

Minutes of the Board of Governors of the Federal Reserve System
on Friday, June 9, 1961. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Thomas, Adviser to the Board
Mr. Molony, Assistant to the Board
Mr. Fauver, Assistant 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. Yager, Economist, Government Finance
Section, Division of Research and Statistics

Money market review. Mr. Yager reported on recent developments in the money market, following which Mr. Thomas commented on bank credit conditions. Reference was made in Mr. Yager's report to a chart showing comparative yield curves on U. S. Government securities as of May 15 and June 6, 1961.

Messrs. Holland, Koch, and Yager then withdrew from the meeting and the following entered the room:

Mr. Hackley, General Counsel
Mr. Farrell, Director, Division of Bank
Operations
Mr. Solomon, Director, Division of Examinations
Mr. Chase, Assistant General Counsel
Mr. Hooff, Assistant General Counsel

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Mr. Kiley, Assistant Director, Division of
Bank Operations
Mr. Benner, Assistant Director, Division of
Examinations
Mr. Leavitt, Assistant Director, Division of
Examinations

Discount rates. The establishment without change by the Federal Reserve Banks of New York, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, Kansas City, and Dallas on June 8, 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 or distributed to the Board. The following items, which had been circulated or distributed 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 Houston National Bank, Houston, Texas, approving its application for fiduciary powers.	1
Letter to Bank of Encino, Los Angeles, California, approving an extension of time to establish a branch in Canoga Park.	2
Letter to the Federal Deposit Insurance Corporation regarding the application of Citizens State Bank, Tupelo, Mississippi, for continuation of deposit insurance after withdrawal from membership in the Federal Reserve System.	3
Letter to the Comptroller of the Currency recommending favorably with respect to an application to organize a national bank at Moab, Utah.	4

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	<u>Item No.</u>
Letter to the Presidents of all Federal Reserve Banks regarding direct verification.	5
Letter to the Federal Reserve Bank of San Francisco regarding checks drawn on facilities at Kwajalein Island and certain other points.	6
Letter to the Federal Reserve Bank of Chicago regarding a "variable savings account plan" to be offered by Exchange National Bank of Chicago, Chicago, Illinois. (Prepared in the light of staff discussion with the Office of the Comptroller of the Currency, as suggested at the Board meeting on May 18, 1961.)	7

Report on competitive factors (Wapakoneta and Cridersville, Ohio).

Copies had been distributed under date of June 2, 1961, of a draft of report to the Comptroller of the Currency on the competitive factors involved in the proposed consolidation of The First National Bank of Wapakoneta, Wapakoneta, Ohio, and The Home Bank, Cridersville, Ohio. The report, which contained the following conclusion, was approved unanimously:

The consolidation of The First National Bank of Wapakoneta, Wapakoneta, Ohio, and The Home Bank, Cridersville, would not eliminate a significant amount of competition. The Home Bank, as a branch of The First National Bank of Wapakoneta, would be able to compete more effectively with the banks in Lima, Ohio.

Messrs. Thomas, Chase, Hooff, and Leavitt then withdrew from the meeting and Mr. Johnson, Director, Division of Personnel Administration, entered the room.

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1960 budget experience of the Federal Reserve Banks. Under date of April 24, 1961, there had been distributed to the Board an analysis by the Division of Bank Operations of the budget experience of the Federal Reserve Banks and branches for 1960, prepared on the basis of reports received from the individual Banks. The principal purpose of the analytical report, which was furnished under a procedure established in 1953, was to draw attention to and explain significant differences between the budget provisions and actual expenses in the various object and functional categories. The report noted that the combined expenses of the Reserve Banks in 1960 deviated from the aggregate budget by the smallest margin in recent years; gross expenses were \$248,000 (.1 per cent) under the amount budgeted.

After making summary comments on the subject, Mr. Kiley mentioned that last year, for the first time, the Board had sent copies of the budget experience report (for 1959) to the Reserve Banks and that apparently the Banks had found the report helpful. Mr. Kiley inquired whether the Board wished to have copies of the 1960 report likewise sent to the Banks, and after discussion, it was agreed that this would be done.

Budget Committee of the Board (Item No. 8). Question was raised as to the designation of the Board's Budget Committee, which had been selected annually by the Board, beginning in 1958, to meet with the individual Reserve Bank Presidents during the latter part of the summer for the purpose of reviewing informally problems relating to the prospective Reserve Bank

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budgets for the ensuing year and, after submission of the budgets and their analysis by the Board's staff, making recommendations to the Board.

Following discussion, it was understood that Governor Balderston would serve again this year as Chairman of the Budget Committee and that the other members of the Committee would be designated following a study of the vacation schedules of the Board members and other pertinent considerations.

Mr. Farrell noted that the letter to the Federal Reserve Banks transmitting the 1960 budget experience report might refer also to continuation of the practice of holding informal discussions with the Board's Budget Committee.

No objection being indicated, it was understood that the letter would include reference to those discussions. A copy of the letter sent pursuant to this understanding is attached as Item No. 8.

Information on compensation in report of examination of member State banks (Item No. 9). Copies had been distributed to the Board on June 8, 1961, of a draft of letter to all Reserve Bank Presidents requesting that examiners obtain full information on all forms of compensation paid to directors, officers, and employees of member State banks in the preparation of page A of the confidential section of the report of examination of such banks. The letter would also request that all such financial arrangements, whether currently operative or not effective until some future date, be fully disclosed by the Reserve Banks in connection with holding company

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and merger applications. In the case of such applications, the banks and holding companies concerned should be asked by the Reserve Banks to provide full details about any compensatory arrangements, along with advice as to whether and how such information had been given to the shareholders of the corporations involved.

In commenting on the draft letter, Mr. Solomon remarked that it was based on discussion at the meeting on March 30, 1961, which suggested the desirability that the Reserve Banks obtain full information of this kind, particularly for use in bank merger and bank holding company cases. In reply to a question, Mr. Solomon said that the staff had not yet completed the study that the Board had requested at its meeting on February 23, 1961, relating in part to whether bank holding companies should be put on notice that applications to the Board should afford evidence of full disclosure to their shareholders and to shareholders of banks proposed to be acquired concerning any financial arrangements with officers or directors of such banks. Until that study was completed, he said, it did not seem advisable to state that information of the type referred to would be required in the preparation by bank holding companies of applications to the Board under the Bank Holding Company Act. However, the effect of the proposed letter would be along somewhat the same lines.

The letter to the Reserve Banks was then approved unanimously. A copy is attached as Item No. 9.

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At this point all of the members of the staff except Messrs. Sherman and Solomon withdrew.

Employment of Price Waterhouse & Co. Governor Balderston referred to the procedure followed by the Board in recent years of selecting outside firms to audit the Board's books. He noted that the firm of Price Waterhouse & Co. had made such audits for the four years 1957-1960, inclusive, and that Arthur Andersen & Co. had made the audits for the four years 1953 through 1956 inclusive, after having made experimental audits in the year 1952. Governor Balderston went on to say that an informal inquiry had been made as to whether, when the Board selected another firm under its rotation policy, consideration might appropriately be given to a particular firm. His own view was that perhaps there was reason for continuing the present auditors, Price Waterhouse & Co., for another year in view of the fact that that firm, in addition to auditing the Board's books, had been employed to study procedures followed by the Board's Division of Examinations in examining the Federal Reserve Banks and that the implementation of their recommendations was now in midstream.

Chairman Martin stated that if there were advantages from the standpoint of staff convenience or continuity of discussions relating to the study of examination procedures, that would seem to be adequate justification for continuing the arrangement with Price Waterhouse & Co. for another year. He did not think the matter of major importance from any standpoint but commented that the Board had not intended to be, and should not be, inflexible in its rotation procedure.

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Governor Robertson presented the view that there had been an indication to the Senate and House Banking and Currency Committees that the Board would rotate the outside appointments from time to time, perhaps at three or four-year intervals. He thought it might be unfortunate to continue beyond the maximum indicated to those Committees unless a strong reason for doing so existed. In his view, the reason suggested, namely the fact that Price Waterhouse & Co. was making a study of examination procedures, did not appear to be a strong reason for continuing with the same firm for another year.

Governor Shepardson commented that from the standpoint of costs a new firm of auditors would have a greater amount of work to do in the first year in which it became familiar with the Board's records and practices. Accordingly, the cost of an audit would be higher in an initial year than subsequently. Thus, if there were a reason for continuing with one firm for as long as five years, there would be some justification from the standpoint of economy.

Governor Robertson commented on this point to the effect that the greatest benefit from an audit came from the new ideas and comments that a firm was likely to suggest in the first year of its assignment. Thus, while the dollar cost might be higher, the value received would be at least proportionately greater in his opinion.

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In response to a question from Chairman Martin, Mr. Solomon commented on the work that Price Waterhouse & Co. had been doing in reviewing examination procedures. His conclusion was that there was substantial reason for not changing the consulting firm on this particular assignment at the present stage.

The Secretary commented that two separate assignments were under discussion, one the audit of the Board's books, the other the consulting services in connection with the examination procedures. He recalled that in 1960, when Price Waterhouse & Co. was employed for another year to review the examination procedures, the Board comment was made that the firm engaged for that assignment need not necessarily be the same as that engaged to audit the Board's books.

Mr. Solomon stated that there was no need whatsoever for one firm to perform the two assignments and that in fact considerable argument might be made for having different firms. His remarks as to the desirability of continuing Price Waterhouse & Co. on the examination study were directed only to that assignment.

In response to a question from Chairman Martin, Governor Robertson stated that he did not feel strongly about the question, although he did not agree with the view expressed by Mr. Solomon that maximum benefit from the study of examination procedures would require continuing the same firm for another year.

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Governor Shepardson stated that if any advantage existed in continuing with the same firm on the study of examination procedures, he would favor renewing the contract with Price Waterhouse for another year to audit the Board's books because of the saving in cost that could be anticipated.

Chairman Martin then suggested that the Board authorize renewal of the arrangements with Price Waterhouse & Co. for (1) auditing the Board's books for calendar year 1961, and (2) continuing the study of examination procedures for another year, this action to be taken on the grounds that it was preferable not to interrupt at this stage the work being done by Price Waterhouse & Co. in studying examination procedures. However, the Board definitely would plan to engage a different firm of public accountants for the purpose of auditing the books of the Board of Governors for calendar year 1962, in accordance with the rotation procedure contemplated at the time employment of outside auditors was decided upon.

There was agreement with this suggestion.

Employment of hearing examiner. Governor Shepardson stated that since the meeting of the Board on May 18, 1961, discussions relating to the possible retention of a full-time hearing examiner had resulted in developments not foreseen at that time. Following a conference with Mr. Charles W. Schneider to determine whether he would be interested in such employment, the National Labor Relations Board had suggested that if the

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Board would defer the question for a period of six months or a year, the Labor Relations Board would undertake to guarantee to make available promptly to the Board of Governors either Mr. Schneider or Mr. Arthur Leff to serve as hearing examiner in any case in which the Board ordered a hearing. Earlier, the backlog of that agency's work had been such that it was reluctant to make available the services of hearing examiners in response to requests of the Board. However, that backlog had now diminished sufficiently to enable the agency to assure the Board that it would be able to provide hearing examiners during the next year on the basis indicated. Since the National Labor Relations Board was anxious to retain the services of Mr. Schneider, it hoped that with such assurance the Board would feel that its needs could be met without either requiring a final decision on Mr. Schneider's part at this time or employment of some other full-time hearing examiner.

Governor Shepardson stated that such an arrangement would not be objectionable to the Civil Service Commission, according to informal discussions, and that it would also seem to meet the objections that some members of the Board had expressed to employment of a full-time hearing examiner at the present time. It seemed to him that this would be a desirable solution to the question, especially since Mr. Schneider had been somewhat reluctant to sever his connection with the National Labor Relations Board at this time. Therefore, he (Governor Shepardson) would recommend that the question be so resolved. However, he would suggest

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that an effort be made to obtain some formal statement in writing from the National Labor Relations Board that would reflect the assurances that had been given informally as to the provision of hearing examiners to meet the Board's needs during the next six months to a year.

Chairman Martin stated that the arrangement would be satisfactory as far as he was concerned, provided it was understood that the Board was in no way committed to employment of Mr. Schneider at a later date if it decided to proceed with the employment of a full-time hearing examiner.

Governor Shepardson responded that this was fully understood. The Board would not be committed to employment of Mr. Schneider. The thought would simply be that if the Board subsequently decided to proceed with the employment of a full-time hearing examiner, Mr. Schneider would not be foreclosed from consideration at that time.

Governor Robertson stated that he felt this would be an excellent solution to what he had considered to be a difficult problem. He felt that a year hence the Board might be in better position to judge whether there was need for a full-time hearing examiner on its own staff. Therefore, he would welcome the arrangement.

There being unanimous agreement with the arrangement described by Governor Shepardson, it was understood that appropriate steps would be taken in an endeavor to obtain from the National Labor Relations Board a

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letter regarding its willingness to provide hearing examiners for the use of the Board, as needed, during the forthcoming year.

The meeting then adjourned.

Secretary's Notes: On June 8 and 9, 1961, Governor Shepardson approved on behalf of the Board the following items:

June 8:

Letter to the Federal Reserve Bank of Atlanta (attached Item No. 10) approving the designation of seven persons as special assistant examiners.

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

Appointment

Carol Ann Mullaney as Statistical Clerk-Typist, Division of Research and Statistics, with basic annual salary at the rate of \$3,970, effective the date of entrance upon duty.

Permission for outside activity

John D. Smith, Technical Assistant, Division of Bank Operations, to work part time as a real estate salesman for C B S Realty, Inc., Bethesda, Maryland.

June 9:

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

Salary increases

Ruth W. Eschmeyer, from \$4,565 to \$4,675 per annum, with a change in title from Records Clerk to Senior Records Clerk, Office of the Secretary, effective June 11, 1961.

Francis R. Pawley, Economist, Division of Research and Statistics, from \$12,195 to \$12,470 per annum, effective June 11, 1961.

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Salary increases (continued)

Helmut Wendel, Economist, Division of Research and Statistics, from \$9,735 to \$10,635 per annum, effective June 11, 1961.

Permission for outside activity

Peter C. Fulghum, Clerk, Division of Administrative Services, to work as a night watchman for the Clarence G. Gosnell Contractors three or four evenings a week.



Secretary

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

Item No. 1
6/9/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 9, 1961



Board of Directors,
Houston National Bank,
Houston, Texas.

Gentlemen:

The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers and grants Houston National Bank authority to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies, or other corporations which come into competition with national banks are permitted to act under the laws of the State of Texas. The exercise of such rights shall be subject to the provisions of Section 11(k) of the Federal Reserve Act and Regulation F of the Board of Governors of the Federal Reserve System.

A formal certificate indicating the fiduciary powers that your bank is now authorized to exercise will be forwarded in due course.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

1947

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

Item No. 2
6/9/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 9, 1961



Board of Directors,
Bank of Encino,
Los Angeles, California.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of San Francisco, the Board of Governors of the Federal Reserve System extends until December 15, 1961, the time within which Bank of Encino may establish a branch in the vicinity of the intersection of Roscoe Boulevard and De Soto Avenue, Los Angeles (Canoga Park), California, under the authorization contained in the Board's letter of June 15, 1960.

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
6/9/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 9, 1961



The Honorable Erle Cocke, Chairman,
Federal Deposit Insurance Corporation,
Washington 25, -D. C.

Dear Mr. Cocke:

Reference is made to your letter of May 22, 1961, concerning the application of Citizens State Bank, Tupelo, Mississippi, for continuance of deposit insurance after withdrawal from membership in the Federal Reserve System.

No corrective programs which the Board of Governors believes should be incorporated as conditions to the continuance of deposit insurance have been urged upon or agreed to by the bank.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

1949

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

Item No. 4
6/9/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



June 9, 1961

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

Attention: Mr. C. C. Fleming,
Deputy Comptroller of the Currency.

Dear Mr. Comptroller:

Reference is made to a letter from your office dated March 17, 1961, enclosing copies of an application to organize a national bank at Moab, Utah, and requesting a recommendation as to whether or not the application should be approved.

A report of investigation of the application made by an examiner for the Federal Reserve Bank of San Francisco indicates that capital structure is adequate, future earnings prospects are favorable, and that the general character of management is satisfactory. There appears to be a need for an additional banking outlet in the community. Accordingly, the Board of Governors recommends approval of this application.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

1950

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

S-1797

Item No. 5
6/9/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 9, 1961.



Dear Sir:

The Country Bank Operations and Insurance and Protective Committees of the American Bankers Association have prepared the enclosed study on "Direct Verification for Smaller Banks" as a supplement to the pamphlet entitled "How To Set Up An Audit Program In The Smaller Bank," published in 1953. The Board has been advised that a complimentary copy of the new booklet is being sent to each member of the ABA.

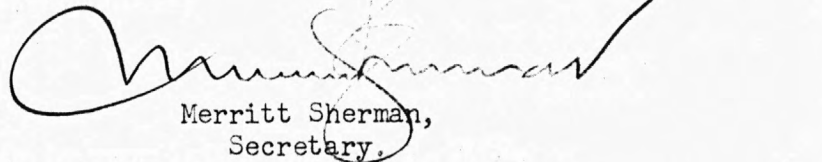
The officer in charge of examinations at each Reserve Bank was furnished a copy of this booklet in draft form and requested to submit comments and suggestions; these were coordinated by the Board's Division of Examinations and forwarded to the ABA. A supply of the new booklet for distribution to your examiners and assistant examiners is being mailed to the officer in charge of examinations at your Bank.

On page iv of the enclosed booklet, the Bank Supervisory Authorities have commended the Committees for their effort and have urged bank officers and directors to consider the desirability of adopting direct verification as a regular procedure in their banks.

As indicated in the Board's letter S-1785 of March 15, 1961, regarding excess employee dishonesty blanket bonds, it is felt that efforts should be intensified to assure that State member banks have adequate audits and internal controls. Accordingly, it is requested that, in the course of the next examination of each State member bank, the examiner ascertain whether the bank has a program of direct verification and, if such a procedure is employed, to summarize briefly the nature and extent of the program on page E of the Confidential Section of the examination report under the caption "Direct Verification Program." If no program is in effect in medium-size and smaller banks, it is suggested that the examiner discuss with senior bank management--and with directors where appropriate to do so--the desirability of adopting direct verification as a regular

auditing procedure in their bank. While the details of direct verification procedures more appropriately should be discussed with the Auditor of banks under examination and reported in the Confidential Section of the report, it is requested that the examiner report on page 2 of the report under the caption "Direct Verification," whether a bank, in that size group, has a program for direct verification and, if not, the views of the management concerning the adoption of such a program. After an experimental period, consideration will be given to the desirability of issuing supplemental instructions with respect to the larger banks.

Very truly yours,

A large, stylized handwritten signature in black ink, appearing to read 'Merritt Sherman', is written over the typed name and title.

Merritt Sherman,
Secretary.

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

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

Item No. 6
6/9/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



June 9, 1961

AIR MAIL

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

Dear Mr. Swan:

Reference is made to your letter of June 1, 1961, regarding the proposal of the Bank of Hawaii to have the following legend placed on checks drawn on its facilities at Kwajalein Island, Midway Island, and at Koror Koror, Palau Islands, Caroline Islands:

"This check not payable through Federal Reserve Banks--
Handle for collection only--Direct to Drawee Bank or
Bank of Hawaii, Honolulu--Payable at Par."

As you pointed out in your letter, the Board's letter of May 14, 1927, Federal Reserve Loose-Leaf Service number 4359, arose out of entirely different circumstances, and the Board agrees with you that there would be no objection to using the legend quoted above on checks drawn on those facilities since the checks cannot be handled through the Federal Reserve Bank.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

1953

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

Item No. 7
6/9/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



June 9, 1961

Mr. Paul C. Hodge, Vice President,
General Counsel & Secretary,
Federal Reserve Bank of Chicago,
Chicago 90, Illinois.

Dear Mr. Hodge:

This refers to your letter of May 2, 1961, enclosing a letter dated April 26, 1961, with attachments, describing a so-called "Variable Savings Account Plan" to be offered by Exchange National Bank of Chicago, which combines (1) savings, (2) investments in mutual funds, and (3) insurance.

Insofar as a savings account is involved in this proposed plan, the only unusual feature appears to be the prohibition against partial withdrawals, although as pointed out, this is somewhat counterbalanced by the usual privilege of borrowing against the account as security. Assuming that all requirements of Regulation Q are met, the opening of a savings account as part of this plan would not appear to violate any provision of that Regulation.

In addition, the bank would act as agent for the customer to invest a certain amount monthly in mutual funds and to purchase term insurance under a policy issued by an independent company. The bank would pay no portion of the premium on this insurance but would receive a small service charge for acting as agent in making the investment in mutual funds and purchasing the insurance. In these respects, the propriety of the plan may be open to question and the bank should direct its request for advice as to whether a national bank may undertake this type of service to the Comptroller of the Currency.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

1954

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

Item No. 8
6/9/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 16, 1961.



Dear Sir:

Following the Board's review of the 1959 Reserve Banks Budget Experience Reports, a copy of the analysis of these reports was sent to the President of each Bank with Chairman Martin's letter of May 23, 1960, for such help as it might provide them in preparing subsequent budgets. Comments with respect to this analysis suggest that it has been useful to the Banks, and the Board has therefore decided to distribute to them the same kind of material again this year. Accordingly, enclosed is a copy of the summary analysis entitled "1960 Budget Experience of the Federal Reserve Banks."

This is about the time of year for arranging informal meetings by the Board's Budget Committee with each President to discuss the budgets for the forthcoming year. As in previous years, the Board is particularly interested in significant changes in number and salaries of officers and employees, unusual outlays for furniture and equipment and building improvements, and other matters that would ordinarily be given special consideration by your Directors.

Last year these meetings began early in July and extended through the middle of September and were arranged to coincide with visits of the Presidents to Washington on other business. Doubtless, similar arrangements may be made this year. It will be appreciated therefore if you will advise the Board of your first and second preferences for the date and time of such a meeting. If possible, the Board would appreciate receiving prior to your meeting a letter briefly indicating the matters which you would like to discuss.

Very truly yours,

A large, flowing handwritten signature in black ink, which appears to read "Merritt Sherman".

Merritt Sherman
Secretary

Enclosure.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

1955

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

S-1796 Item No. 9
6/9/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 9, 1961.



Dear Sir:

In the preparation of page A of the supplemental report of examination - confidential section, the Board requests that examiners make every effort to obtain full information about all forms of compensation paid to directors, officers, and employees of member State banks. The Board especially wants full information about financial arrangements with directors and officers which are in addition to ordinary salaries. Such arrangements would include any provision for such things as bonuses, fees, expense accounts, profit-sharing plans, gifts, stock options, insurance, pensions, or deferred compensation. They would also include special perquisites such as exclusive individual use of real estate, automobiles, airplanes, hotel suites, etc., where the latter perquisites are not shared by other officers or directors. Also, full details should be reported about contracts for salaries, pensions, or other forms of compensation with officers and directors which are currently in effect or which take effect in the future.

Such financial arrangements and contracts would normally be disclosed in the minutes of boards of directors and reflected in the expense accounts of banks, but, as an additional check, the information should be obtained from bank management by special request.

All such financial arrangements, whether currently operative or not effective until some future time, should be fully disclosed in connection with holding company and merger applications that are to be granted or denied by the Board. It would be desirable, therefore, in the case of such applications that the banks and holding companies concerned be requested to give full details about any such compensatory arrangements and advice as to whether and how such details have been given to the shareholders of the corporations involved.

Very truly yours,

A large, flowing handwritten signature in black ink, appearing to read "Merritt Sherman".

Merritt Sherman,
Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

1956

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

Item No. 10
6/9/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 9, 1961

Mr. Geo. W. Sheffer, Jr., Chief Examiner,
Federal Reserve Bank of Atlanta,
Atlanta 3, Georgia.

Dear Mr. Sheffer:

In accordance with the request contained in your letter of June 5, 1961, the Board approves the designation of the following individuals as special assistant examiners for the Federal Reserve Bank of Atlanta for the purpose of participating in examinations of State member banks only:

Raymond A. Borne

Vincent J. M. Marchese

James I. Milling

Clarence A. Price, III

Kost Stampelos

Samuel J. Sabella

Curtis J. Taconi

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.