

Minutes for May 5, 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.

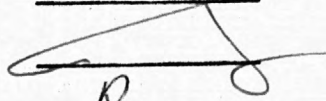
Chm. Martin



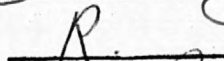
Gov. Szymczak



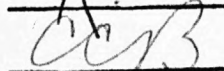
Gov. Mills



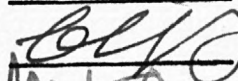
Gov. Robertson



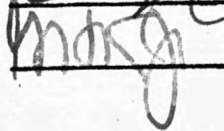
Gov. Balderston



Gov. Shepardson



Gov. King



Minutes of the Board of Governors of the Federal Reserve System on  
Friday, May 5, 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. Sherman, Secretary  
Mr. Kenyon, Assistant Secretary  
Mr. Thomas, Adviser to the Board  
Mr. Shay, Legislative Counsel  
Mr. Molony, Assistant to the Board  
Mr. Fauver, Assistant to the Board  
Mr. Holland, Adviser, Division of  
Research and Statistics  
Mr. Landry, Assistant to the Secretary  
Mr. Eckert, Chief, Banking Section, Division  
of Research and Statistics  
Mr. Yager, Economist, Division of Research  
and Statistics

Money market review. Mr. Yager reported on recent developments in the money market, including reference to weekly dealer purchases and sales of intermediate and long-term Treasury bonds, tables on which had been distributed before the meeting, under date of May 4, 1961, covering the year 1961 through the week of April 26. The tables included cumulative totals of sales for the 10 weeks ended April 26. In a discussion of the report, Governor Robertson requested that similar totals be provided for a previous time period of comparable length, and it was understood that this would be done.

Mr. Eckert then reviewed current movements of bank credit and the money supply, incorporating in his review a description of changes in

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nonbank liquidity in three business cycles, charts on which were distributed.

All members of the staff withdrew at this point with the exception of Messrs. Sherman, Kenyon, Molony, Fauver, and Landry, 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. Hexter, Assistant General Counsel  
 Mr. Sammons, Adviser, Division of International  
 Finance  
 Mr. Leavitt, Assistant Director, Division of  
 Examinations  
 Mr. Veenstra, Technical Assistant, Division of  
 Bank Operations

Discount rates. The establishment without change by the Federal Reserve Bank of San Francisco on May 3, 1961, and by the Federal Reserve Banks of New York and Philadelphia on May 4, 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 Board and copies of which are attached to these minutes under the respective item numbers indicated, were approved unanimously:

Item No.

Letter to New Jersey Bank and Trust Company,  
 Clifton, New Jersey, approving an extension  
 of time to establish a branch at 294 Main  
 Avenue.

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	<u>Item No.</u>
Letter to Cambria Bank, Incorporated, Cambria, Virginia, approving an investment in bank premises.	2
Letter to The Commercial Bank & Trust Company of Ocala, Ocala, Florida, approving an investment in bank premises.	3
Letter to Bank of Pico Rivera, Pico Rivera, California, approving an investment in bank premises.	4
Letter to the Office of Statistical Standards, Bureau of the Budget, regarding a revised report of earnings and dividends (Form F.R. 107b) to be used by all State member banks beginning with the June 1961 mid-year report.	5
Letter to the Federal Reserve Bank of Chicago noting without objection recent cost estimates for the construction of the addition to the Chicago head office building.	6

With respect to Item No. 5, Governor Mills inquired as to the extent to which the revised report form reflected the views of the Budget Bureau's Committee on Banking (a committee of the Advisory Council on Federal Reports), which had suggested a combination of two sections on the back of the present earnings and dividends report form with reference to changes in capital accounts.

Mr. Farrell replied that the new form was in line with the views of the Committee on Banking, and that the Comptroller of the Currency had already sent sample forms to national banks that incorporated this revision. However, the Federal Deposit Insurance Corporation, which does not require

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mid-year reports, had not yet agreed to use this revision at the end of the calendar year, principally because of reservations regarding the reporting burden on smaller nonmember insured banks. Due to the desirability of uniformity of all member bank earnings reports, both in items and format, it had been thought advisable to adopt the Comptroller's version for use in the mid-year State member bank reports, with the understanding that the subject would be reconsidered in the light of experience with the new section at mid-year before a final decision was made as to its use in the year-end reports. Thus, there was a possibility of non-uniformity in the appearance of the forms used by the Federal Deposit Insurance Corporation in its year-end reports, on the one hand, and the Comptroller and the Board, on the other. However, there would still be uniformity in the sense that the same data would be obtainable from both report forms.

Messrs. Leavitt and Veenstra then withdrew from the meeting.

Report on South American trip. Mr. Sammons reported on his recent trip during which he attended the Sixth Operational Meeting of the Center for Latin American Monetary Studies held in Buenos Aires, Argentina, April 3-15, 1961, and visited several of the central banks of Latin America.

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

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Salaries of officers at New York Reserve Bank (Item No. 7). Mr. Johnson referred to a memorandum from the Division of Personnel Administration dated May 5, 1961, that had been distributed prior to the meeting, regarding receipt of word by telephone from the Federal Reserve Bank of New York as to the appointment, effective today, of two new officers at that Bank at specified annual salaries. He noted that written advice concerning these appointments was being sent to the Board by the Reserve Bank. The annual salary fixed by the New York directors for Leonard M. Bennetts as Manager assigned to the Collection Department was \$12,000; the salary fixed for William M. Schultz as Manager assigned to the Personnel Department was \$12,500.

Following discussion, the payment of salaries to the two officers at the annual rates indicated for the period May 5 through December 31, 1961, was approved unanimously, with the understanding that such approval would be confirmed in an exchange of correspondence with the New York Reserve Bank.

Secretary's Note: Pursuant to the foregoing action, a letter was sent to the Federal Reserve Bank of New York on May 10, 1961. A copy is attached as Item No. 7.

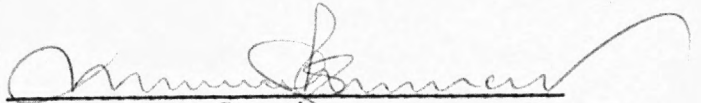
The meeting then adjourned.

Secretary's Note: Governor Shepardson today approved on behalf of the Board a memorandum from the Division of Research and Statistics

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dated May 2, 1961, recommending that Daviette H. Stansbury, Research Assistant (Data Processing) in that Division, be granted an extension of special leave without pay (3:15 to 5:15 each business day) through June 2, 1961. (Previous extension approved on October 10, 1960.)



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Secretary

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

Item No. 1  
5/5/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

May 5, 1961



Board of Directors,  
New Jersey Bank and Trust Company,  
Clifton, New Jersey.

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 December 8, 1961, the time within which New Jersey Bank and Trust Company, Clifton, New Jersey, may establish a branch at 294 Main Avenue, Clifton, New Jersey.

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  
5/5/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD



May 5, 1961

Board of Directors,  
Cambria Bank, Incorporated,  
Cambria, Virginia.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Richmond, the Board of Governors of the Federal Reserve System approves, under the provisions of Section 24A of the Federal Reserve Act, an additional investment by Cambria Bank, Incorporated, Cambria, Virginia, of \$51,400 in bank premises for the purposes of constructing a new banking house and acquiring certain additional land in connection therewith.

It is understood that proceeds from the sale of former bank premises and from a portion of one other parcel of real estate, to be acquired, are to be applied to reduction of the indebtedness against new banking premises. Further, depreciation is to be taken in accord with maximum Federal Income Tax allowables.

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  
5/5/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

May 5, 1961



Board of Directors,  
The Commercial Bank & Trust Company of Ocala,  
Ocala, Florida.

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 by The Commercial Bank & Trust Company of Ocala, of \$100,000 for the purpose of acquiring a lot for parking purposes.

In giving its approval of the additional investment in bank premises, the Board is aware of the undercapitalized position of the bank, but realizes that the bank may be unable to acquire such convenient property at some future date. The Board wishes to stress the need for strengthening the capital structure as rapidly as possible.

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. 4  
5/5/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

May 5, 1961



Board of Directors,  
Bank of Pico Rivera,  
Pico Rivera, California.

Gentlemen:

Pursuant to the request as stated in President Madson's letter of February 13, 1961, the Board of Governors of the Federal Reserve System approves, under the provisions of Section 24A of the Federal Reserve Act, an investment in bank premises by Bank of Pico Rivera of not to exceed \$190,045 for the purpose of remodeling present banking quarters and providing parking facilities. This amount includes (1) \$144,809 construction costs, including an estimated \$12,000 yet to be expended, (2) \$39,210 expenditures for parking facilities, including the cost of land, and (3) \$6,026 miscellaneous expenses and architect's fees.

Attention is called to the fact that it will be necessary for the bank to obtain prior approval of the Board of Governors for any additional expenditures so long as the aggregate investment in bank premises exceeds the bank's capital stock. The present capital structure of the bank is believed to be below the desired level, and the Board wishes to emphasize the need for early consideration of a definite program for providing additional capital funds.

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. 5  
5/5/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD



May 5, 1961

Mr. David Cohn, Clearance Officer,  
Office of Statistical Standards,  
Bureau of the Budget,  
Washington 25, D. C.

Dear Mr. Cohn:

Enclosed are two copies of Budget Bureau Form 83 submitting a revised report of earnings and dividends (Form F.R. 107b) to be used by all State member banks of the Federal Reserve System beginning with June 1961 mid-year report. It is understood that a similar revised form will be used by the Comptroller of the Currency beginning at mid-year and by the Federal Deposit Insurance Corporation beginning at the year-end (the FDIC does not require a mid-year earnings report).

The revised form has been the subject of numerous meetings with the Budget Bureau's Committee on Banking of the Advisory Council on Federal Reports in which Mr. Crowder has participated. It is felt that this revision represents a great improvement over the previous report.

The major changes are listed and described below:

- (1) A new item of expense for reporting supplementary and fringe benefits to officers and employees.

The costs of so-called fringe benefits are becoming increasingly important; heretofore they have been included in other expense items. It is expected that this new information will be useful to bank management and for analytical purposes.

- (2) A new item of bank premises occupancy expenses, and a supporting schedule.

Expense related to the occupancy of banking quarters and customer parking facilities is one of the larger costs of doing a

Mr. David Cohn

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banking business and one that was not segregated on the previous form. This new section in the earnings report will solve many of the problems of measuring this expense.

- (3) A rearrangement of the present breakdown for reporting losses, profits, recoveries, and transfers to and from valuation reserves on loans and securities.

The sections relating to recoveries and profits, losses and charge-offs, and transfers to and from valuation reserves provide for separate reporting of losses on securities sold and for losses and charge-offs prior to sale. Provisions have also been made for separate reporting of transfers to and from valuation reserves and for recoveries and losses or charge-offs on loans and securities. More precise reporting in this area has become increasingly important with the greater use of valuation reserves.

- (4) A new reconciliation schedule for reporting changes in capital accounts.

Sections B and C on the back of the present form have been combined and new items are provided for showing changes incident to mergers and consolidations. These revisions will be useful in identifying changes in bank capital and should simplify their reconciliation.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

Enclosures

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

Item No. 6  
5/5/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD



May 5, 1961.

Mr. Carl E. Allen, President,  
Federal Reserve Bank of Chicago,  
Chicago 90, Illinois.

Dear Mr. Allen:

This refers to your letter of April 20, 1961,  
concerning recent cost estimates for the construction of  
the addition to the Chicago Head Office building.

The Board appreciates being kept currently in-  
formed and notes without objection that the best estimates  
at this time indicate costs may exceed the authorized amount  
of \$16,677,340 by approximately \$203,000, or by about  
\$264,000 if the Bank should be required to pay the full  
amount of a proposed charge for interconnecting piping.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

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

Item No. 7  
5/5/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

May 10, 1961

CONFIDENTIAL (FR)

Mr. William F. Treiber,  
First Vice President,  
Federal Reserve Bank of New York,  
New York 45, New York.

Dear Mr. Treiber:

The Board of Governors approves the payment of salaries to the following named officers of the Federal Reserve Bank of New York for the period May 5, 1961, through December 31, 1961, at the rates indicated, which are the rates fixed by your Board of Directors as reported in your letter of May 8:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
Leonard I. Bennetts	Manager	\$12,000
William M. Schultz	Manager	12,500

The Board has noted the advice regarding the resignation of William F. Palmer, Manager, and the changes in assignments of Messrs. Small and Rushmore, referred to in your letter.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.