

Minutes for August 17, 1961

To: Members of the Board

From: Office of the Secretary

Attached is a copy of the minutes of the Board of Governors of the Federal Reserve System on the above date.

It is not proposed to include a statement with respect to any of the entries in this set of minutes in the record of policy actions required to be maintained pursuant to section 10 of the Federal Reserve Act.

Should you have any question with regard to the minutes, it will be appreciated if you will advise the Secretary's Office. Otherwise, please initial below. If you were present at the meeting, your initials will indicate approval of the minutes. If you were not present, your initials will indicate only that you have seen the minutes.

Chm. Martin

Gov. Mills

Gov. Robertson

Gov. Balderston

Gov. Shepardson

Gov. King

Handwritten initials and signatures for each board member, written over horizontal lines. From top to bottom: Chm. Martin (initials), Gov. Mills (signature), Gov. Robertson (signature), Gov. Balderston (initials 'CCB'), Gov. Shepardson (signature), Gov. King (signature).

Minutes of the Board of Governors of the Federal Reserve System on
Thursday, August 17, 1961. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Balderston, Vice Chairman
Mr. Mills
Mr. King

Mr. Kenyon, Assistant Secretary
Miss Carmichael, Assistant Secretary
Mr. Fauver, Assistant to the Board
Mr. Hackley, General Counsel
Mr. Farrell, Director, Division of Bank
Operations
Mr. Connell, Controller
Mr. Masters, Associate Director, Division
of Examinations
Mr. Daniels, Assistant Director, Division
of Bank Operations
Mr. Potter, Assistant Counsel
Mr. Kakalec, Assistant to the Controller

Report on competitive factors (Lincoln, Nebraska). A draft of
report to the Federal Deposit Insurance Corporation on the competitive
factors involved in the proposed consolidation of National Bank of
Commerce of Lincoln, Lincoln, Nebraska, and First Trust Company of
Lincoln, Nebraska, Lincoln, Nebraska, (an uninsured institution), had
been distributed under date of August 9, 1961.

In discussion Governor King suggested a change in the wording of
the conclusion, after which the report was approved unanimously for trans-
mittal to the Corporation. The conclusion of the report, as approved, read
as follows:

The proposed consolidation of National Bank of Commerce
of Lincoln, Lincoln, Nebraska, and the First Trust Company of
Lincoln, Nebraska, Lincoln, Nebraska, would eliminate only a
small amount of competition for trust business between the

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two institutions. The consolidated bank probably would be in a stronger position to compete with larger banks both on a local and a State-wide basis without appreciable effect on smaller banks.

Mr. Potter then withdrew from the meeting.

Little Rock Branch building (Item No. 1). A memorandum from the Division of Bank Operations dated August 11, 1961, had been circulated to the members of the Board with an accompanying draft of letter that would authorize the Federal Reserve Bank of St. Louis to proceed with the employment of architects and the preparation of preliminary plans and specifications for an addition to and alterations of the Little Rock Branch building. The cost of the construction was estimated to be roughly \$2,050,000, of which \$1,312,000 was estimated as "building proper" costs. It was noted in the memorandum that there was a balance of approximately \$1,770,000 in the \$30,000,000 statutory authorization for "building proper" costs of branch buildings. This balance would be sufficient to take care of the building program at the Little Rock Branch but inadequate for either the New Orleans Branch or the Denver Branch programs.

After a brief discussion, the proposed letter to the Federal Reserve Bank of St. Louis was approved unanimously. A copy is attached as Item No. 1.

Mr. Sprecher, Assistant Director, Division of Personnel Administration, entered the room at this point.

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Shipments of currency and coin (Item No. 2). There had been distributed to the members of the Board a memorandum from Mr. Farrell dated August 15, 1961, with reference to a letter of August 11 from the Post Office Department advising of certain changes in registered mail rates applicable to Federal Reserve shipments of currency and coin, effective August 15, 1961. It was pointed out in the letter that the new rates would result in substantial savings on new currency shipments from Washington. On the other hand, they would raise the cost of currency shipments originating outside Washington. In effect, the charges for bulk shipments would be lowered and the charges on small scattered shipments from the Federal Reserve Banks and their branches would be raised. It was estimated that the net increase in mailing costs for the Federal Reserve System would be about \$300,000 annually, based on 1961 volume.

The letter from the Post Office Department concluded with the following paragraph:

Continued use of the postal registry service by the Federal Reserve System is in the national interest. We hope that any evaluation of the effect of these changes, or possible substitution of other transportation services will consider the net impact on our Federal budget.

As pointed out in the August 15 memorandum, the changes in registered mail rates applicable to Federal Reserve Bank shipments of currency and coin had been discussed by representatives of the Post Office Department and members of the Board's staff. At an August 4 meeting it had been understood by the Board's staff that the Post Office Department would advise the Board

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by letter of the revised rates, with the thought that the Board would send copies of the letter to all Federal Reserve Banks for their information. However, the letter from the Post Office Department to the Board was not received until after local postmasters had been informed of the new rates and advised to notify the Federal Reserve Banks and branches in their areas.

Attached to the memorandum was a draft of reply to the Post Office Department that would assure the Department of consideration of the views expressed in its letter. It would also be pointed out, however, that it was incumbent upon the management of a Federal Reserve Bank to take into account the cost savings and improved service that might result from the use of armored car services.

In commenting on the letter from the Post Office Department, Mr. Farrell noted that the final paragraph had apparently been included in the hope of persuading Federal Reserve Banks against going further in the direction of shipping currency and coin by means other than the postal service. It would seem to be the view of the Post Office Department that, while the revised registry rates would increase substantially the costs of Federal Reserve Banks for shipping currency and coin through the postal service and result in a reduction of the System's payments to the Treasury Department, if the Reserve Banks were to ship currency and coin by armored car the System's payments to the Treasury would be reduced by the amount paid for the armored car services and at the same time the revenue of the Post

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Office Department would be reduced. The question of an expense differential appeared to have been overlooked.

In further remarks, Mr. Farrell referred to the letter that the Board had sent on July 20, 1961, to the Presidents of all Federal Reserve Banks asking for comments regarding a proposal by Armored Car, Inc., and Brink's, Incorporated, to transport new Federal Reserve notes from Washington, D. C., to the various Federal Reserve Banks. He indicated that the replies of the Reserve Banks revealed varying views, and that the question was being placed on the agenda of the Presidents' Conference for consideration after study by the Committee on Miscellaneous Operations.

After additional discussion, the letter to the Post Office Department, with a change suggested by Chariman Martin, was approved unanimously. A copy is attached as Item No. 2. It was understood that copies of the August 11 letter from the Department and the Board's reply would be sent to the Presidents of all Reserve Banks for their information.

Mr. Molony, Assistant to the Board, entered at this point and Mr. Daniels withdrew from the meeting.

Travel regulations (Item No. 3). A memorandum from the Office of the Controller dated August 16, 1961, recommending certain amendments to the Board's travel regulations had been distributed to the members of the Board. The memorandum pointed out that on August 14, 1961, the President had signed into law H. R. 3279, amending the Travel Expense Act of 1949 and providing, among other things, for:

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- (1) An increase in the maximum rate of per diem from \$12 to \$16.
- (2) An increase in the maximum mileage rate for privately owned automobiles used on official business from 10¢ to 12¢.
- (3) Reimbursement for parking fees for automobiles used on official business.

In the memorandum it was recommended that the Board's travel regulations be amended to incorporate the three provisions listed above; that the per diem allowance for members of the Board be increased from \$15 to \$20 (which would correspond percentagewise to the change from \$12 to \$16 for members of the staff); and that the amendments become effective as of the date of Board approval. It was also recommended that all outstanding travel authorizations be amended to conform to the revised regulations.

Attached to the memorandum was a draft of a proposed revision of the Board's travel regulations, which incorporated the recommended amendments as well as several minor changes designed to clarify the regulations and facilitate their administration. One of the changes was intended to clarify that there would continue to be no limitation on actual necessary travel expenses, when travel on such basis outside the continental United States was authorized by the Board.

At the request of the Board, Mr. Connell commented on the proposed changes in the travel regulations, as outlined in the August 16 memorandum, and after discussion the regulations were approved unanimously, effective August 17, 1961, with the understanding that all outstanding travel

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authorizations would be amended in conformity with the revised regulations.

A copy of the regulations, as approved, is attached as Item No. 3.

The meeting then adjourned.

Secretary's Note: Pursuant to recommendations contained in memoranda from appropriate individuals concerned, Governor Balderston, acting in the absence of Governor Shepardson, today approved on behalf of the Board the following actions relating to the Board's staff:

Salary increases

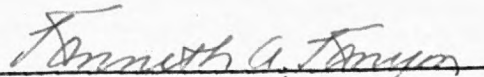
Evelyn M. Hurley, Economist, Division of Research and Statistics, from \$8,340 to \$8,955 per annum, effective August 20, 1961.

Marian Jean Kline, from \$3,865 to \$4,040 per annum, with change in title from Draftsman-Trainee to Draftsman, Division of Research and Statistics, effective August 20, 1961.

Acceptance of resignations

Lindsay M. Catterton, Library Assistant, Division of Research and Statistics, effective at the close of business September 15, 1961.

George J. Viksnins, Research Assistant (Summer), Division of Research and Statistics, effective at the close of business September 8, 1961.


Assistant Secretary

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Item No. 1
8/17/61

WASHINGTON 25, D. C.

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 17, 1961

Mr. Delos C. Johns, President,
Federal Reserve Bank of St. Louis,
P. O. Box 442,
St. Louis 66, Missouri.

Dear Mr. Johns:

This refers to your letter of August 4, 1961, concerning the proposed addition and alterations to the Little Rock Branch building.

The Board authorizes your Bank to proceed with the employment of architects and the preparation of preliminary plans and specifications for an addition to and alterations of the Little Rock Branch building, as outlined in your letter.

In accordance with the Board's letter of July 13, 1961, and the National Shelter Policy, it is assumed that consideration will be given to the inclusion of fallout shelter as an alternate in the preliminary plans.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 2
8/17/61

OFFICE OF THE CHAIRMAN

August 17, 1961.

The Honorable H. W. Brawley,
Acting Postmaster General,
Post Office Department,
Washington 25, D. C.

Dear Mr. Brawley:

This refers to your letter of August 11 advising of certain changes in the registered mail rates applicable to Federal Reserve shipments of currency and coin.

It is understood that during the recent discussion between members of the Board's staff and Assistant Postmaster General Nicholson, referred to in your letter, estimates were given that the rate changes would increase the cost of shipments from Federal Reserve Banks by about \$700,000 per year and would reduce the cost of shipments of new currency from Washington by about \$400,000 per year. It is also understood that the Board's representatives expressed some concern over the increase in the cost of shipments from Federal Reserve Banks, and mentioned the possibility that such a sizable increase might cause Reserve Banks to give consideration to the desirability of expanding the use of armored car services for the movement of currency and coin.

Your letter states that continued use of the postal registry service by the Federal Reserve System is in the national interest, and expresses the hope that any evaluation of the effect of the rate changes, or of possible substitution of other transportation services, will consider the net impact on the Federal budget. You may be assured that these views will be given earnest and sympathetic consideration; however, the Board believes that there are other factors that also need to be taken into account.

The Board and the managements of the various Federal Reserve Banks are charged with the responsibility of seeing that they are efficiently and economically operated. The Board feels that such responsibilities make it incumbent upon the management of a Reserve Bank to consider the cost

The Honorable H. W. Brawley

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savings and improved service that might result from the use of armored car services, as well as the impact such use might have on the Federal budget.

Copies of your August 11 letter and of this reply are being furnished to the President of each Federal Reserve Bank.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.

Item No. 3
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BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

TRAVEL REGULATIONS EFFECTIVE AUGUST 17, 1961

Reimbursement for expenses of persons traveling on official business of the Board shall be as follows:

SECTION A

Members of the Board

1. Members of the Board shall be allowed either (a) actual necessary transportation expenses and a per diem in lieu of subsistence not to exceed \$20, except that when traveling outside the continental United States per diem in lieu of subsistence may be claimed in accordance with the Standardized Government Travel Regulations, or (b) actual necessary travel expenses. Members of the Board shall also be allowed such incidental expenses as may be necessary for the transaction of official business while in a travel status.

SECTION B

Members of the StaffTravel within the continental United States

1. Members of the official staff, traveling pursuant to authorization by the Board Member in charge of administration (hereinafter referred to as the designated Board Member) shall be allowed either (a) actual necessary transportation expenses and a per diem in lieu of subsistence not to exceed \$16, or (b) actual necessary travel expenses.

2. Employees traveling pursuant to authorization by the Head of the Division shall be allowed (a) actual necessary transportation expenses and a per diem in lieu of subsistence not to exceed \$16, or, (b) upon authorization by the designated Board Member, actual necessary travel expenses.

Travel outside the continental United States

3. Travel on official business outside the continental United States shall be undertaken only when approved in advance by the Board of Governors. Reimbursement for

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expenses of such travel shall be in accordance with the Standardized Government Travel Regulations, and when, because of unusual circumstances, the prescribed per diem rate is substantially less than the amount required for actual subsistence expenses, the traveler may, when authorized, be allowed actual necessary travel expenses.

SECTION C

Other Persons

1. All other persons, including consultants, traveling on official business pursuant to authorization by the Head of the Division concerned, and applicants for positions traveling pursuant to authorization concurred in by both the Head of the Division concerned and the Division of Personnel Administration, shall be allowed (a) actual necessary transportation expenses and a per diem in lieu of subsistence not to exceed \$16, or, (b) upon authorization by the designated Board Member, actual necessary travel expenses.

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SECTION D

Definitions and Miscellaneous Provisions

1. Actual necessary transportation expenses

a. The term "actual necessary transportation expenses" includes the cost of official travel by railroad, airline, steamer, bus, streetcar, taxicab, automobile, and other means of conveyance. In the case of railroad travel, it also includes standard lower berth, roomette, or seat, except that a superior accommodation obtainable in connection with a single fare may be allowed when this is the lowest priced first-class accommodation available and a notation to that effect is made on the travel voucher.

b. Members of the Board and of the official staff may be allowed any Pullman accommodations obtainable in connection with a single fare, and, when a single bedroom is not available, Members of the Board may be allowed the extra expense necessary to obtain such accommodations as are available.

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c. The term "actual necessary transportation expenses" also includes reasonable expenditures for the ordinary incidentals to transportation which are not covered by the definition of per diem in lieu of subsistence, such as cost of baggage transfer; official telegraph, telephone, radio, and cable messages relating to transportation; and taxicab, streetcar, or bus fares from or to transportation terminal and place of abode or business while in a travel status. In addition to the actual taxicab fare, reimbursement may be allowed for tip of 10¢ where the fare is \$1 or less, or 10% of the fare increased to the next multiple of 5¢ where the fare exceeds \$1. When claimed, such tip shall be shown as a separate item in the travel voucher.

d. In lieu of the use of taxicab from or to transportation terminal and place of abode or business, mileage at the rate of 12¢ per mile may be allowed traveler for one-way or round-trip use of a privately owned automobile between these points provided the amount of reimbursement does not in either instance exceed taxicab fare, including allowable tip, for a one-way trip between the same points.

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e. When authorized to use a privately owned automobile in official travel, the traveler may be allowed mileage at a rate not to exceed 12¢ per mile, plus parking fees, ferry fares, and bridge, road and tunnel tolls. When such mode of transportation is not necessary but is for the personal convenience of the traveler, reimbursement for cost of travel by automobile, within the foregoing limitation, shall, for persons referred to in Sections B and C, not exceed allowable costs for travel by railroad for all persons officially traveling in the same vehicle.

f. When savings can be effected by the purchase of round-trip or special-rate tickets, they shall be obtained.

g. Extra expense incurred by persons referred to in Section B by reason of travel on extra-fare trains and planes, or unusual means of conveyance, will be allowed only when the travel voucher is accompanied by a satisfactory explanation of the necessity therefor, or shows that the cost thereof, less the amount of subsistence allowance saved by more expeditious travel and the amount of salary

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of the traveler for the time thus saved, does not exceed the standard cost of rail and Pullman or airline fare between the points of travel.

2. Per diem in lieu of subsistence

a. The term "per diem in lieu of subsistence" includes all meals; lodgings; use of room during daytime; all fees and tips to waiters, porters, baggagemen, bell boys, hotel maids, etc.; telegrams and telephone calls reserving hotel accommodations; laundry; cleaning and pressing of clothing; and transportation between places of lodging or where meals are taken and places of duty.

b. When meals are included in the cost of passage ticket on vessels, per diem in lieu of subsistence will not be allowed while traveler is on shipboard. For such period the traveler may be allowed actual necessary travel expenses.

c. When a member of the Board's staff finds it necessary to take leave of absence on account of illness while in travel status, he may, with the approval of the designated Board Member in the case of officials, and with

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the approval of the Head of the Division in the case of employees, be allowed per diem in lieu of subsistence during such absence, except that for employees, if the illness extends beyond one week, the traveler may be allowed per diem in lieu of subsistence for such additional period as may be approved by the designated Board Member.

3. Actual necessary travel expenses

a. The term "actual necessary travel expenses" includes all expenditures covered by the definitions of (1) actual necessary transportation expenses and (2) per diem in lieu of subsistence. The items of expense shall be shown in detail in the travel voucher and shall be supported by satisfactory receipts.

4. Miscellaneous

a. The term "continental United States" means the District of Columbia and the States other than Alaska and Hawaii.

b. When hotel or other accommodations are shared by the traveler, the fact should be stated in his travel voucher and amount claimed should not exceed the cost of single occupancy of such accommodations.

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c. Whenever travel by others than Members of the Board is contemplated, a memorandum in a form provided for the purpose shall be submitted in advance of the trip for approval by the designated Board Member or by the Division Head, whichever is necessary to comply with Section B.

d. Reimbursement for expenses for official travel within the continental United States not specifically covered by these regulations shall be in accordance with the Standardized Government Travel Regulations.