

Minutes of the Board of Governors of the Federal Reserve System on Monday, June 12, 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. 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. Hackley, General Counsel
 Mr. Noyes, Director, Division of Research and Statistics
 Mr. Solomon, Director, Division of Examinations
 Mr. Masters, Associate Director, Division of Examinations
 Mr. Brill, Associate Adviser, Division of Research and Statistics
 Mr. Conkling, Assistant Director, Division of Bank Operations
 Mr. Landry, Assistant to the Secretary

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 Liberty State Bank of Hillside, Hillside, New Jersey, approving its application for membership in the Federal Reserve System.	1
Letter to The First National Bank of Oakland, Oakland, Maryland, approving its application for fiduciary powers.	2
Letter to The Scott County State Bank, Scottsburg, Indiana, approving an investment in bank premises.	3

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Item No.

Letter to Citizens Fidelity Bank and Trust Company, Louisville, Kentucky, approving the establishment of a branch in the Dahlem Center.

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Letter to the Presidents of all Federal Reserve Banks regarding revised procedures for handling calls for reports of condition; letter to the Federal Reserve Bank of Kansas City regarding calls for reports of condition of First Trust Company, St. Joseph, Missouri.

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Mr. Conkling then withdrew from the meeting.

Report on S. 902. Copies had been distributed of a memorandum from Mr. Noyes dated June 9, 1961, submitting a draft of report to the Budget Bureau on S. 902, a bill to amend the Small Business Investment Act of 1958 in various respects, principally by enlarging the permissible scope of Governmental financial assistance to small business investment companies, both by way of capital subscriptions and loans. The draft report would state that the Board was not in a position to assess the need at this time for increasing the initial capitalization of investment companies; however, if qualified observers were convinced of the need for increasing said capitalization, the techniques used should conform to the policy stated in the 1958 Act of insuring maximum participation by private financing sources. In this connection the reply would indicate that the Board questioned the desirability of section 4 of S. 902, which would increase the authority of small business investment companies to borrow supplemental funds from the Small Business

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Administration; if such an amendment were adopted, such companies could operate with \$3 of Government funds for every \$1 of private funds obtained, compared with a maximum ratio of \$2 to \$1 at present. Accompanying the draft report was a memorandum from Mr. Brill dated June 9, 1961, describing the proposed amendments in greater detail.

In response to a question, Mr. Shay said there were no indications at present of any consideration by the Senate of S. 902. It seemed unlikely, he said, that Committee hearings would be held on the bill this year. In this regard, Mr. Shay noted that the request for the Board's views on S. 902 had come from the Budget Bureau and not from the Congress.

In further discussion, reference was made by Governor Mills to press reports on activities of some small business investment companies that seemed to go rather beyond the original concept of the 1958 legislation. He also noted that one of the proposed amendments to S. 902 would permit granting restricted stock options to officers and employees of these companies. It was his suggestion that the report to the Budget Bureau be expanded to include an adverse comment on the propriety of permitting companies heavily dependent on Government funds and tax concessions to grant such options.

Other members of the Board concurred in this suggestion. There was also general agreement that the report as drafted properly expressed an adverse view on the section of the bill that would increase the proportions of borrowed funds available to small business investment companies from the

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Small Business Administration. In addition, it was suggested by Governor Balderston that the letter to the Budget Bureau contain a more firm statement on the lack of evidence that the present ceiling on Government subscriptions to the capitalization of small business investment companies was a critical factor limiting the growth of such companies.

After further discussion it was agreed that the letter to the Budget Bureau would be redrafted along the lines of the suggestions made and that the revised draft would be submitted to the Board for consideration.

Answers to questions submitted by Commission on Money and Credit. At the Board meeting on January 25, 1960, it was understood that the staff would undertake to draft answers to questions on the formulation and execution of monetary policy presented by Frazar B. Wilde, Chairman of the Commission on Money and Credit of the Committee for Economic Development, in a letter dated January 12, 1960. Pursuant to this understanding, a group of 11 draft answers was considered by the Board on June 13, 1960, and subsequently forwarded to the Commission; on July 8, 1960, 12 additional draft answers were approved for transmission. Draft replies to the two remaining questions were approved for transmission to the Commission on August 2 and September 27, 1960, respectively.

There had now been distributed to the Board under date of June 5, 1961, the final draft of answers to the Commission's questions. A transmittal memorandum from Mr. Noyes noted that the final draft of answers incorporated

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suggestions, mainly of an editorial nature, received at a seminar of System economists last October. Also, a summary of each reply had been incorporated preceding the detailed reply. Only a few changes of a substantive nature had been made in the preliminary drafts, although some of the answers had been revised to take into account monetary and credit developments in the past several months. Although no specific publication date for the Board's answers had been set, the Commission had expressed the hope that the edited copy of the Board's replies could be received as soon after June 1, 1961, as possible.

In a discussion, general satisfaction with the proposed answers was expressed, and the members of the Board indicated that they would be favorably inclined toward sending the answers in approximately the form distributed. However, some revisions, principally of an editorial and clarifying nature, were suggested.

The transmission of the final answers to the Commission on Money and Credit was then authorized, with the understanding that certain changes would be made in line with the suggestions that had been agreed upon at this meeting.

The meeting then adjourned.

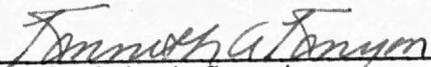
Secretary's Note: Governor Shepardson today approved on behalf of the Board the following items:

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Memorandum from the Division of Bank Operations recommending an increase in the basic annual salary of Judith S. Scully from \$4,460 to \$4,675, with a change in title from Clerk-Stenographer to Secretary, effective June 12, 1961.

Letter to the Federal Reserve Bank of New York (attached Item No. 7) approving the appointment of seven persons as examiners.


Assistant Secretary

1963

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

Item No. 1
6/12/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 12, 1961



Organization Committee,
Liberty State Bank of Hillside,
Hillside, New Jersey.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the application made on behalf of Liberty State Bank of Hillside, Hillside, New Jersey, for stock in the Federal Reserve Bank of New York, effective if and when the bank opens for business under appropriate State authorization, subject to the numbered conditions hereinafter set forth.

1. Such bank shall at all times conduct its business and exercise its powers with due regard to the safety of its depositors, and, except with the permission of the Board of Governors of the Federal Reserve System, such bank shall not cause or permit any change to be made in the scope of the corporate powers exercised by it at the time of admission to membership.
2. The net capital and surplus funds of such bank shall be adequate in relation to the character and condition of its assets and to its deposit liabilities and other corporate responsibilities.
3. At the time of admission to membership, such bank shall have paid-in and unimpaired capital stock of not less than \$200,000, and other capital funds of not less than \$300,000.

In connection with the foregoing conditions of membership, particular attention is called to the provisions of the Board's Regulation H, regarding membership of State banking institutions in the Federal Reserve System, with especial reference to Section 208.7 thereof. A copy of the Regulation is enclosed.

If at any time a change in or amendment to the bank's charter is made, the bank should advise the Federal Reserve Bank, furnishing copies of any documents involved, in order that it may be determined whether or not such change affects the bank's status as a member of the Federal Reserve System.

Liberty State Bank of Hillside

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Acceptance of the conditions of membership contained in this letter should be evidenced by a resolution adopted by the board of directors after the bank's charter has been issued, and a certified copy of such resolution, together with advice of compliance with the condition to be complied with prior to admission to membership, should be filed with the Federal Reserve Bank. Arrangements will thereupon be made to accept the payment for an appropriate amount of Federal Reserve Bank stock, to accept the deposit of the required reserve balance, and to issue the appropriate amount of Federal Reserve Bank stock to the bank.

The time within which admission to membership in the Federal Reserve System in the manner described may be accomplished is limited to six months from the date of this letter, unless the bank applies to the Board and obtains an extension of time. When the Board is advised that all of the requirements have been complied with and that the appropriate amount of Federal Reserve Bank stock has been issued to the bank, the Board will forward to the bank a formal certificate of membership in the Federal Reserve System.

The Board of Governors sincerely hopes that you will find membership in the System beneficial and relations with the Reserve Bank pleasant. The officers of the Federal Reserve Bank will be glad to assist you in establishing your relationships with the Federal Reserve System and to discuss at any time with representatives of your bank means for making the services of the System more useful to you.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

Enclosure.

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

Item No. 2
6/12/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 12, 1961



Board of Directors,
The First National Bank
of Oakland,
Oakland, Maryland.

Gentlemen:

The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers and grants The First National Bank of Oakland 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 Maryland. 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) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

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

Item No. 3
6/12/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 14, 1961



Board of Directors,
The Scott County State Bank,
Scottsburg, Indiana.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of St. Louis, the Board of Governors of the Federal Reserve System approves, under the provisions of Section 24A of the Federal Reserve Act, an investment by The Scott County State Bank, Scottsburg, Indiana, of \$278,325 in bank premises.

It is understood that proceeds from the sale of the banking house presently occupied are to be applied against the carrying value of the bank's investment in Scott County Building Corporation.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

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

Item No. 4
6/12/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 12, 1961



Board of Directors,
Citizens Fidelity Bank and Trust Company,
Louisville, Kentucky.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of St. Louis, the Board of Governors of the Federal Reserve System approves the establishment by Citizens Fidelity Bank and Trust Company, Louisville, Kentucky, of a branch in the Dahlem Center, near the corner of Shelby Street and Eastern Parkway in Louisville, Kentucky, provided the branch is established within nine months from the date of this letter.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

1968

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

S-1799

Item No. 5
6/12/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 12, 1961.



Dear Sir:

This supersedes the Board's letters of May 12, 1941, S-262-a, and June 11, 1956, S-1593 and its enclosure (F.R.L.S. #3644) regarding the distribution of call reports: a revised memorandum of "Procedures Relating to Call Reports of Condition" is attached.

For some time the procedure for handling calls for reports of condition of State member banks has differed from the procedure used by the Comptroller's Office in announcing calls for reports of condition of national banks. Under the recent amendment of the Federal Deposit Insurance Act, all three Federal bank supervisory agencies are required to call for reports of condition at least four times a year. The purpose of this letter is to achieve a greater degree of uniformity in call report practices among the agencies.

The current practice of the Comptroller's Office is to mail its transmittal letter, forms, and notice of the call all in one envelope to national banks the evening before the date of the call announcement, with the call notice post-dated by one day and the transmittal letter identified, for example, by "Fourth call 1960." State member bank forms and letters of transmittal have been mailed the evening before, but the call letter has been a separate mailing on the announcement date.

In the interest of simplification in avoiding a second mailing, and of uniformity with respect to member banks, the Board authorizes the Reserve Banks to adopt the procedures currently followed by the Office of the Comptroller of the Currency in handling these calls. It is understood that the Federal Deposit Insurance Corporation will adopt the procedure of mailing both the forms and the call letter from Washington on the day prior to the announcement.

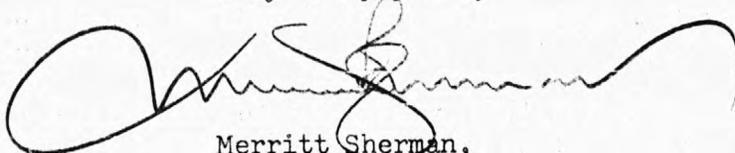
The code word IPJEV announcing the call for reports of condition of State member banks is amended to mean the following:

"Pursuant to the provisions of section 7 of the Federal Deposit Insurance Act, the Chairman of the Board of Directors of the Federal Deposit

Insurance Corporation, the Comptroller of the Currency, and the Chairman of the Board of Governors of the Federal Reserve System have fixed the date first hereinafter given as the date as of which all insured banks shall submit condition reports and such reports of affiliates as are required. At 9 a.m. on the date second hereinafter given, please announce call made upon insured State member banks to submit reports of condition and such reports of their affiliates as are required as of the call date. The Comptroller of the Currency and the Federal Deposit Insurance Corporation will at that time announce a call made upon national banks and insured nonmember banks, respectively, for condition reports as of the same date. Call date should be held in strict confidence until call is made. Blank forms for the use of insured State member banks in submitting such reports have been forwarded to you, as stated in the Board's letter of the date third hereinafter given. Transmittal letters containing forms and the call letter should be placed in mail 5 p.m. your time on date fourth hereinafter given. (date of call) (date call to be made) (date of Board's letter) (date for placing transmittal and call letters in mail)."

Because of the recent amendment to section 7 of the Federal Deposit Insurance Act requiring four calls for reports of condition each year for all insured banks, code words IPJIG and IPJOB, heretofore advising the Reserve Banks whether a spring call or fall call date is contemplated, will be discontinued.

Very truly yours,



Merritt Sherman,
Secretary.

Enclosures.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS.

Procedures Relating to Call Reports of Condition
(Revised March 1961)

Decisions Regarding Calls

Pursuant to section 7 of the Federal Deposit Insurance Act, as amended, each insured bank will be required to submit four calls for reports of condition each year and the selection of these call dates will be by the Chairman of the Federal Deposit Insurance Corporation, the Comptroller of the Currency, and the Chairman of the Board of Governors of the Federal Reserve System, or a majority thereof. The Act further provides that the dates selected shall be the same for all insured banks and that two call dates shall be selected within the semi-annual period of January to June, inclusive, and two call dates shall be selected within the semiannual period of July to December, inclusive.

Advance Printing of Report Forms

The printing orders are necessarily placed considerably in advance of a call date. Because of this advanced printing, the Reserve Banks should notify the Board's Division of Bank Operations as early as practicable of any changes in the quantity of the various forms that should be forwarded at future calls.

Distribution of Report Forms

Blank forms are sent to the Federal Reserve Banks around March 1 for the spring call, June 1 for the mid-year call, September 1 for the fall call, and December 1 for the year-end call. These forms should be held at the Federal Reserve Banks until receipt of advice from the Board authorizing their distribution. Around the foregoing dates, or on receipt of the blank forms, the Reserve Banks should contact State Banking Departments with which joint publication arrangements have been made to ascertain whether the State Banking Department will make a call as of the Federal call date, and whether to forward forms F.R. 105e or F.R. 105e-1 to the State members.

The Board will notify all Federal Reserve Banks by telegram of the date when the forms should be mailed to the State member banks. The official call letters should be placed in the same envelopes transmitting call forms and such envelopes should be posted at 5 p.m. on the designated date, thus eliminating a second mailing on the day the call is announced. Reserve Banks may adopt the practice of dating this letter on the mailing date, and saying in effect that this is a call that will be announced at 9 a.m. on (date), or the Comptroller's practice of post-dating the letter to carry the date of the announcement of the call.

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

Item No. 6
6/12/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 12, 1961



Mr. George H. Clay, President,
Federal Reserve Bank of Kansas City,
Kansas City 6, Missouri.

Dear Mr. Clay:

Pursuant to section 7 of the Federal Deposit Insurance Act, as amended, each insured bank will be required to submit four reports of condition each year, and selection of the call dates will be by the Chairman of the Federal Deposit Insurance Corporation, the Comptroller of the Currency, and the Chairman of the Board of Governors of the Federal Reserve System, or a majority thereof.

The Board has amended the meaning of code word IPJEV, which previously announced the call for reports of condition of State member banks, to announce calls made on insured State member banks. Necessary related procedures are outlined therein. As a result of this revision there is no provision in the current definition of IPJEV for your Bank to make a call for reports of condition on the First Trust Company, St. Joseph, Missouri, a noninsured State member bank. This is the only State member bank in the System that is not insured.

In the future, upon receipt of IPJEV telegrams at your Bank, please call for the report of condition of the First Trust Company, St. Joseph, Missouri, as of the same date that calls are made on insured State member banks in your District. Calls on this noninsured State member bank should be made pursuant to the provisions of section 9 of the Federal Reserve Act, with the call date fixed by the Board of Governors of the Federal Reserve System, rather than made pursuant to section 7 of the Federal Deposit Insurance Act as specified by the definition of IPJEV. All other details followed in obtaining reports of condition of the First Trust Company, St. Joseph, Missouri, should be in accordance with the procedures specified in IPJEV.

Copies of forms F.R. 105 furnished the noninsured State member bank for reporting its condition in response to official calls should have the following deleted from the bottom of the face of the form: ". . . and one copy sent to the Federal Deposit Insurance Corporation, Washington 25, D. C."

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In the event the First Trust Company, St. Joseph, Missouri, at some future date withdraws from membership or becomes an insured member bank, the provisions of this letter would, of course, be functus officio.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 7
6/12/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 12, 1961



CONFIDENTIAL (F.R.)

Mr. Howard D. Crosse, Vice President,
Federal Reserve Bank of New York,
New York 45, New York.

Dear Mr. Crosse:

In accordance with the request contained in your letter of May 24, 1961, the Board approves the appointment of the following, at present assistant examiners, as examiners for the Federal Reserve Bank of New York, effective today:

Robert D. Burrill	Robert F. Moreschi
Donald F. Gaffney	Patrick J. Murphy
Edward J. Mizerski	Jerome B. Nelson
Edward M. Reilly	

It is noted that Messrs. Burrill, Moreschi, and Reilly are indebted to Atlantic Bank of New York, New York, New York, a nonmember bank, in the amounts of \$392, \$60, and \$558, respectively. Accordingly, the Board's approval of their appointments as examiners is given with the understanding that they will not participate in any examination of that bank until such indebtedness has been liquidated.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.