9
6/61

Minutes for June 26, 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 WM

Gov. Mills

Gov. Robertson R

Gov. Balderston CCB

Gov. Shepardson CNS

Gov. King JLRK

Minutes of the Board of Governors of the Federal Reserve System on Monday, June 26, 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
Miss Carmichael, Assistant Secretary
Mr. Thomas, Adviser to the Board
Mr. Young, Adviser to the Board and Director, Division of International Finance
Mr. Noyes, Director, Division of Research and Statistics
Mr. Farrell, Director, Division of Bank Operations
Mr. Connell, Controller
Mr. Chase, Assistant General Counsel
Mr. Hooff, Assistant General Counsel
Mr. Koch, Adviser, Division of Research and Statistics
Mr. Furth, Adviser, Division of International Finance
Mr. Sammons, Adviser, Division of International Finance
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, Philadelphia, Cleveland, Richmond, Chicago, St. Louis, Minneapolis, Kansas City, and Dallas on June 22, 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:

	Item No.
Letter to New Jersey Bank and Trust Company, Clifton, New Jersey, granting an extension of time to comply with membership condition numbered 3.	1
Letter to Bank of Brodhead, Brodhead, Wisconsin, approving an investment in bank premises.	2
Letter to the Federal Reserve Bank of St. Louis interposing no objection to a change in the location of a proposed branch of Citizens Fidelity Bank and Trust Company, Louisville, Kentucky, from within the city limits of Louisville to Jefferson County.	3
Letter to the Comptroller of the Currency recommending approval of an application of The Killbuck Savings Bank Company, Killbuck, Ohio, to convert into a national banking association.	4
Telegram to the Federal Reserve Bank of New York approving the opening and maintenance of an account on its books in the name of Bank Markazi Iran (the Central Bank of Iran).	5

Mr. Benner then withdrew from the meeting.

Assessment for Board expenses during second half of 1961. There had been distributed under date of June 21, 1961, a memorandum from Mr. Bass, Assistant Controller, recommending that an assessment of .00277 of the total paid-in capital and surplus of the Federal Reserve Banks as of June 30, 1961, be levied upon the Banks to meet expenses of the Board of Governors for the second half of 1961. Such a rate would produce an estimated $3,444,405.

It was pointed out in the memorandum that it appeared likely that legislation would be enacted during the current session of Congress to place on a permanent basis a 10 per cent increase in benefits for pre-October 1956 Civil Service retirees and their survivors, as originally provided for in Public Law 85-465. On the assumption that if such legislation were enacted the Board would wish to fund on a permanent basis similar benefits for certain of its retirees and their survivors, currently financed on a yearly cost basis, funds to make a special contribution of approximately $90,200 to the Federal Reserve Retirement System had been included in the estimated expenses for the second half of 1961.

Following comments by Governor Shepardson, during which he noted that the services of Bolling R. Powell, Jr., Special Counsel to the Board in the matter of The Continental Bank and Trust Company, Salt Lake City, Utah, would involve payments substantially in excess of the $5,000 provided in the 1961 budget and that provision for payments totaling as much as $36,000, the maximum payable annually under Mr. Powell's agreement with the Board, had been made in computing the proposed assessment, the recommendation of the Office of the Controller that an assessment of .00277 of the total paid-in capital and surplus of the Federal Reserve Banks as of June 30, 1961, be levied upon the Banks was approved unanimously.

Mr. Connell then withdrew from the meeting.

Report on competitive factors (Harrisburg and York, Pennsylvania). A draft of report to the Comptroller of the Currency on the competitive factors involved in the proposed consolidation of Central Trust Capital Bank, Harrisburg, Pennsylvania, with and into National Bank of York County, York, Pennsylvania, had been distributed under date of June 21, 1961.

At the instance of Governor Shepardson, Mr. Leavitt discussed the points of difference and of similarity between this proposed consolidation and the application of Dauphin Deposit Trust Company, Harrisburg, Pennsylvania, to merge with Camp Curtin Trust Company, also of Harrisburg, which the Board denied on February 3, 1961, and on which it heard an oral presentation on April 13, 1961.

The report, the conclusion of which read as follows, was then approved unanimously:

> The proposed consolidation of Central Trust Capital Bank, Harrisburg, with and into National Bank of York County, York, under the title National Bank & Trust Company of Central Pennsylvania, York, would eliminate little, if any, competition between the two consolidating institutions, as virtually none now exists.
>
> The proposed consolidation would create the largest banking institution in the relative area and would reduce the number of unit banks operating therein by one, although the number of banking offices would remain unchanged. Consideration should be given to the facts that subsequent to the proposed consolidation the resultant bank (1) would be operating offices in two separate and distinct areas, some 25 miles apart, and (2) would not have obtained a size disproportionate to its prime competitors. Therefore, it is felt that the proposed consolidation would not result in a bank which would stifle competition or assume too dominant a position in the separate or over-all areas in which the resulting bank would be operating.

Messrs. Hooff and Leavitt then withdrew from the meeting and Mr. Solomon, Director, Division of Examinations, entered the room.

Federal Reserve holdings of foreign currencies. There had been distributed to the members of the Board copies of a memorandum from Mr. Young dated June 16, 1961, relating to possible operations under which the Federal Reserve would hold accounts in certain foreign currencies, as part of the cooperative defense of a system of international payments based on convertible currencies. A supplemental memorandum from Mr. Furth, also dated June 16, likewise had been distributed.

It was pointed out in Mr. Young's memorandum that international cooperation between central banks to deal with destabilizing international flows of funds had become not only a subject of active discussion in recent months but also a reality.

In March 1961, a number of continental European central banks gave large-scale assistance to the Bank of England to withstand the outflow of funds from the United Kingdom following the German and Netherlands currency revaluations. Similarly, the Stabilization Fund of the United States Treasury acquired German marks, British pounds, and also Swiss francs in March, April, and May 1961, in an effort to help counteract undesirable effects of fund flows resulting from these revaluations.

Following the April 18-19, 1961, meeting of the Economic Policy Committee of the Organization for European Economic Cooperation, in which the United States participated as a full member of the proposed Organization for Economic Cooperation and Development, a confidential report to the governing Council of the former Organization stated that the Economic Policy Committee had been encouraged to note the effectiveness in recent weeks of cooperation between central banks, both directly and in restoring confidence.

On May 8, 1961, a group of central bank technicians, activated at the initiative of the Chairman of the Board of Governors of the Federal Reserve System and reporting to the directors of the Bank for International Settlements at their meeting on that date, strongly endorsed a network of cooperative arrangements between central banks as a first line of defense of currency convertibility, with the International Monetary Fund serving as a second line of defense.

It was against the background of these developments that Mr. Young's memorandum discussed the possibility of the Federal Reserve holding accounts in foreign currencies with major foreign central banks and cooperating with such banks in foreign exchange operations.

In introductory comments, Chairman Martin emphasized that today's discussion was intended to be of a preliminary and informational nature. The Chairman then turned to Mr. Young, who presented a statement, as follows, supplementing his June 16 memorandum:

> The subject of Federal Reserve holdings of foreign currencies and of Federal Reserve cooperation with other central banks in foreign exchange operations is a basic one and unavoidably controversial. The memoranda we have submitted on the subject might have taken a different turn and

have been, say, more of a statement of today's balance of payments problem and alternatives for meeting likely developments ahead. After several starts at alternative approaches, we chose a positive one that affirmed a Federal Reserve responsibility for furthering international currency convertibility on the grounds that it would raise, either directly or by implication, all of the difficult issues, and would be a better method of presenting them sharply for your consideration.

Over the postwar period, the key nations of the free world have consciously and cooperatively struggled to re-establish a viable convertible currency system. They have done this because such a system offers more advantages than any other in fostering world trade and investment. Convertibility contributes to expanding trade and investment by facilitating the allocation of resources interregionally in accordance with a calculus based on market processes that is as free of human and institutional bias as it is possible to make it. An interregional allocation of resources rationally effected can further the coordinated progress of both industrialized and materials supplying areas.

Attainment of convertibility has brought to light major problems that may not have been given sufficient attention in earlier planning for it. These include:

(a) The problem that, once convertibility was attained, the alignment of currency values would have to undergo severe test, with some realignment of values a potentiality, though not a certainty;

(b) The problem that convertibility would make interest rate levels and structures, and therefore monetary and fiscal policies, more interdependent;

(c) The problem that the placement of funds short-term would become highly responsive to international interest differentials, while equity and other investment funds would become more responsive to comparative opportunities for capital gains as between international capital markets;

(d) The problem that economic cycles as between North America and Europe might continue out of phase, thus complicating other problems; and

(e) The problem that a very heavy burden would have to be carried by the reserve currencies--the dollar and the pound--in consequence of the free movement of sensitive funds between major money markets.

It is with the solution of these problems that the monetary authorities here and elsewhere are now obliged to grapple. From the standpoint of the United States, they are problems both of our narrow national interest and of our larger international interest. We have already experienced one run on the dollar. While confidence in the dollar seems largely restored, will confidence continue to be held if the pound sterling is not successfully defended in the months ahead? Assumptions as to prospective tendencies in our balance of payments that seem entirely realistic bring out that recurrence of dollar strain from time to time in the future is at least a possibility, if not a likelihood or probability.

Granting that the United States has an unavoidable interest in shoring up recently attained convertibility, does the challenge of these interrelated problems confront mainly the Treasury, mainly the Federal Reserve System, or mainly the International Monetary Fund, in which the United States has the largest participation? The obvious answer is that the challenge confronts all three agencies, because all three share responsibility, though in differing degree, for the external value of the dollar. Moreover, careful screening of possible approaches to prevailing convertibility problems makesevident that their simultaneous solution, to be practicable and effective, needs to involve all three agencies.

If defense of the dollar externally calls for Federal Reserve participation, how is the Federal Reserve role to be performed and is there adequate statutory authority for it? These questions can be simply answered.

Federal Reserve participation would be effected through holding working balances in the currencies of foreign central banks and by engaging in spot and forward exchange operations to increase or decrease the amount of such balances whenever foreign exchange transactions were deemed to be helpful for reasons of seasonal, cyclical, or unusual flows of payments.

Enough authority for these operations would appear to be provided by section 14 of the Federal Reserve Act. However, a Board policy statement on interpretation regarding this application of section 14 to accounts maintained with foreign central banks carries forward from 1933. The viewpoint towards the use of such accounts expressed in this statement would be somewhat limiting as regards the purposes for which they might be used in the present-day context, so that the Board may wish to reconsider this statement.

If the Board soon authorizes the opening of foreign exchange accounts, with other central banks, the question would at once arise: In what currencies should they be opened?

A logical answer would be: In currencies of major industrial countries deemed to be convertible under the IMF definition of convertibility, namely, convertibility into dollars. The currencies initially involved might well include sterling, the Belgian franc, the French franc, the German mark, the Italian lira, and the Swiss franc. When Japan accepts convertibility in IMF terms, a case might well be made for holding yen. The question of a Canadian dollar account would have to await present devaluation developments and then be determined on the basis of direct negotiations with the Bank of Canada and the Canadian Government.

Since the United States does not give gold guarantees to dollar holdings of foreign central banks, it is not in a position to request such guarantees from foreign central banks. This fact exposes any Federal Reserve operations in foreign currencies to a risk of devaluation losses. This risk might be limited, though in reality only to a degree, by negotiation of an understanding of notification of devaluation intent with cooperating central banks. If the risk is reckoned to be a calculable and legitimate one, the System might decide that it is in the interest of the United States as well as the free world to assume it.

Endeavors to neutralize temporarily disequilibrating payments flows between countries by changes in central bank foreign currency holdings would have the purpose of providing a time bridge until other necessary, but slower-acting policies could come into operation and gain effectiveness. If countries collaborating in foreign exchange management failed to follow through with necessary policies, the mechanism of convertibility supported by central bank cooperation would break down. In considering this matter, therefore, one is obliged to proceed on the assumption that the major countries adhering to convertibility will cooperate in pursuing sound financial policies internally. We would think such a premise is a reasonable one, for the countries concerned are all parties to the IMF agreement and have a solid interest in preserving a viable convertibility system.

The proposed Federal Reserve participation in coping with abnormal foreign exchange swings would, together with participation by other central banks, provide a first line of defense against exceptional fluctuations in the flow of payments. Such participation could be more prompt, flexible, and selective than IMF drawings, with publicity on the actions taken under control of the central banks concerned. IMF drawings, which central bank actions would precede and supplement in time, would serve as the second line of defense and would come into operation in part to fund into longer-term debt the short-term central bank credits that could not be readily retired at maturity. The proposed mechanism of central bank foreign exchange arrangements would include continuous interchange of information and consultation through the facilities of the soon-to-be-inaugurated Organization for Economic Cooperation and Development and the long-established Bank for International Settlements.

Should the System decide to participate in cooperative central bank foreign exchange arrangements, one of the operating problems that would have to be faced would be when and under what conditions the System's foreign currency holdings would be increased or decreased.

One suggestion is that the central banks of convertible currency countries initially agree to hold each other's currency up to a specified amount. This would be tantamount to a fixed line of credit arrangement. A preferable method of operation would be one of individual credits negotiated under some general and flexible understanding among the central banks of key industrial countries.

If a proposed area of operations is considered favorably by the Board, the legislative history of this subject is such as to call for appropriate clearance with the House and Senate Banking and Currency Committees. Also, the Treasury would take a keen interest in any steps in the foreign exchange area that the System might consider taking. We understand from informal discussions with Treasury officials that the Treasury would welcome Federal Reserve activity in this field.

Section 14 (paras. 6 and 8) of the Federal Reserve Act gives the Board power to direct and regulate Reserve Bank acquisitions and holdings of foreign currencies, and section 12A (para. 2) specifies that the Federal Open Market Committee has power to decide the use of such holdings in the purchase of bills of exchange. System operations in the foreign exchange field would have many unique and specialized features and further would need to be conducted in strictest confidence. If undertaken, one way to effectuate them would be through a delegation of powers and responsibilities to a special subcommittee of the Open Market Committee, with, of course, full reporting back to the Committee. A special organizational problem would be the agency arrangement for the conduct of foreign exchange transactions and the relation of such transactions to open market operations in Government securities. My June 16 memorandum merely offers one possible approach to this rather complex internal problem.

Governor Mills presented the following statement, which he indicated had been prepared on the assumption that the idea set forth by Mr. Young had moved rather far toward the stage of adoption and that the problems referred to in his (Governor Mills') statement were among those that would have to be scrutinized and resolved before any decision was reached:

For the same reasons that argued for open market operations outside of the Treasury bill sector of the U. S. Government securities market, engagements in the foreign exchanges by the Federal Reserve Banks should be attempted. Entry into the foreign exchange field assumes that the Federal Reserve Act can be interpreted broadly enough to permit the extension of operations clearly intended to include purely commercial transactions to encompass stabilization operations in the foreign exchanges.

The capital of the Federal Reserve Banks is of course exposed to both political and credit risks through the kind of operations that have been proposed, which fact demands not only disclosure and tacit approval within the Congress but also concurrence by the directorates of the various participating Federal Reserve Banks. Because of the ill-advised policy of paying out all Federal Reserve Bank earnings to the United States Treasury and because losses incurred in the proposed foreign exchange operations must be treated as adjustments to their surplus accounts and not as deductions from their operating profits, it is conceivable that the restitution of the amount of any future losses to surplus accounts would require a restatement and explanation of policy to the Congress regarding the need of maintaining adequate Federal Reserve Bank capital structures.

Inasmuch as only moderate-size foreign exchange operations are contemplated, the financial risks involved are correspondingly restricted, which, however, does raise the question that if the Federal Reserve Banks, once having reached the set dollar limitation on their operations, suddenly withdraw from the field international confidence in the stability of the foreign exchanges will have been shaken to a degree greater than the amount of any previously gained psychological and financial advantage. The fundamental question also exists whether the proposed operations in the foreign exchanges will interfere with, rather than assist, the administration of the International Monetary Fund. Also, only experience can tell whether operations of the kind proposed will invite massive speculations in the foreign exchanges undertaken on the basis that at a projected point the Federal Reserve Banks, having reached the limit of their prescribed holdings of certain foreign currencies, will drop out or will be driven out of the market.

The proposed mechanics of conducting the foreign exchange operations of the Federal Reserve Banks through a managing committee courageously places any blame for failure of the venture on their heads.

The first part of the discussion that ensued was directed primarily toward the sufficiency of the pertinent provisions of the Federal Reserve Act to permit maintaining accounts with foreign central banks for purposes such as outlined in Mr. Young's memorandum. In this connection, Mr. Furth described certain points that had been raised for consideration by Mr. Hexter, Assistant General Counsel.

There was general agreement that these facets of the problem deserved careful exploration at an appropriate time. However, there was also general agreement with a suggestion by Chairman Martin that discussion of the problem should be focused initially on the question of the desirability of entering into operations of this character. Accordingly, at the Chairman's request, several members of the staff commented informally on the rationale of such operations, their possible effectiveness as a first line of defense against unusual and temporary flows of international payments, their relationship to operations of the International Monetary Fund, and various other related matters that seemed to warrant consideration. The members of the staff also expressed views, in response to questions raised by members of the Board, on matters such as the likely magnitude of Federal Reserve holdings of foreign currencies, the conditions under which cooperative foreign exchange operations presumably would be conducted, and the relationship of envisaged Federal Reserve holdings of foreign currencies to the dollar holdings of foreign central banks. Comments likewise were made with respect to the manner in which any losses resulting from such operations would be reflected on the books of the Federal Reserve Banks and with respect to the manner and timing of public reporting of Federal Reserve operations.

No conclusions were drawn as the result of this discussion, and it was understood that the matter would remain under study. In this connection, Mr. Young indicated that certain additional memoranda that might be helpful in studying aspects of the proposal would be available for distribution to the members of the Board within the next few days. One of these, being prepared at the Federal Reserve Bank of New York, would deal with operations of the Treasury's Stabilization Fund.

Pursuant to a suggestion by the Chairman, it was agreed that copies of the June 16 memoranda from Mr. Young and Mr. Furth would be sent to the members of the Federal Open Market Committee and the Federal Reserve Bank Presidents not currently serving on the Committee, and that additional memoranda such as referred to by Mr. Young would be given similar distribution unless the confidential nature of their contents precluded such a procedure.

Messrs. Thomas, Young, Koch, Furth, and Sammons then withdrew and Mr. Eckert, Chief, Banking Section, Division of Research and Statistics, entered the room.

Request of Justice Department regarding banks reporting in business loan survey. At the Board meeting on June 19, 1961, action was deferred on a reply to the request of the Department of Justice for a list of the 1,900 banks that submitted reports in the 1955 business loan survey or, in the alternative, an indication as to which of 43 banks listed by the Department had submitted reports in that survey. The reason for deferral was to permit discussion of the matter on the occasion of a contemplated meeting between members of the Board and Judge Loevinger, Assistant Attorney General.

Since it had now developed that it would not be possible to arrange the envisaged meeting with Judge Loevinger at an early date, Governor Balderston suggested that the Board might wish to consider going ahead with a reply to the Justice Department. With this thought in mind, he proposed certain changes in one of the alternative draft replies considered at the June 19 meeting.

It was agreed that a revised draft incorporating these suggested changes would be distributed later in the day for consideration at the Board meeting tomorrow.

The meeting then adjourned.

Secretary's Notes: The Secretary was informed by Governor Shepardson that at a meeting in executive session the Board had authorized travel to Paris by Mr. Young, Adviser to the Board and Director of the Division of International Finance, and Mr. Hersey, Adviser, Division of International Finance, to attend a meeting of a working group of the Economic Policy Committee of the Organization for European Economic Cooperation to be held during the period July 1-5, 1961. The Secretary also was informed, in this connection, that the Board had authorized an appropriate representation allowance. It was understood by the Board that there would be additional meetings of the working group in connection with its current assignment, which meetings also would involve attendance by members of the Board's staff.

Pursuant to the action taken by the Board at its meeting on June 12, 1961, in authorizing transmittal to the Commission on Money and Credit of final replies to certain questions submitted to the Board by the Commission, subject to minor changes in the replies contemplated by the discussion at that meeting, the letter of which a copy is attached as Item No. 6 was sent to the Chairman of the Commission on June 23, 1961.

Pursuant to recommendations contained in memoranda from appropriate individuals concerned, Governor Shepardson approved on behalf of the Board on June 23, 1961, the following actions relating to the Board' staff:

Appointment

Sam M. VanHook as Guard in the Division of Administrative Services, with basic annual salary at the rate of $3,500, effective the date of entrance upon duty. (Temporary appointment)

Leave without pay

Phyllis H. Lockhart, Draftsman, Division of Research and Statistics, granted leave without pay for the period June 26 through August 1, 1961.

Governor Shepardson today approved on behalf of the Board the following items:

Letters to the Federal Reserve Bank of Chicago (attached Items 7 and 8) approving the appointment of James R. De Fay and William Taylor as assistant examiners.

Letter to the Federal Reserve Bank of San Francisco (attached Item No. 9) approving the appointment of Earl L. Abbott as assistant examiner.

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

Appointment

Walter Jordan, Jr., as Cafeteria Laborer, Division of Administrative Services, with basic annual salary at the rate of $3,185, effective the date of entrance upon duty.

Reemployment following maternity leave

Gail Jeanne Lennon, Draftsman-Trainee in the Division of Research and Statistics, with basic annual salary at the rate of $3,865, effective June 26, 1961.

Salary increases, effective July 9, 1961

Name and title	Division	Basic annual salary From	To
	Office of the Secretary		
Margaret J. Molster, Assistant Supervisor, Administrative Subject & FOMC Files		$ 5,655	$ 5,820
	Legal		
Gary P. Smith, Legal Assistant		6,435	6,600
	Research and Statistics		
Margaret Campbell, Clerk-Stenographer		4,040	4,145
Mary T. Gregory, Statistical Clerk		4,460	4,565
A. Jane Moore, Economist		8,080	8,340
Gail Roberts, Secretary		4,840	5,005
Stanley J. Sigel, Chief, Flow of Funds & Savings Section		14,380	14,705
Frances D. Skehan, Statistical Assistant		4,675	4,840
Tynan Smith, Senior Economist		14,705	15,030
Robert Solomon, Chief, Capital Markets Section		14,380	14,705
Alvern H. Sutherland, Chief Librarian		10,635	10,895
Edwin J. Swindler, Economist		8,955	9,215
Dorothy E. Swink, Statistical Clerk		4,355	4,460
Murray S. Wernick, Senior Economist		14,055	14,380
	International Finance		
James C. Wallace, Economist		6,435	6,600
	Examinations		
G. Halvor Bockman, Assistant Federal Reserve Examiner		7,820	8,080
Carolyn Cullipher, Stenographer		4,040	4,145
John P. Donovan, Federal Reserve Examiner		8,080	8,340

Salary increases, effective July 9, 1961 (continued)

Name and title	Division	Basic annual salary From	To
	Examinations		
Wilson D. Dougal, Senior Federal Reserve Examiner		$12,730	$12,990
Adrien P. Francoeur, Federal Reserve Examiner		7,820	8,080
C. Hadley Fraser, Assistant Federal Reserve Examiner		7,425	7,820
James H. Joyce, Assistant Federal Reserve Examiner		5,685	5,850
Judy Marconi, Stenographer		3,970	4,145
Jerry B. Riley, Federal Reserve Examiner		8,340	8,600
Jeannette Somlyo, Stenographer		3,970	4,075
Karl P. Wendt, Senior Federal Reserve Examiner		10,895	11,155
	Office of the Controller		
L. Waite Waller, Jr., Supervisory Accountant		6,930	7,095

Outside activity

Saul Clanton, Gardener, Division of Administrative Services, to accept a job with Allegheny Airlines to do office cleaning on weekday evenings.

Secretary

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

Item No. 1
6/26/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 26, 1961

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

Gentlemen:

Under condition of membership numbered 3, New Jersey Bank and Trust Company was to dispose, within a period of not to exceed three years, of all corporate stocks owned at the time of admission to membership. After considering all the circumstances, and in accordance with the request in your letter of May 26, 1961, the Board has extended until June 20, 1962, the time within which to comply with membership condition numbered 3.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 2
6/26/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 26, 1961

Board of Directors,
Bank of Brodhead,
Brodhead, Wisconsin.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Chicago, 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 Bank of Brodhead, through its wholly owned affiliate, Brodhead Realty Corporation, of $210,246.34, for the purpose of construction of a new bank building.

It is understood that financing of the new building will be accomplished through the bank's investment of $105,000 in common stock of the affiliate; investment by the directors of the bank of $60,000 in the affiliate through the issuance of preferred stock or debentures; and outside borrowings by the affiliate in the amount of $40,000.

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
6/26/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 26, 1961

Mr. Geo. E. Kroner, Vice President,
Federal Reserve Bank of St. Louis,
St. Louis 66, Missouri.

Dear Mr. Kroner:

Reference is made to your letter of June 12, 1961, regarding the change of location of the branch of Citizens Fidelity Bank and Trust Company, Louisville, Kentucky, which branch was to have been located in the vicinity of Strawberry Lane and Southside Drive, Louisville, Kentucky, initially approved by the Board of Governors on April 20, 1960.

The Board of Governors interposes no objection to the change of location from within the city limits of Louisville, Kentucky, to Jefferson County, Kentucky, both locations being in the vicinity of Strawberry Lane and Southside Drive, the new location being about four blocks distant from the location initially approved. The Board's approval of the proposed branch dated April 20, 1960, and extended by the Board on January 18, 1961, may be considered effective for the new location as set forth in your letter of June 12, 1961.

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
6/26/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 26, 1961

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

Attention Mr. Reed Dolan,
Chief National Bank Examiner.

Dear Mr. Comptroller:

Reference is made to a letter from your office dated May 5, 1961, enclosing copies of an application of The Killbuck Savings Bank Company, Killbuck, Ohio, to convert into a national banking association and requesting a recommendation as to whether or not the application should be approved.

The applicant bank opened for business as a State-chartered institution in September 1900, and became a member of the Federal Reserve System in February 1941. The capital structure, future earnings prospects, and general character of management of the bank are regarded as satisfactory. The bank is well established and appears to be serving the convenience and needs of the area. Accordingly, the Board of Governors recommends favorable consideration of the application of the bank to convert into a national banking institution.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

TELEGRAM
BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
LEASED WIRE SERVICE
WASHINGTON

Item No. 5
6/26/61

June 26, 1961

SANFORD - NEW YORK

Your wire June 22. Board approves the opening and maintenance of an account on your books in the name of the Bank Markazi Iran (the Central Bank of Iran), subject to the usual terms and conditions upon which your Bank maintains accounts for foreign central banks and governments. It is understood that you will in due course offer participation to the other Federal Reserve Banks.

(Signed) Merritt Sherman

SHERMAN

2147

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 6
6/26/61

OFFICE OF THE CHAIRMAN

June 23, 1961

Mr. Frazar B. Wilde, Chairman,
Commission on Money and Credit,
711 Fifth Avenue,
New York 22, New York.

Dear Frazar:

I have the pleasure of transmitting herewith final copy of the Board's replies to the questions submitted to us by the Commission on Money and Credit. I understand you have in mind making these replies available to the public. The Board has no objection to such action on your part if you feel it would serve a useful purpose.

Let me take this occasion again to congratulate you and your associates on having undertaken and brought to completion such a tremendous task. Your findings should provide the basis for much fruitful discussion of the central problems in American economic policy.

Sincerely,

Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.

Enclosure

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

Item No. 7
6/26/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 26, 1961

Mr. Hugh J. Helmer, Vice President,
Federal Reserve Bank of Chicago,
Chicago 90, Illinois.

Dear Mr. Helmer:

In accordance with the request contained in your letter of June 16, 1961, the Board approves the appointment of James R. De Fay as an assistant examiner for the Federal Reserve Bank of Chicago. 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. 8
6/26/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 26, 1961

Mr. Hugh J. Helmer, Vice President,
Federal Reserve Bank of Chicago,
Chicago 90, Illinois.

Dear Mr. Helmer:

In accordance with the request contained in your letter of June 14, 1961, the Board approves the appointment of William Taylor as an assistant examiner for the Federal Reserve Bank of Chicago. 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. 9
6/26/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 26, 1961

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 June 14, 1961, the Board approves the appointment of Earl L. Abbott as an assistant examiner for the Federal Reserve Bank of San Francisco. Please advise us of the effective date of the appointment.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.