

Minutes for January 27, 1961

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>W</u>
Gov. Szymczak	<u>[Signature]</u>
Gov. Mills	<u>[Signature]</u>
Gov. Robertson	<u>R.</u>
Gov. Balderston	<u>CCB</u>
Gov. Shepardson	<u>[Signature]</u>
Gov. King	<u>[Signature]</u>

Minutes of the Board of Governors of the Federal Reserve System on Friday, January 27, 1961. 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. Sherman, Secretary
 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. Yager, Economist, Division of Research and Statistics

Money market review. Mr. Yager reported on developments in the Government securities market and related matters, following which Mr. Thomas commented with respect to bank loans and investments, deposits, and reserves.

All of the members of the staff present except Messrs. Sherman, Kenyon, and Fauver then withdrew and Messrs. Farrell, Director, Division of Bank Operations, Johnson, Director, Division of Personnel Administration, Hexter, Assistant General Counsel, and Nelson and Smith, Assistant Directors, Division of Examinations, entered the room.

Discount rates. The establishment without change by the Federal Reserve Bank of Minneapolis on January 25, 1961, and by the Federal Reserve Banks of New York, Cleveland, Richmond, St. Louis, Kansas City, and Dallas

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on January 26, 1961, 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 members of 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 C. P. Burnett & Sons, Bankers, Eldorado, Illinois, waiving the requirement of six months' notice of withdrawal from membership in the Federal Reserve System. | 1 |
| Letter to the Federal Reserve Bank of San Francisco approving the payment of salaries to certain officers at rates fixed by the Board of Directors. | 2 |

Report on competitive factors (Syracuse-Cicero, New York).

There had been distributed to the Board a draft of report to the Comptroller of the Currency on the competitive factors involved in a proposed merger of Cicero State Bank, Cicero, New York, into The Merchants National Bank & Trust Company of Syracuse, Syracuse, New York. The report contained the following conclusion:

The proposed merger would not result in the elimination of any existing banking facilities in the areas served by the participants, and it would appear that the resulting bank would be in a better position to offer expanded services to the Cicero area. There would be no material lessening of competition in the banking communities involved.

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No objection being indicated, the report was approved unanimously for transmittal to the Comptroller.

Application to organize a national bank in Pasadena, Texas

(Item No. 3). There had been circulated to the Board a draft of letter to the Comptroller of the Currency recommending favorable consideration of an application to organize a national bank at Pasadena, Texas, provided the existing bank in the section of Pasadena where the new bank would be located obtained approval of its plan to move to a different part of the community. The Federal Reserve Bank of Dallas had suggested that an unfavorable recommendation be made on this application, or at least a recommendation that the application be held in abeyance pending decisions on whether the existing bank was going to move its office to another location and whether approval would be given to an application to establish a State bank in the same area as the proposed national bank. The application for a State bank was filed one day after the national bank application was filed.

Governor Mills, who had indicated when the file was in circulation that he was inclined toward an unfavorable recommendation, said that this appeared to be a borderline case. If he was familiar with the community he might feel differently, and he had no very strong opinion, but the application appeared to contemplate establishing a bank in a section of the city that had outlived its best days, as evidenced by the desire of the existing bank to change its location. As he read the report of

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investigation, it occurred to him that the organizers were perhaps influenced emotionally by their desire to have a convenient banking facility, and that perhaps they did not realize fully the responsibilities associated with establishing and operating a new bank. While they appeared to be respectable businessmen, they did not represent large resources, and it appeared that they intended to sell to the public a considerable portion of the stock necessary to establish the bank. In the light of current business conditions, and with the future of banks looking somewhat less promising, he had some qualms about the organization of smaller banks, particularly when they were inspired by community enthusiasm which might wane at a later date. In summary, this application seemed to him marginal. However, with another banking facility available only two miles from the site, no one would have to go any considerable distance for banking services. The organizers appeared to be moved by the thought that they might not have a bank close to the businesses that they represented, and he doubted whether that was a sufficient reason, of itself, to justify establishing a new bank.

Governor Shepardson verified from personal knowledge that the part of the community in question was deteriorating. There had been two banks in that area, the two banks had merged, and the merged bank was now seeking to move to another location. He questioned seriously the establishment of a new bank, certainly unless it was clear that a State bank would not also be organized in the area. There did not seem to be

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a place for two banks in the area, and he considered it questionable whether there was a place for even one bank. Even having in mind the prohibition on branch banking in Texas, it seemed to him that the number of new banks established in the Houston metropolitan area in the past two or three years was hard to justify. In this particular case, he did not feel the information on the proposed directors was so impressive as to argue too strongly of itself for a favorable recommendation.

Governor Robertson said he could find no reason for recommending disapproval unless the existing bank remained in its present location. The sponsors of the proposed new bank seemed to be respectable businessmen of the area, and if they had sufficient funds to sponsor the new bank he felt they should have the opportunity. As to the question of the competing application, he felt that the suggestion of the Dallas Reserve Bank that the national bank application be held in abeyance was not fair to the Comptroller of the Currency or to the applicants, particularly inasmuch as the application was filed prior to the filing of the application for a State bank.

Governors Szymczak and Balderston indicated that they would go along with an unfavorable recommendation.

Accordingly, it was agreed that an unfavorable recommendation would be made, Governor Robertson dissenting. A copy of the letter sent to the Comptroller of the Currency pursuant to this action is attached as Item No. 3.

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Report of examination of the Federal Reserve Bank of Atlanta.

There had been circulated to the members of the Board the report of examination of the Federal Reserve Bank of Atlanta made at the close of business September 23, 1960, along with related memoranda.

At the request of the Board, Mr. Smith commented on matters disclosed by the examination. On the basis of his comments, it was understood that he would make inquiry of the Atlanta Reserve Bank by telephone concerning the circumstances surrounding persistent use of the discount window of the Reserve Bank in four cases where the borrowing had continued through November and December 1960. It was agreed that in making this inquiry Mr. Smith would also obtain information on (1) whether the Atlanta Reserve Bank was continuing the operation of a "twilight" force in the Check Department, which was the subject of comment in the 1959 report of examination; (2) whether there had been any further development in connection with the loss of certain unissued savings bonds in transit from an issuing agent, as reported at the time of the 1959 examination; and (3) the circumstances surrounding a large mortgage indebtedness reported by a vault custodian at the head office. It was understood that the information obtained by Mr. Smith on these matters would be covered in a memorandum that would be submitted to the Board for its information.

Revised edition of System booklet (Item No. 4). Mr. Sherman reported that the initial supply of copies of a revised edition of The

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Federal Reserve System--Purposes and Functions was expected to be available this afternoon; that additional copies for bulk distribution were expected to be available early next month; and that the suggested distribution of copies was generally similar to the distribution schedule for earlier editions of the booklet.

Mr. Sherman indicated that a letter was proposed to be sent to the Federal Reserve Banks today regarding distribution of the revised edition, and no objection was indicated to the sending of the letter. A copy of the letter sent later in the day is attached as Item No. 4.

Messrs. Fauver, Farrell, Nelson, and Smith then withdrew.

Visit by representatives of National Association of Mutual Savings Banks. Following discussion of the information contained in a memorandum sent to Governor Shepardson under date of January 26, 1961, by Mr. Landry, Assistant to the Secretary, it was agreed that, pursuant to the request of the National Association of Mutual Savings Banks, arrangements should be made for a group of savings bank representatives to visit the Federal Reserve Building at 11:00 a.m. on March 8, 1961, for informal discussion with appropriate members of the staff. Participation by members of the Board would not be required, and would be on the basis of the interest of any individual member in attending. It was understood that, at the suggestion of the Association, no chart show would be presented.

The meeting then adjourned.

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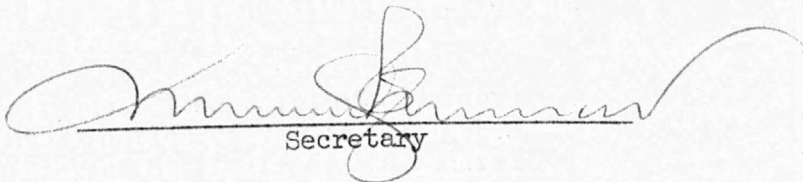
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Secretary's Note: Governor Shepardson today approved on behalf of the Board the following items:

Memorandum from the Division of Administrative Services dated January 6, 1961, recommending the reemployment following maternity leave of Barbara Kay, Operator, Key Punch, in that Division, effective January 30, 1961.

Memorandum from the Division of Personnel Administration dated January 25, 1961, recommending that that Division be authorized to make arrangements for a glaucoma survey of all employees over 40 years of age, to be conducted on a voluntary basis in the Board's building by the Society for the Prevention of Blindness when its services are available.

Letter to the Federal Reserve Bank of Cleveland (attached Item No. 5) approving the designation of R. H. Keller as special assistant examiner.


Secretary

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

Item No. 1
1/27/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 27, 1961

Board of Directors,
C. P. Burnett & Sons, Bankers,
Eldorado, Illinois.

Gentlemen:

The Federal Reserve Bank of St. Louis has forwarded to the Board of Governors your letter dated January 11, 1961, and resolution dated January 9, 1961, signifying your intention to withdraw from membership in the Federal Reserve System and requesting waiver of the six months' notice of such withdrawal.

In accordance with your request, the Board of Governors waives the requirement of six months' notice of withdrawal. Upon surrender to the Federal Reserve Bank of St. Louis of the Federal Reserve Bank stock issued to your institution, such stock will be canceled and appropriate refund will be made thereon. Under the provisions of Section 10(c) of the Board's Regulation H, your institution may accomplish termination of its membership at any time within eight months from the date the notice of intention to withdraw from membership was given.

It is requested that the certificate of membership be returned to the Federal Reserve Bank of St. Louis.

Attention is invited to the fact that if your bank is desirous of continuing deposit insurance after withdrawal from membership in the Federal Reserve System, it will be necessary that application be made to the Federal Deposit Insurance Corporation.

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
1/27/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 27, 1961

CONFIDENTIAL (FR)

Mr. F. B. Whitman,
Chairman of the Board,
Federal Reserve Bank of San Francisco,
San Francisco 20, California.

Dear Mr. Whitman:

The Board of Governors approves the payment of salaries to the following named officers of the Federal Reserve Bank of San Francisco for the period March 1 through December 31, 1961, at the rates indicated, which are the rates fixed by your Board of Directors as reported in your letter of January 10:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
P. W. Cavan	Assistant Vice President	\$12,000
E. J. Martens	Assistant Vice President	11,000
Rix Maurer, Jr.	Assistant Vice President	11,000
W. L. Cooper	Assistant General Counsel	10,000
R. G. Retallick	Assistant Cashier	9,500

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 3
1/27/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



January 27, 1961

Comptroller of the Currency,
Treasury Department,
Washington 25, D. C.

Attention Mr. G. W. Garwood,
Deputy Comptroller of the Currency.

Dear Mr. Comptroller:

Reference is made to a letter from your office dated August 29, 1960, enclosing copies of an application to organize a national bank at Pasadena, Texas, 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 Dallas indicates that the proposed capital structure of the bank would be adequate. However, the prospects for earnings are only fair and the proposed directorate and management of the bank do not appear very strong. According to the information, business establishments seem to be moving away from the older section of Pasadena in which the proposed bank would be located and inasmuch as the existing bank in the area has plans to change its location, it appears doubtful that sufficient need exists for the proposed bank. In the circumstances the Board of Governors does not feel justified in recommending favorable consideration 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,

A handwritten signature in cursive script, appearing to read "Kenneth A. Kenyon".

Kenneth A. Kenyon,
Assistant Secretary.

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

Item No. 4
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ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 27, 1961

Dear Sir:

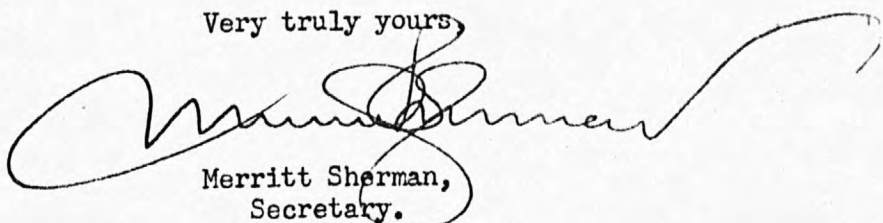
An advance copy of a revised edition of The Federal Reserve System--Purposes and Functions is enclosed, and 100 copies are being sent to your Bank under separate cover. It is expected that it will be possible to make general distribution of the book early next month. All copies will be bound in paper and available without charge upon request.

It is planned to make an initial distribution of the book to the following groups: directors of Federal Reserve Banks and branches; Federal Advisory Council; national bank, State bank, and Federal Deposit Insurance supervisory officials; Banking and Currency Committees of the House and Senate; Joint Economic Committee; foreign central banks; selected Government officials; banking association officers; selected newspapers and periodicals; head offices of all banks in the United States; and public libraries.

Aside from filling orders already received, there will be no initial distribution of the book from the Board's offices to teachers and libraries of educational institutions. Individual Federal Reserve Banks may wish to circularize educational groups on their mailing lists as to the availability of the book.

Please indicate as early as possible the number of additional copies of the book that you will wish to receive for use of the staff of your Bank and branches and for any other distribution.

Very truly yours,


Merritt Sherman,
Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS.

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

Item No. 5
1/27/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 30, 1961



Mr. G. T. Quast, Chief Examiner,
Federal Reserve Bank of Cleveland,
Cleveland 1, Ohio.

Dear Mr. Quast:

In accordance with the request contained in your letter of January 23, 1961, the Board approves the designation of R. H. Keller as a special assistant examiner for the Federal Reserve Bank of Cleveland for the purpose of participating in examinations of member banks. The authorization heretofore given your Bank to designate Mr. Keller as a special assistant examiner is hereby canceled.

The name of Howard Hendricksen has been deleted from the list of special assistant examiners.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.