Conference was approved unanimously. A copy is attached as Item No. 4.

Messrs. Young, Noyes, and Koch then withdrew from the meeting.

Extension of time for submission of comments on proposed amendment to Regulation F (Item No. 5). There had been distributed under date of December 15, 1960, a memorandum from Mr. Masters regarding a letter dated December 12, 1960, from Mr. Robert Duncan, President of the Trust Division of the American Bankers Association, who asked that the Board extend from January 13, 1961, to March 15, 1961, the time within which comments might be submitted by interested parties regarding the proposed amendment to Regulation F, Trust Powers of National Banks, with respect to the eligibility of various kinds of trusts for participation in common trust funds. In support of his request Mr. Duncan referred to the "great

12/19/60

-9-

importance to banks throughout the country" of the action proposed by the Board and to the intervention of the holiday season.

Mr. Masters commented that Mr. Duncan's request seemed reasonable. Accordingly, it was the recommendation of the Division of Examinations that the Board approve publication in the Federal Register of a notice of an extension to March 15, 1961, of the time within which comments on the proposed amendment could be submitted.

No objection being expressed to the recommendation of the Division of Examinations, the publication in the Federal Register of such a notice was approved unanimously, with the understanding that Mr. Duncan would be advised of the decision by letter. A copy of the notice subsequently sent to the Federal Register for publication is attached as Item No. 5.

All of the members of the staff except Messrs. Sherman and Fauver then withdrew.

Appointment of Deputy Chairmen. After discussion, Governor Balderston was requested to talk with Chairman Hall of the Federal Reserve Bank of Kansas City to determine whether the appointment of Mr. Homer A. Scott as Deputy Chairman of the Bank for the year 1961 would be agreeable to all concerned, with the understanding that if so the appointment would be made. (Secretary's Note: It having been ascertained that this would be agreeable, the appointment was made.)

Chairman Martin was authorized to talk with Chairman Reed and Class C Director James DeCamp Wise of the New York Reserve Bank with regard to the

12/19/60

-10-

appointment of a Deputy Chairman at that Bank for the year 1961, with the understanding that he would bring the matter back to the Board if necessary. (Secretary's Note: The Chairman subsequently discussed the situation further with the Board, and Mr. Wise was appointed Deputy Chairman.)

Messrs. Sherman and Fauver then withdrew and the Board went into executive session.

Appointment of President and First Vice President at San Francisco.

The Secretary was informed later by the Chairman that during the executive session the Board gave consideration to a letter dated December 8, 1960, in which Chairman Whitman of the Federal Reserve Bank of San Francisco advised that the Bank's directors had met that day and that they contemplated appointing Eliot J. Swan as President of the Bank, to succeed Mr. Mangels, and H. E. Hemmings as First Vice President, to succeed Mr. Swan, effective March 1, 1961. Advice of the views of the Board of Governors was requested, looking toward the taking of action at a meeting of the Board of Directors on January 5, 1961.

Chairman Martin informed the Secretary that the Board of Governors had authorized him to advise Chairman Whitman that the proposed appointments, if made by the San Francisco Board of Directors, would meet with the approval of the Board of Governors.

Appointment of President at Boston. The Secretary also was informed that during the executive session the Board considered an informal indication

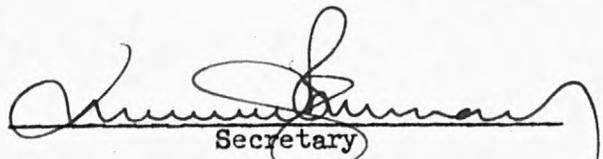
12/19/60

-11-

from Chairman Sprague of the Federal Reserve Bank of Boston that the directors of that Bank contemplated appointing George H. Ellis as President to succeed Mr. Erickson, effective March 1, 1961, that the Board agreed that if such action were taken by the directors of the Boston Bank the appointment of Mr. Ellis would be approved by the Board, and that the Board would have no objection to an early announcement by the Boston Bank of such appointment.

The meeting then adjourned.

Secretary's Note: Governor Shepardson today approved on behalf of the Board a letter to the President of the Federal Reserve Bank of San Francisco confirming oral arrangements whereby the Bank would make available to the Board for a period of approximately six months, beginning as soon as convenient in January 1961, the services of Charles R. Petersen, a member of the Bank's Research Department. The letter indicated that Mr. Petersen would continue on the payroll of the Reserve Bank and would receive salary direct from the Bank, that the Board would pay the cost of Mr. Petersen's travel to Washington and return, plus a cost of living differential to be decided upon later, and that the Board would reimburse the Bank for Mr. Petersen's transportation.


Secretary

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

Item No. 1
12/19/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 19, 1960



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

Gentlemen:

The Board of Governors extends to July 18, 1961, the time within which Manufacturers Trust Company, New York, New York, may, under the authority contained in the Board's letter of January 18, 1960, establish a branch at 2084 Linden Boulevard, Brooklyn, New York.

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
12/19/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 19, 1960

Board of Directors,
Bound Brook Trust Company,
Bound Brook, New Jersey.

Gentlemen:

The Board of Governors extends to January 31, 1961, the time within which Bound Brook Trust Company, Bound Brook, New Jersey, may, under the authority contained in the Board's letter of July 8, 1959, establish an in-town branch at the southwest corner of West Union Avenue and Vosseller Avenue.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

T E L E G R A M
LEASED WIRE SERVICEBOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON

COOMBS - NEW YORK

December 19, 1960

Your wire December 15. Board approves the granting of loan or loans on gold up to a total of \$5 million by your Bank to the Banco Central de Reserva de El Salvador on the following terms and conditions:

- (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 at your Bank in effect of the date on which such loan or loans are made;
- (d) To be requested and made at any time during the three months beginning with the date of the Banco's acceptance of our terms and conditions, a commitment fee to be charged at the rate of 1/4 per cent per annum for the time that the facility or any part thereof remains unused.

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

(Signed) Merritt Sherman

SHERMAN

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

Item No. 4
12/19/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 19, 1960

Mr. D. C. Johns, Chairman,
Conference of Presidents of the
Federal Reserve Banks,
Federal Reserve Bank of St. Louis,
St. Louis 66, Missouri.

Dear Mr. Johns:

The Board of Governors has given consideration to the action taken by the Conference of Presidents at its meeting on December 12, 1960, with respect to the retail trade statistics program and concurs in the authorizations given by the Conference to the System representatives on the Committee of Five.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.



FEDERAL RESERVE SYSTEM

Item No. 5
12/19/60

[12 CFR Part 206]

[Reg. F]

TRUST POWERS OF NATIONAL BANKS

Notice of Proposed Rule Making

Extension of Time for Receipt of Comments

In the Federal Register for December 6, 1960, (25 FR 12479) notice was given of a proposed amendment to subparagraph (3) of paragraph (a) of § 206.17 with respect to the eligibility of various kinds of trusts for participation in Common Trust Funds.

To aid in the consideration of this matter, the Board stated that it would be glad to receive from interested persons, not later than January 13, 1961, any relevant data, views or arguments. The time for submission of such data, views or arguments, in writing, has been extended to March 15, 1961.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM.

(Seal)

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.