

Minutes for August 28, 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.

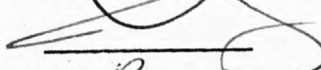
It is not proposed to include a statement with respect to any of the entries in this set of minutes in the record of policy actions required to be maintained pursuant to section 10 of the Federal Reserve Act.

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



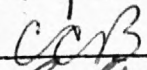
Gov. Mills



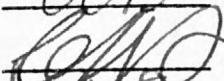
Gov. Robertson



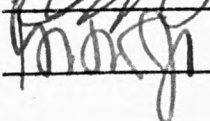
Gov. Balderston



Gov. Shepardson



Gov. King



Minutes of the Board of Governors of the Federal Reserve System  
on Monday, August 28, 1961. The Board met in the Board Room at 10:00 a.m.

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

Mr. Kenyon, Assistant Secretary  
Mr. Young, Adviser to the Board and Director,  
Division of International Finance  
Mr. Fauver, Assistant to the Board  
Mr. Solomon, Director, Division of Examinations  
Mr. Connell, Controller  
Mr. Chase, Assistant General Counsel  
Mr. Furth, Adviser, Division of International  
Finance  
Mr. Leavitt, Assistant Director, Division of  
Examinations  
Mr. Sprecher, Assistant Director, Division of  
Personnel Administration  
Mr. Spencer, General Assistant, Office of the  
Secretary  
Mr. Young, Assistant Counsel  
Mr. Potter, Assistant Counsel

Discount rates. The establishment without change by the Federal Reserve Banks of New York, Philadelphia, Cleveland, Richmond, Kansas City, and Dallas on August 24, 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 members of the Board and copies of which are attached to these minutes under the respective item numbers indicated, were approved unanimously:

Item No.

Letter to Manufacturers Trust Company, New York, New York, approving an extension of time to establish a branch at 515 Madison Avenue, Borough of Manhattan.

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	<u>Item No.</u>
Letter to First National Bank of Arlington, Arlington, Virginia, approving its application for limited fiduciary powers.	2
Letter to Wells Fargo Bank American Trust Company, San Francisco, California, approving the establishment of a branch at 1702 Tennessee Avenue, in Vallejo, rather than in the vicinity of Solano Avenue and Georgia Street.	3
Telegram to the Federal Reserve Bank of New York approving a loan on gold to the Central Bank of Costa Rica.	4
Telegram to the Federal Reserve Bank of New York authorizing it to open and maintain an account in the name of the Leopoldville Office of the Monetary Council of the Congo.	5
Telegram to the Federal Reserve Bank of San Francisco advising that a bank loan for the purpose of purchasing shares of Life Insurance Investors, Inc., would not appear to be subject to Regulation U.	6
Letter to the Federal Reserve Bank of Chicago approving the payment of salaries to certain officers at the rates fixed by the Bank's Board of Directors.	7

Report on competitive factors (Mount Vernon-Danville, Ohio). A draft of report to the Comptroller of the Currency on the competitive factors involved in the proposed purchase of assets and assumption of liabilities of The Danville Bank, Danville, Ohio, by The First-Knox National Bank of Mount Vernon, Mount Vernon, Ohio, had been distributed with a memorandum from the Division of Examinations dated August 22, 1961.

Governor Mills commented that the report, as drafted, made only passing reference to the fact that The Knox County Savings Bank, also in Mount Vernon, was affiliated with a bank holding company, BancOhio

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Corporation. In checking a map showing the geographic location of banks operated by BancOhio, he had observed that that Corporation also operated banks in three counties abutting on Knox County. It was his feeling that it would be desirable to take cognizance of that fact and to indicate that the proposed transaction might intensify competition with The Knox County Savings Bank.

In discussion, it was agreed that certain changes would be made in the report in recognition of the point raised by Governor Mills. With this understanding, the report was approved unanimously for transmittal to the Comptroller. The conclusion of the report, as transmitted, read as follows:

The proposed purchase of assets and assumption of liabilities of The Danville Bank, Danville, Ohio, by The First-Knox National Bank of Mount Vernon, Mount Vernon, Ohio, would not result in the elimination of a significant amount of competition between the two institutions. It would expand the position of dominance in Knox County, of The First-Knox National Bank of Mount Vernon, with possible adverse effects on the remaining small independent bank in Danville. It might intensify competition with The Knox County Savings Bank, subsidiary of BancOhio Corporation.

Report on competitive factors (Hamilton-Oxford, Ohio). A draft of report to the Comptroller of the Currency on the competitive factors involved in the proposed purchase of assets and assumption of liabilities of The Oxford National Bank, Oxford, Ohio, by The First National Bank and Trust Company of Hamilton, Hamilton, Ohio, had been distributed with a memorandum from the Division of Examinations dated August 23, 1961.

The report, in which the conclusion read as follows, was approved unanimously for transmission to the Comptroller:

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The proposed purchase of assets and assumption of liabilities of The Oxford National Bank by The First National Bank and Trust Company of Hamilton would eliminate very little competition as little exists between the two banks. While the proposal would enhance the latter bank's area of competition, it does not appear that the general banking situation would be significantly altered or that other banks would be unduly affected.

Messrs. Furth, Leavitt, and Potter withdrew from the meeting at this point.

Legislation regarding investment of idle funds. There had been distributed a memorandum dated August 24, 1961, prepared by Mr. Young, Assistant Counsel, regarding a request for a report on suggested State legislation authorizing investment of idle funds by local governmental units.

As stated in the memorandum, in a letter dated August 18, 1961, the Bureau of the Budget requested the views of the Board on proposed State legislation suggested by the Advisory Commission on Intergovernmental Relations for consideration by the Council of State Governments. The proposal under consideration, if adopted by the States, would authorize local governmental units or political subdivisions to invest idle funds in interest-bearing accounts or investments. Investments would be authorized, specifically, in (1) obligations of the United States, (2) bonds or certificates of indebtedness of the particular State and of its agencies and instrumentalities, and (3) shares of building and loan associations insured by the Government of the United States up to the amount so

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insured. A proposed reply, submitted with Mr. Young's memorandum, would indicate that the Board had no objection to the suggested legislation.

In discussion, question was raised by Governor Balderston as to the appropriateness of that part of the proposal which would authorize investment of idle funds in shares of building and loan associations. He suggested that at the least the reply to the Budget Bureau might be changed editorially to state that the Board would "interpose" no objection to the proposed legislation.

This led to a rather extended discussion during which it was brought out, among other things, that the proposed legislation would state that its provisions were not intended to impair the power of a local governmental unit to hold funds in deposit accounts with banking institutions. It was noted, also, that the proposed legislation would be in such form as to make it possible for individual States, in their discretion, to extend the list of authorized investments beyond the three forms of investment specifically mentioned. This suggested the possibility of a reply to the Budget Bureau which would question the specific authorization for investment of idle funds in shares of building and loan associations, although individual States could augment the list of authorized investments in such manner if they saw fit. At the conclusion of the discussion, it was understood that an alternative draft of reply along such lines would be prepared for the Board's consideration.

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Organization manual. There had been distributed, with a memorandum from Governor Shepardson dated August 10, 1961, copies of a loose-leaf manual containing information on the basic and recurring programs of work of each division of the Board's organization.

In commenting, Governor Shepardson noted that prior to this time there had not been any one document that outlined the recurring activities and responsibilities of the various divisions of the Board. Each year the budgets of the respective divisions presented some information of this type, but in no place was there drawn together a complete listing of all the activities. The Office of the Controller felt that it would be helpful if the manual were in loose-leaf form, in order that it might be kept current, and the availability of the manual would eliminate the necessity for repetitive statements in the budget each year.

Governor Shepardson recommended adoption of the manual as an official document for the information and guidance of the Board and its official staff, with the understanding that the Controller would be charged with the responsibility for its maintenance on a current basis.

Following a brief discussion in which it was agreed that editorial changes would be made relating to the presentation of certain functions of the Division of Personnel Administration and the Office of the Controller, the manual was approved unanimously, with the understanding it would be used and maintained in the manner indicated by Governor Shepardson.

The meeting then adjourned.

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Secretary's Notes: Pursuant to recommendations contained in memoranda from appropriate individuals concerned, Governor Balderston, acting in the absence of Governor Shepardson, approved on behalf of the Board on August 24, 1961, the following actions relating to the Board's staff:

Appointment

James S. Nystrom as Economist in the Division of Research and Statistics, with basic annual salary at the rate of \$6,435, effective the date of entrance upon duty.

Leave without pay

Katherine P. Hichborn, Secretary, Division of International Finance, for the period September 5 through October 1, 1961.

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

Salary increases, effective September 3, 1961

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Office of the Secretary</u>			
Audrey A. Taylor, Records Clerk		\$ 4,250	\$ 4,355
<u>Research and Statistics</u>			
Ann R. Clary, Librarian		5,685	5,850
Mona Dingle, Chief, Consumer Credit and Finances Section		14,705	15,030
Robert M. Steinberg, Economist		6,600	6,765
<u>International Finance</u>			
Edwin A. Anderson, Economist		10,895	11,155
Paul Gekker, Economist		12,210	12,470
Ralph C. Wood, Chief, European Section		14,705	15,030



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Salary increases, effective September 3, 1961 (continued)

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
	<u>Bank Operations</u>		
Edwin G. White, Analyst		\$ 7,095	\$ 7,260
	<u>Examinations</u>		
Ralph C. Maurer, Review Examiner		10,635	10,895

Advance of sick leave

Frances Skehan, Statistical Assistant, Division of Research and Statistics, for the period August 21 (one hour) through September 29, 1961.

Acceptance of resignations

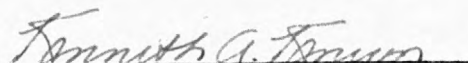
Roland I. Robinson, Adviser, Division of Research and Statistics, effective at the close of business August 31, 1961.

Loreto J. Clavelli, Property Clerk, Division of Administrative Services, effective at the close of business September 1, 1961.

Peter C. Fulghum, Property Clerk, Division of Administrative Services, effective at the close of business August 30, 1961.

K. Edwin Keen, Jr., Supply Clerk, Division of Administrative Services, effective at the close of business September 8, 1961.

Harry G. Felix, Budget and Planning Assistant, Office of the Controller, effective at the close of business September 4, 1961.

  
Assistant Secretary

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

Item No. 1  
8/28/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

August 28, 1961

Board of Directors,  
Manufacturers Trust Company,  
New York, New York.

Gentlemen:

The Board of Governors of the Federal Reserve System extends to June 4, 1962, the time within which Manufacturers Trust Company, New York, New York, may establish a branch at 515 Madison Avenue, Borough of Manhattan, New York, New York.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,  
Assistant Secretary.

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

Item No. 2  
8/28/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

August 28, 1961



Board of Directors,  
First National Bank of Arlington,  
Arlington, Virginia.

Gentlemen:

The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers in a specific case and grants First National Bank of Arlington the right to act, when not in contravention of State or local law, as transfer agent and escrow agent for shares of stock issued, under declaration of trust dated July 14, 1961, by American Realty Trust. The rights so granted may be exercised only to the extent that State banks, trust companies or other corporations which come into competition with national banks are permitted so to act under the laws of the State of Virginia. The exercise of such rights also 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 certificate covering such authorization is enclosed.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,  
Assistant Secretary.

Enclosure

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM Item No. 3  
WASHINGTON 25, D. C. 8/28/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

August 28, 1961

Board of Directors,  
Wells Fargo Bank American Trust Company,  
San Francisco, California.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch at 1702 Tennessee Avenue, near the southeast corner of Tennessee Avenue and Tuolumne Street, Vallejo, Solano County, California, rather than in the vicinity of the intersection of Solano Avenue and Georgia Street, Vallejo, California, under the authorization contained in the Board's letter of March 20, 1961. Authorization to establish the proposed branch will expire one year from March 20, 1961.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,  
Assistant Secretary.

T E L E G R A M  
LEASED WIRE SERVICE

Item No. 4  
8/28/61

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTON

August 28, 1961

SANFORD - NEW YORK

Your wire August 24. Board approves granting of loan on gold up to a total of \$2 million by your Bank to the Banco Central de Costa Rica on the following terms and conditions:

- (a) To be made up to 98 per cent of the value of gold bars set aside in your vaults under pledge to you;
- (b) To mature in three months with option to repay at any time before maturity, both the advances and repayments to be made in multiples of \$100,000;
- (c) To bear interest at the discount rate of your Bank in effect on the date on which such loan or loans are made; and
- (d) To be requested and made at any time during the month beginning with the date of the Banco's acceptance of your terms and conditions.

It is understood that the usual participation will be offered to the other Federal Reserve Banks.

(Signed) Kenneth A. Kenyon

KENYON

TELEGRAM  
LEASED WIRE SERVICEItem No. 5  
8/28/61BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTON

August 28, 1961

SANFORD - NEW YORK

Your wire August 24. Board approves the opening and maintenance of an account on your books in the name of the Leopoldville Office of the Conseil Monetaire de la Republique du Congo (Monetary Council of the Congo), 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) Kenneth A. Kenyon

KENYON

TELEGRAM  
LEASED WIRE SERVICE

Item No. 6  
8/28/61

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTON

August 29, 1961

Barrett - San Francisco

Reurtels of August 15 and 17, Life Insurance Investors, Inc., would at this time still not be included in the Board's List of Redeemable Securities of Certain Investment Companies on the basis of facts stated. Therefore, list may be relied upon in this case in accordance with section 221.3(c) of Regulation U.

(Signed) Kenneth A. Kenyon

Kenyon

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

Item No. 7  
8/28/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

August 28, 1961

CONFIDENTIAL (FR)

Mr. Carl E. Allen, President,  
Federal Reserve Bank of Chicago,  
Chicago 90, Illinois.

Dear Mr. Allen:

The Board of Governors approves the payment of salaries to the following officers of the Federal Reserve Bank of Chicago for the period September 1 through December 31, 1961, at the rates indicated, which are the rates fixed by the Board of Directors as reported in your letter of August 17, 1961:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
E. T. Baughman	Vice President	\$20,000
Karl A. Scheld	Assistant Cashier	10,500

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.