

Minutes for May 1, 1961

To: Members of the Board

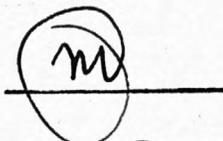
From: Office of the Secretary

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

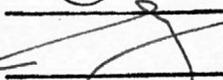
It is not proposed to include a statement with respect to any of the entries in this set of minutes in the record of policy actions required to be maintained pursuant to section 10 of the Federal Reserve Act.

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



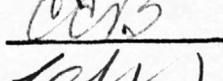
Gov. Szymczak



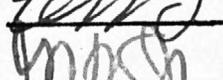
Gov. Mills



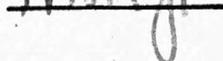
Gov. Robertson



Gov. Balderston



Gov. Shepardson



Gov. King

Minutes of the Board of Governors of the Federal Reserve System on
Monday, May 1, 1961. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Fauver, Assistant to the Board
Mr. Hackley, General Counsel
Mr. Farrell, Director, Division of Bank
Operations
Mr. Solomon, Director, Division of
Examinations
Mr. Furth, Adviser, Division of International
Finance
Mr. Goodman, Assistant Director, Division of
Examinations
Mr. Smith, Assistant Director, Division of
Examinations
Mr. Leavitt, Assistant Director, Division
of Examinations
Mr. Landry, Assistant to the Secretary
Mr. Potter, Legal Assistant

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 Chase Manhattan Bank, New York, New York, approving an extension of time to establish a branch at 351 East 148th Street and 531 Courtlandt Avenue, Bronx.	1
Letter to Wachovia Bank and Trust Company, Winston-Salem, North Carolina, approving an extension of time to establish a branch in the North Hills Shopping Center, Raleigh.	2

5/1/61

-2-

	<u>Item No.</u>
Letter to Wachovia Bank and Trust Company, Winston-Salem, North Carolina, approving an extension of time to establish a branch at 316-20 South Tryon Street, Charlotte.	3
Telegram to the Federal Reserve Bank of Cleveland interposing no objection to installation of a power plant at the Cincinnati Branch for standby and emergency civil defense conditions, as approved by the Bank's Board of Directors, and authorizing an expenditure not to exceed \$80,343 for this work.	4
Letter to The Kraft State Bank, Menomonie, Wisconsin, approving the establishment of a branch at Fifth and Main Streets.	5

Foreign branches of national banks (Item No. 6). Pursuant to the understanding at the meeting on April 28, 1961, there had been distributed as of that date a revised draft of letter to Chairman Robertson of the Senate Committee on Banking and Currency responding to his letter of March 28, 1961, regarding a draft of a proposed bill to amend section 25 of the Federal Reserve Act. The amendment would permit the Board to issue regulations authorizing foreign branches of national banks to exercise, in addition to the ordinary powers of national banks, "such further powers as may be usual" in connection with the business of banking in the places where such branches are located. The revised draft reply took the position that the changes in the present proposal from those embodied in section 44(f) of Title II of the "Financial Institutions Act of 1957", as passed

5/1/61

-3-

by the Senate in March 1957 (S. 1451), were neither necessary nor desirable. Accordingly, it was urged in the letter that any new proposal of this kind be introduced in the form in which it was proposed in 1956, and in which it passed the Senate in 1957.

After discussion the proposed letter to Senator Robertson was approved unanimously, with the understanding that minor editorial changes would be made before it was sent. A copy of the letter, as transmitted, is attached as Item No. 6.

Messrs. Furth, Goodman, Leavitt, and Potter then withdrew from the meeting.

Report of examination of the Federal Reserve Bank of Philadelphia.

The report of the examination of the Federal Reserve Bank of Philadelphia made by the Board's examining staff as of January 3, 1961, had been circulated to the Board, along with the usual accompanying memoranda.

Mr. Smith commented on matters disclosed by the examination, and on the basis of his comments it was agreed that there were no matters appearing to require action on the part of the Board.

All members of the staff except Messrs. Sherman, Kenyon, and Landry then withdrew from the meeting.

Taxation of mutual thrift institutions (Item No. 7). Governor Balderston referred to a letter addressed to Chairman Martin under date of April 28, 1961, by Assistant Secretary of the Treasury Stanley S. Surrey

5/1/61

-4-

inviting participation by a policy official of the Board in a meeting to be held Friday, May 5, 1961. As stated in the letter, the purpose of the initial meeting would be to discuss development by the Treasury of a "detailed policy with respect to taxation of mutual thrift institutions to carry out the President's tax message." Governor Balderston then inquired as to the Board's views on the desirability of Board participation.

Governor Mills commented that since the Treasury was undertaking to study a problem that was partially within the field of the Board's operations, participation by an appropriate representative of the Board would seem appropriate.

Governor Robertson said that his views on the desirability of accepting the Treasury's invitation would be influenced by the nature of the proposed study. Specifically, he thought it might be inadvisable for the Board to participate if the group was to include representatives from outside the Government or, even though it were a group consisting solely of representatives from various agencies of the Government, if it were a "working group" for the preparation of a tax program striking at mutual thrift institutions. On the other hand, Governor Robertson said, he would be agreeable to rendering the Treasury any help possible to the extent that a contribution could be made in an advisory capacity.

In further discussion the suggestion was made and concurred in that further information on the nature of the study referred to, including the

5/1/61

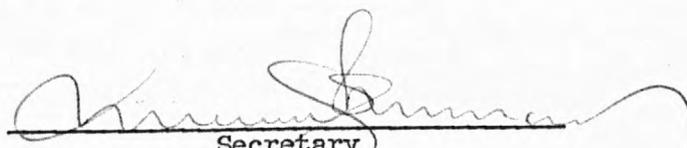
-5-

groups that would be represented, be sought from the Treasury by Governor Balderston. It was understood that on the basis of such information Governor Balderston would make such reply to Mr. Surrey as seemed appropriate regarding designation of a representative from the Board's organization.

Secretary's Note: A letter was sent to Mr. Surrey on May 3, 1961, pursuant to the foregoing understanding, informing him of the designation of Mr. Noyes, Director of the Division of Research and Statistics, as the Board's representative at the initial meeting. A copy of the letter is attached as Item No. 7.

The meeting then adjourned.

Secretary's Note: Governor Shepardson today approved on behalf of the Board letters to the Federal Reserve Banks of Boston, Cleveland, and Richmond (attached Items 8, 9, and 10) approving the appointment of Frederick D. O'Connell, George Alan Thomas, and William F. Evenson as assistant examiners for the respective Banks.


Secretary

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

Item No. 1
5/1/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 1, 1961



Board of Directors,
The Chase Manhattan Bank,
New York, 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 extends to November 21, 1961, the time within which The Chase Manhattan Bank, New York, New York, may establish a branch at 351 East 148th Street and 531 Courtlandt Avenue, Bronx, New York.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Item No. 2
5/1/61

WASHINGTON 25, D. C.

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 1, 1961



Board of Directors,
Wachovia Bank and Trust Company,
Winston-Salem, North Carolina.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Richmond, the Board of Governors extends to November 9, 1961, the time within which Wachovia Bank and Trust Company, Winston-Salem, North Carolina, may, under the authority granted in the Board's letter of November 8, 1960, establish a branch in the North Hills Shopping Center, Raleigh, North Carolina.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

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

Item No. 3
5/1/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 1, 1961



Board of Directors,
Wachovia Bank and Trust Company,
Winston-Salem, North Carolina.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Richmond, the Board of Governors extends to November 9, 1961, the time within which Wachovia Bank and Trust Company, Winston-Salem, North Carolina, may, under the authority granted in the Board's letter of November 8, 1960, establish a branch at 316-20 South Tryon Street, Charlotte, North Carolina.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

TELEGRAM
LEASED WIRE SERVICEItem No. 4
5/1/61BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON

May 1, 1961

Fulton - Cleveland

Reurlet April 17, 1961, Board will interpose no objection to installation of power plant at Cincinnati Branch for standby and emergency Civil Defense conditions, as approved by your Board of Directors, and authorizes expenditure not to exceed \$80,343 for this work, including provision for contingencies and architects and engineering fees.

(Signed) Merritt Sherman

SHERMAN

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

Item No. 5
5/1/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 1, 1961



Board of Directors,
The Kraft State Bank,
Menomonie, Wisconsin.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Minneapolis, the Board of Governors of the Federal Reserve System approves the establishment by The Kraft State Bank of a branch approximately 135 feet from the bank's main office premises at the corner of Fifth and Main Streets, Menomonie, Wisconsin, provided the branch is established within six months from the date of this letter.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 6
5/1/61

OFFICE OF THE VICE CHAIRMAN

May 1, 1961

The Honorable A. Willis Robertson, Chairman,
Committee on Banking and Currency,
United States Senate,
Washington 25, D. C.

Dear Mr. Chairman:

This is in response to your letter of March 28, 1961, requesting advice regarding a draft of a proposed bill to amend section 25 of the Federal Reserve Act to permit the Board of Governors to issue regulations authorizing foreign branches of national banks to exercise, in addition to the ordinary powers of national banks, "such further powers as may be usual" in connection with the business of banking in the places where such branches are located.

As noted in your letter, the draft amendment is similar to section 44(f) of Title II of the "Financial Institutions Act of 1957" as passed by the Senate in March 1957 (S. 1451), which section was itself substantially identical to S. 3922 introduced by you on May 24, 1956, upon the recommendation of the Board of Governors.

In the Legislative Recommendations of the Federal Supervisory Agencies to the Senate Committee on Banking and Currency, October 12, 1956 (Committee Print, 84th Cong., 2d Sess.), the Board expressed the opinion that such legislation would reduce the obstacles to effective competition by national banks abroad by permitting the powers of foreign branches to be adjusted more realistically to the conditions existing in the places where they are located, while at the same time providing suitable safeguards to assure that such foreign branches would not engage in such business as investment banking or manufacturing. (Recommendation No. 83, pp. 111-112)

The Board of Governors, in the light of present economic conditions both in this country and abroad, continues of the opinion that such legislation is desirable for "the furtherance of the foreign

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

The Honorable A. Willis Robertson -2-

commerce of the United States", the original purpose for which national banks were authorized to establish branches abroad. Through the regulatory authorization of certain limited kinds of guaranties, repurchase agreements, acceptance financing, real estate loans, and other practices usual to the banking business abroad but restricted under existing laws relating to national banks, the activities of national banks abroad may be greatly facilitated, under appropriate regulations, without jeopardizing the integrity of American banking.

The proposed amendment enclosed with your letter differs from the earlier proposal with respect to limitations on the nature of the additional powers which may be authorized by regulations. It would add an exception to the limitation on engaging in a general business in goods, wares or merchandise, and it would omit an express limitation on investment banking functions. This omission would remove one of the statutory "safeguards" considered appropriate by the Board at the time of the earlier proposal, and still so considered. For convenient reference, a copy of your 1956 bill S. 3922 is enclosed.

While it might be argued that limitations on investment banking functions could be covered by regulations, it would be preferable for such a limitation to be included in the statute itself. Since the limitation was included in the earlier proposal, its omission might be construed as evidencing the intent of Congress that such a limitation should not be imposed even by regulation.

The 1956 proposal was the result of careful consideration. The Board feels that the departures therefrom that would be made by the present proposal are neither necessary nor desirable. Accordingly, the Board would urge that any new proposal of this kind be introduced in the form in which it was proposed in 1956, and in which it passed the Senate in 1957.

Sincerely yours,

(Signed) C. Canby Balderston

C. Canby Balderston,
Vice Chairman.

Enclosure

COPY84th Congress
2d Session

S. 3922

(Introduced by Senator Robertson, May 24, 1956)

A BILL

To improve the usefulness of national bank branches in foreign countries.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the last paragraph of section 25 of the Federal Reserve Act, as amended (U.S.C., Title 12, sec. 604) is amended by adding the following sentences at the end thereof:

"Regulations issued by the Board of Governors of the Federal Reserve System under this section, in addition to regulating powers which a foreign branch may exercise under other provisions of law, may authorize such a foreign branch, subject to such conditions and requirements as such regulations may prescribe, to exercise such further powers as may be usual in connection with the transaction of the business of banking in the places where such foreign branch shall transact business. Such regulations shall not authorize a foreign branch to engage in the general business of producing, distributing, buying or selling goods, wares, or merchandise; nor, except to such limited extent as the Board may deem to be necessary with respect to securities issued by any 'foreign state' as defined in section 25(b) of this Act, shall such regulations authorize a foreign branch to engage or participate, directly or indirectly, in the business of underwriting, selling, or distributing securities."



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 7
5/1/61

OFFICE OF THE VICE CHAIRMAN

May 3, 1961.

Mr. Stanley S. Surrey,
Assistant Secretary of the Treasury
for Tax Policy,
Treasury Department,
Washington 25, D. C.

Dear Mr. Surrey:

This is in reply to your letter of April 28 to Mr. Martin regarding the development of a policy on the taxation of mutual thrift institutions.

Mr. Guy E. Noyes, Director of the Board's Division of Research and Statistics, will attend the initial meeting on Friday, May 5. On the basis of that meeting, Mr. Noyes can determine whether he, or some other member of the staff, would be most helpful in the ongoing work of the group.

Sincerely yours,

(Signed) C. C. Balderston

C. Canby Balderston,
Vice Chairman.



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

Item No. 8
5/1/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 1, 1961

CONFIDENTIAL (FR)

Mr. B. F. Groot, Vice President,
Federal Reserve Bank of Boston,
Boston 6, Massachusetts.

Dear Mr. Groot:

In accordance with the request contained in your letter of April 20, 1961, the Board approves the appointment of Frederick D. O'Connell as an assistant examiner for the Federal Reserve Bank of Boston. Please advise us of the effective date of the appointment.

It is noted that Mr. O'Connell is indebted to The First National Bank of Boston, Boston, Massachusetts, in the amount of \$940. Accordingly, the Board's approval of the appointment of Mr. O'Connell is given with the understanding that he will not participate in any examination of that bank until his indebtedness has been liquidated.

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. 9
5/1/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 1, 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 April 24, 1961, the Board approves the appointment of George Alan Thomas as an assistant examiner for the Federal Reserve Bank of Cleveland. Please advise us of the effective date of the appointment.

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. 10
5/1/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 1, 1961



Mr. John L. Nosker, Vice President,
Federal Reserve Bank of Richmond,
Richmond 13, Virginia.

Dear Mr. Nosker:

In accordance with the request contained in your letter of April 21, 1961, the Board approves the appointment of William F. Evenson as an assistant examiner for the Federal Reserve Bank of Richmond. Please advise us of the effective date of the appointment.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.