

Minutes for June 2, 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

M

~~Gov. Szymczak~~

Gov. Mills

[Signature]

Gov. Robertson

[Signature]

Gov. Balderston

[Signature]

Gov. Shepardson

[Signature]

Gov. King

[Signature]

Minutes of the Board of Governors of the Federal Reserve System  
on Friday, June 2, 1961. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary  
Mr. Kenyon, Assistant Secretary  
Mr. Thomas, Adviser to the Board  
Mr. Noyes, Director, Division of Research and  
Statistics  
Mr. Holland, Adviser, Division of Research and  
Statistics  
Mr. Koch, 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, Government Finance Section,  
Division of Research and Statistics

Money market review. Mr. Yager commented on recent developments in the money market, after which Mr. Eckert presented a report on bank credit, the money supply, and related matters. In this connection Mr. Eckert distributed, and commented upon, charts showing trends in commercial bank loans and investments in periods prior to and after the troughs of recession in 1954, 1958, and 1961.

Following these reports all members of the staff with the exception of Messrs. Sherman, Kenyon, and Landry withdrew and the following entered the room:

Mr. Hackley, General Counsel  
Mr. Solomon, Director, Division of Examinations  
Mr. Hooff, Assistant General Counsel  
Mr. Leavitt, Assistant Director, Division of  
Examinations

6/2/61

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Discount rates. The establishment without change by the Federal Reserve Banks of New York, Philadelphia, and Minneapolis on June 1, 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.

Report on competitive factors (Jenkintown and Philadelphia, Pennsylvania). Copies of a memorandum from the Division of Examinations dated May 31, 1961, had been distributed transmitting a draft of report to the Federal Deposit Insurance Corporation on the competitive factors involved in the proposed merger of Industrial Trust Company, Philadelphia, Pennsylvania, into Jenkintown Bank and Trust Company, Jenkintown, Pennsylvania, under the charter of the latter and with the title of Industrial Valley Bank and Trust Company, Jenkintown, Pennsylvania.

In commenting on the proposed report, Mr. Leavitt noted that a revised conclusion had been prepared by the staff to take into account a suggestion made by Governor Shepardson. Mr. Leavitt then read the amended conclusion. It being indicated that the proposed change was satisfactory to the Board, the report was approved unanimously in a form containing the following conclusion:

While the proposed merger of Industrial Trust Company, Philadelphia, with and into Jenkintown Bank and Trust Company, Jenkintown, under the title Industrial Valley Bank and Trust Company, Jenkintown, would eliminate competition between the two merging institutions, such competition is believed to be minimal. It is felt that the proposal would have little adverse effect on competition and might well stimulate competition as the resultant bank would be in a better position to compete with the larger Philadelphia banks which are presently operating in the service areas of both merging institutions.

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Request of New York State Superintendent of Banks to meet with Board. In a letter dated March 27, 1961, the Board disapproved the proposed merger of First National Bank and Trust Company of Ithaca, Ithaca, New York, into Marine Midland Trust Company of Southern New York, Elmira, New York. The parties involved jointly requested a reconsideration of the proposal and an opportunity to make an oral presentation before the Board in a letter dated April 17, 1961, transmitted through the Federal Reserve Bank of New York. The request for oral presentation was granted at the meeting on May 23, 1961, and arrangements had been made for the Board to hear the presentation on June 27, 1961.

Mr. Solomon recalled that at the Board meeting on May 4, 1961, mention was made of the fact that the Federal Reserve Bank of New York had received an informal indication that Mr. G. Russell Clark, New York State Superintendent of Banks, would like to meet with the Board to discuss not only the Marine Midland case but also the total banking picture in New York State. The suggestion was made at that time that a letter to Mr. Clark be drafted by the staff for subsequent consideration by the Board informing him of the Board's willingness to meet with him. However, the staff had experienced some difficulty in attempting to compose a letter to Mr. Clark in response to an informal request that had not been made directly to the Board. Therefore, it was the suggestion of the staff that perhaps the Board would consider it more appropriate to discuss the matter with Mr. Clark on an informal basis.



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Governor Mills noted that there was to be a meeting in Washington, D. C., over the weekend at which Mr. Clark would probably be present, and that this might afford an opportunity to mention the matter to him.

After discussion, it was understood that Governor Mills' suggestion would be followed. 1/

All of the members of the staff except Mr. Sherman then withdrew from the meeting.

Acceptance of resignation. Chairman Martin noted that there had been received from the White House a copy of a letter from President Kennedy to Governor Szymczak dated May 27, 1961, accepting the latter's resignation as a member of the Board of Governors effective June 1, 1961. It was understood that the copy of the letter from the President would be placed in the Board's files.

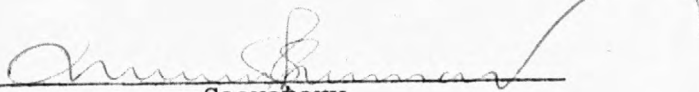
The meeting then adjourned.

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

Letters to the Federal Reserve Bank of Boston (attached Items 1 and 2) approving the appointment of John P. Flaherty and Richard E. Randall as examiners.

Telegram to the Federal Reserve Bank of Richmond (attached Item No. 3) approving the designation of Truett E. Allen as special assistant examiner.

Letter to the Federal Reserve Bank of San Francisco (attached Item No. 4) approving the appointment of Myron J. Harmon as examiner.

  
Secretary

1/ It was learned subsequently that Mr. Clark had resigned his position as Superintendent of Banks.

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

Item No. 1  
6/2/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

June 5, 1961



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 May 19, 1961, the Board approves the appointment of John P. Flaherty, at present an assistant examiner, as an examiner for the Federal Reserve Bank of Boston. Please advise us of the salary rate and 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. 2  
6/2/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

June 5, 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 May 19, 1961, the Board approves the appointment of Richard E. Randall, at present an assistant examiner, as an examiner for the Federal Reserve Bank of Boston. Please advise us of the salary rate and the effective date of the appointment.

It is noted that Mr. Randall's father is vice president and comptroller of The First National Bank of Boston, Boston, Massachusetts. Accordingly, the Board's approval of the appointment of Mr. Randall is given with the understanding that he will not participate in any examination of The First National Bank of Boston as long as his father is an officer of that bank.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,  
Assistant Secretary.

**TELEGRAM**  
LEASED WIRE SERVICEItem No. 3  
6/2/61**BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM**  
WASHINGTON

June 5, 1961

**NOSKER - RICHMOND**

Reurtel June 2, 1961, Board approves designation of Truett E. Allen  
as special assistant examiner for Federal Reserve Bank of Richmond.

(Signed) Elizabeth L. Carmichael

**CARMICHAEL**



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

Item No. 4  
6/2/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

June 5, 1961



CONFIDENTIAL (FR)

Mr. Eliot J. Swan, President,  
Federal Reserve Bank of San Francisco,  
San Francisco 20, California.

Dear Mr. Swan:

In accordance with the request contained in your letter of May 25, 1961, the Board approves the appointment of Myron J. Harmon, at present an assistant examiner, as an examiner for the Federal Reserve Bank of San Francisco, effective July 1, 1961. Please advise us of the salary rate.

It is noted that Mr. Harmon is indebted to The Hibernia Bank, San Francisco, California, a nonmember bank, in the approximate amount of \$14,843 for the purchase of a home. Accordingly, the Board's approval of Mr. Harmon's appointment 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.