

Minutes for April 14, 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

Gov. Szymczak

Gov. Mills

Gov. Robertson

Gov. Balderston

Gov. Shepardson

Gov. King

The block contains handwritten initials and signatures for each board member, written over horizontal lines. From top to bottom: 1. A large, circular scribble with 'JM' inside. 2. A signature that appears to be 'Szymczak'. 3. A signature that appears to be 'Mills'. 4. A signature that appears to be 'Robertson'. 5. A signature that appears to be 'Balderston'. 6. A signature that appears to be 'Shepardson'. 7. A signature that appears to be 'King'.

Minutes of the Board of Governors of the Federal Reserve System on
Friday, April 14, 1961. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman 1/
Mr. Balderston, Vice Chairman
Mr. Szymczak 2/
Mr. Robertson
Mr. Shepardson
Mr. King

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Thomas, Adviser to the Board
Mr. Young, Adviser to the Board and
Director, Division of International
Finance
Mr. Molony, Assistant to the Board
Mr. Fauver, Assistant to the Board
Mr. Holland, Adviser, Division of Research
and Statistics
Mr. Koch, Adviser, Division of Research and
Statistics
Mr. Knipe, Consultant to the Chairman
Mr. Eckert, Chief, Banking Section, Division
of Research and Statistics
Mr. Goldstein, Economist, Division of Research
and Statistics
Mr. Petersen, Special Assistant, Office of
the Secretary

Mr. Stone, Manager, Securities Department,
Federal Reserve Bank of New York

Money market review. Mr. Stone presented a review of developments
in the Government securities market, following which there was a discussion
based on his comments and certain charts that he distributed.

While the discussion was in process, Chairman Martin entered with
Mr. Gidney, Comptroller of the Currency, Mr. Cocke, Chairman of the

- 1/ Entered at point indicated in minutes; did not attend afternoon
session at 3:00 p.m.
2/ Did not attend afternoon session at 3:00 p.m.

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Federal Deposit Insurance Corporation, and Mr. Wolcott, director of the Corporation. Accordingly, the money market review was suspended and the members of the staff withdrew.

At the conclusion of the discussion with Messrs. Gidney, Cocke, and Wolcott, the meeting recessed and reconvened at 12:45 p.m. with all of the members of the Board except Governor Mills present, along with Messrs. Sherman, Kenyon, Hackley, General Counsel, and O'Connell, Assistant General Counsel.

Application of New York Holding Corporation (Item No. 1). On March 10, 1961, the Board ordered a hearing on April 25, 1961, regarding the application of the New York Holding Corporation to become a bank holding company by acquiring shares of Bankers Trust Company, New York City, and The County Trust Company, White Plains, New York. Subsequently, the New York State Banking Board denied a similar application filed under State statutes.

Mr. Hackley reported that shortly before noon today Counsel for Bankers Trust Company requested by telephone that in light of the action of the State authorities the hearing ordered by the Board be postponed indefinitely. The request also was made that the Board stay any further consideration of the application in order that the applicant might explore possible steps to obtain a reversal of the decision of the State Banking Board. It was understood that the oral request would be confirmed by telegram.

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Mr. Hackley stated that the Legal Division saw no objection to complying with the request of the applicant, which would involve publishing in the Federal Register a notice indicating that at the request of the applicant the hearing had been postponed until further notice and the Board's consideration of the application was being stayed pending further request by the applicant. This would also involve cancellation of the prehearing conference scheduled for Monday, April 17.

Mr. O'Connell stated that the Hearing Examiner was prepared to advise the parties at interest of the postponement of the prehearing conference. He then read the suggested language of a proposed order that would indicate the Board's compliance with the request of the applicant, as reported previously by Mr. Hackley.

Governor Robertson noted that possible action through the courts to seek a reversal of the decision of the State Banking Board might continue in process for a substantial period of time. He asked, therefore, whether any harm would be seen in holding the application to the Board of Governors in abeyance for such a period.

Mr. Hackley replied that he could not see any objection as long as the matter was being held in abeyance at the request of the applicant. In the circumstances, no violation of the provisions of the Administrative Procedure Act would appear to be involved.

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Question was raised whether a public announcement by the Board of the notice to be published in the Federal Register would seem desirable, and it was agreed that a press statement should be issued.

Accordingly, unanimous approval was given to the publication in the Federal Register of an Order in the form attached as Item No. 1, with the understanding that an appropriate press statement announcing the issuance of the Order would be released today.

Application of Dauphin Deposit Trust Company. Reference was made to the oral presentation before the Board yesterday by representatives of Dauphin Deposit Trust Company, Harrisburg, Pennsylvania, requesting reconsideration of the application of that bank for permission to merge with Camp Curtin Trust Company, also of Harrisburg. It was noted that the substantive discussion of this application by the Board was held on February 2, 1961, at which time all of the members of the Board had expressed their views. Although the action to deny the application was taken the following day, following a check with the Federal Reserve Bank of Philadelphia, and at that time Governor King was not present, he had indicated on February 2 that he would favor approval.

Question was raised whether reconsideration of the matter should be held in abeyance by the Board until all of the members of the Board were present. Question also was raised regarding a request that had been made by Counsel for Dauphin Deposit at the conclusion of yesterday's

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presentation, the substance of which was that there be made available to Counsel for Dauphin Deposit, in the event the Board did not change its action on the application, roughly the same information that would have been available to the applicant in a bank holding company case, including the record of votes. It was understood that the Legal Division was preparing for the Board's consideration a memorandum dealing with this request.

In discussion, Governor Robertson expressed the view that the Board's procedures in advising of its decisions on bank merger cases should be changed to conform generally to the procedures followed in bank holding company cases, and Governor King agreed.

However, it was understood that consideration of the request of Counsel for Dauphin Deposit and of any change in procedures relative to bank merger cases would await the availability of the memorandum being prepared by the Legal Division.

With further reference to the procedure followed by the Board in matters such as bank merger cases, Governor Robertson suggested that the Board also consider a procedure whereby reconsideration of a case would be limited to those members of the Board who had participated in the original decision, thus avoiding the possibility of a change in decision because of a change in the composition of the Board.

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Governor Balderston commented that a procedure such as suggested by Governor Robertson would appear to suggest that reconsideration of the Dauphin Deposit case be postponed until after the return of the Chairman from his forthcoming trip to Europe.

Governor Robertson replied that this would be the effect of such a procedure, except in instances where the position of an absent member of the Board would not have any effect on the decision. In other words, reconsideration of a case would be delayed under such a procedure only in those instances where the vote of an absent member of the Board would affect the result.

Governor King expressed agreement with the suggestion of Governor Robertson. He added that he would also suggest that an effort be made, insofar as practicable, to have the maximum possible number of Board members present to participate in decisions on important cases. He realized that it would not be advisable to delay Board business indefinitely as a general rule, but he felt that to the extent possible the maximum number of Board members should be present to participate in important cases or where the question was a close one. He also suggested that whenever possible a reasonable period of time be allowed for the members of the Board to review the file on such cases prior to consideration of them by the Board.

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Chairman Martin noted that over the years it had been the general practice of the Board to follow procedures such as those referred to by Governor King. He continued to feel that this was a good policy to follow in handling controversial issues, although under certain circumstances it was sometimes necessary to deviate from the general rule.

Discount rates. The establishment without change by the Federal Reserve Banks of New York, Cleveland, Richmond, Atlanta, Chicago, St. Louis, and Dallas on April 13, 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 the Federal Reserve Bank of New York approving the continuation of the payment of salaries of 12 employees for a period not to exceed six months from April 1, 1961, at rates below the minimum of the grade in which each such job is classified.	2
Letter to the Federal Reserve Bank of Minneapolis approving a revision in the salary structure applicable to employees at the head office and Helena Branch.	3

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The meeting then recessed and reconvened at 3:00 p.m. with Governors Balderston, Robertson, Shepardson, and King present, along with Messrs. Kenyon, Thomas, Fauver, Koch, Eckert, and Stone.

Money market review. There was a further discussion of developments in the Government securities market on the basis of the material that had been distributed this morning by Mr. Stone, following which Mr. Eckert reviewed banking developments.

The meeting then adjourned.

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

No. 4) Letter to the Federal Reserve Bank of Kansas City (attached Item approving the designation of 60 persons as special assistant examiners.

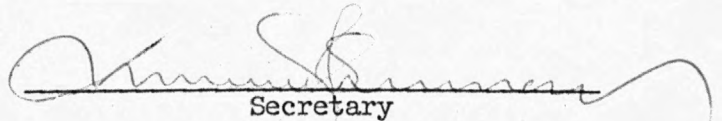
Memoranda from appropriate individuals concerned recommending the following actions relating to the Board's staff:

Salary increase

Mary E. Sanders, General Assistant, Division of Administrative Services, from \$6,710 to \$6,930 per annum, effective April 16, 1961.

Permission to work additional period before maternity leave

Kay J. Auerbach, Research Assistant, Division of International Finance, to work through May 26, 1961, before beginning maternity leave.


Secretary

Item No. 1
4/14/61BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

ORDER POSTPONING HEARING

By order dated March 10, 1961, and published in the Federal Register on March 16, 1961 (26 Federal Register 2239), the Board of Governors of the Federal Reserve System gave notice of an application made to the Board pursuant to section 3(a) of the Bank Holding Company Act of 1956 (12 U.S.C. 1842), by New York Holding Corporation, White Plains, New York, for the Board's prior approval of the acquisition by applicant of all the outstanding shares of stock (except for directors' qualifying shares) of Bankers Trust Company, New York, New York, and The County Trust Company, White Plains, New York. In connection with such application, the Board of Governors ordered the holding of a public hearing commencing April 25, 1961, at the Offices of the Federal Reserve Bank of New York, New York City.

On April 14, 1961, the applicant requested that the hearing ordered by the Board be indefinitely postponed and that action by the Board on the application filed be stayed.

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IT IS HEREBY ORDERED, That, pursuant to the request of applicant, the hearing ordered for April 25, 1961, be postponed until further notice and subject to further order, and that Board action on the said application be stayed pending further request by the applicant in this regard.

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

(SEAL)

Dated April 14, 1961

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

Item No. 2
4/14/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 14, 1961



CONFIDENTIAL (FR)

Mr. Walter H. Rozell, Jr.,
Vice President,
Federal Reserve Bank of New York,
New York 45, New York.

Dear Mr. Rozell:

In view of the circumstances described in your letter of March 31, 1961, the Board of Governors approves the continuation of the payment of salaries of 12 employees, for a period not to exceed six months from April 1, at rates below the minimum of the grade in which each such job is classified.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 3
4/14/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 14, 1961

CONFIDENTIAL (FR)

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

Dear Mr. Deming:

Reference is made to your letter of March 22, 1961, in which your Bank requests the approval of upward adjustments in the single salary structure applicable to Head Office and Helena Branch employees.

The Board approves the following minimum and maximum salaries for the respective grades, effective the beginning of the first pay period subsequent to the date of this letter:

<u>Grade</u>	<u>Minimum Salary</u>	<u>Maximum Salary</u>
1	\$ -	\$ -
2	2,400	2,920
3	2,520	3,280
4	2,760	3,720
5	3,120	4,200
6	3,540	4,760
7	4,000	5,400
8	4,500	6,060
9	5,040	6,800
10	5,600	7,560
11	6,230	8,410
12	6,920	9,340
13	7,660	10,340
14	8,470	11,430
15	9,350	12,610
16	10,290	13,870

The Board approves the payment of salaries to the employees, other than officers, within the limits specified for the grades in which the positions of the respective employees are classified. It is assumed that all employees whose salaries are below the minimum of

Mr. Deming - 2

their respective grades as a result of the structure increase will be brought within the appropriate range as soon as practicable and not later than July 1, 1961.

The Board notes that, while no specific provision for a salary structure increase was made in the 1961 budget, you anticipate total salaries paid during the year will not exceed budget provisions.

It will be appreciated if you will advise the Board's Division of Personnel Administration the exact date the revised structure becomes effective.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 4
4/14/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 17, 1961

Mr. L. F. Mills, Vice President,
Federal Reserve Bank of Kansas City,
Kansas City 6, Missouri.

Dear Mr. Mills:

In accordance with the request contained in your letter of April 12, 1961, the Board approves the designation of the following employees of your Bank as special assistant examiners for the Federal Reserve Bank of Kansas City for the purpose of participating in the examination of Commerce Trust Company, Kansas City, Missouri:

Andrews, Stanley	Lahm, Ronald	Terrell, Birney
Bryan, Dave	LaRose, Sylvester	Tindall, Keith
Cable, Willard	Liggett, Robert	Trimble, Harry B.
Cahill, Robert	Mathews, F. J.	Tuggle, Jesse E.
Carr, Gordon	McArthur, James I.	Walker, Lawrence
Chinn, G. S.	McKee, Hugh	Wangler, Arthur
Cockrell, Paul E.	Nash, Michael	Werner, Darrell
Coleman, P. E.	Neville, William	White, Donald I.
Culbertson, W. E.	Novak, Frank J.	Whitsitt, W. E.
Curtis, E. J.	Parsons, John F.	Wilson, James
Czerwinski, H. R.	Patterson, Charles	Wisneiswski, Chester
DeValpine, Perry	Pope, Joseph M.	Woolworth, Richard
Elliott, Jerry	Rhodes, Fred C.	Burns, Dorothy
Fisler, James V.	Rogers, Guy	Dawson, Patricia A.
Foley, Cecil	Searle, Joseph	Haines, Mary Helen
Fouks, William	Slover, Don	Hirsch, Catherine
Hain, W. M.	Smith, Lewis	Johnson, Aileen
Hopper, Grady	Spurlock, John B.	Lynn, Mary
Hughes, W. H.	Stanley, Billy R.	Norris, Dorothy M.
Johnson, Carl	Swanson, Estus A.	Polfer, Edna

It is noted that these designations will be terminated on May 2, 1961.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.