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Minutes for September 29, 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

M

Gov. Mills

[Signature]

Gov. Robertson

R

Gov. Balderston

[Signature]

Gov. Shepardson

[Signature]

Gov. King

[Signature]

Gov. Mitchell

[Signature]

Minutes of the Board of Governors of the Federal Reserve System on Friday, September 29, 1961. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Balderston, Vice Chairman  
Mr. Mills  
Mr. Robertson  
Mr. Shepardson  
Mr. Mitchell

Mr. Sherman, Secretary  
Mr. Thomas, Adviser to the Board  
Mr. Young, Adviser to the Board and Director,  
Division of International Finance  
Mr. Shay, Legislative Counsel  
Mr. Molony, Assistant to the Board  
Mr. Fauver, Assistant to the Board  
Mr. Noyes, Director, Division of Research  
and Statistics  
Mr. Holland, Adviser, Division of Research  
and Statistics  
Mr. Koch, Adviser, Division of Research and  
Statistics  
Mr. Landry, Assistant to the Secretary  
Mr. Eckert, Chief, Banking Section, Division  
of Research and Statistics  
Mr. Yager, Economist, Division of Research  
and Statistics

Money market review. Mr. Yager reported on money market conditions, referring in the course of his comments to the recently announced forthcoming cash financing by the Treasury. Mr. Eckert then reviewed recent developments with respect to bank reserves, bank credit, and the money supply.

At the conclusion of these reports all members of the staff except Messrs. Sherman and Landry withdrew and the following entered the room:

Mr. Hackley, General Counsel  
Mr. Solomon, Director, Division of Examinations  
Mr. Johnson, Director, Division of Personnel  
Administration

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Mr. Kelleher, Director, Division of  
Administrative Services  
Mr. Harris, Coordinator of Defense Planning  
Mr. Leavitt, Assistant Director, Division of  
Examinations

Discount rates. The establishment without change by the Federal Reserve Banks of New York, Cleveland, Richmond, Chicago, St. Louis, Minneapolis, Kansas City, and Dallas on September 28, 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.

Call for reports of condition. The heads of the three Federal bank supervisory agencies having selected September 27, 1961, as the date for insured banks to make reports of condition, a telegram was sent by the Secretary of the Board to the Presidents of all Federal Reserve Banks on September 28, 1961, requesting that a call be made upon all State member banks on October 3, 1961, for reports of condition as of the close of business on the date indicated.

The action taken in sending the telegram was ratified by unanimous vote.

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:

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	<u>Item No.</u>
Letter to First Trust & Deposit Company, Syracuse, New York, approving the establishment of a branch in the Seneca Knolls Shopping Center, Town of Van Buren.	1
Letter to First State Bank of Uvalde, Uvalde, Texas, waiving the requirement of six months' notice of withdrawal from membership in the Federal Reserve System.	2
Letter to the Comptroller of the Currency recommending favorably with respect to an application to organize a national bank in San Francisco, California.	3
Letter to the Federal Reserve Bank of St. Louis approving the payment of salary to two officers at the rates fixed by the Bank's Board of Directors.	4

In connection with Item No. 1, a letter to First Trust & Deposit Company, Syracuse, New York, approving the establishment of a branch, Governor Mitchell inquired as to the policy of giving priority to an application for a branch when, as in the instant case, the first of two applications was made by the largest bank in the area. His point was that this priority arrangement might give larger banks an undesirable preference in some cases. Discussion of this point brought out that in this case the difference in size between the two banks seeking branches in the area was not great. It was noted further that, generally speaking, the larger the bank the greater was its tendency toward aggressiveness in establishing branches, particularly where it was experiencing a growth in that portion of its business originating in a newly developed area, which

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was the situation with respect to applicant's business in the shopping center concerned. The view was advanced that banking competition might be adversely affected by a policy of consistently approving branch applications of larger banks where the element of priority of application was involved but that no clear solution to this problem was apparent.

Mr. Leavitt withdrew from the meeting at this point.

Procedure in regard to meetings with Presidents' Conference

(Item No. 5). There had been distributed under date of September 27, 1961, a memorandum from Mr. Sherman transmitting a copy of a letter from Mr. Bryan, Chairman of the Conference of Presidents, dated September 15, 1961, concerning Item 7 of the topics submitted in a memorandum by the Conference to the Board following the meeting of the Conference on September 11 prior to what was to have been a joint meeting on September 12. No joint meeting had been held, however, pursuant to an understanding between Chairman Martin and Mr. Bryan, and Mr. Bryan had written in his capacity as Chairman of the Conference with reference to the Board's letter of August 17, 1961, asking that the Conference explore mutually advantageous alternatives to the existing procedure under which the joint meetings of the Board and Presidents follow so closely after the Conference and Federal Open Market Committee meetings.

It was noted in the memorandum from the Conference that the Presidents had considered several alternatives and concluded that perhaps

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the most satisfactory approach, taking the various factors into account, was to divide the joint meeting agenda into two groups: (1) Items of a pressing nature requiring the immediate attention of the Board, concerning which the Board would be given at least 24 hours notice that the problem was of an emergency nature. It was expected that items of this kind would be few in number and would be discussed the day following a meeting of the Conference of Presidents. (2) Other items which the Conference would call to the attention of the Board, and which might be discussed or, if the Board wished, appropriately delayed until the next time the Presidents were assembled in Washington. In his letter of September 15 Mr. Bryan stated that the Presidents were opposed, except possibly in rare and exceptional cases, to staying over an extra day as an alternative to the present arrangement.

Governor Balderston noted that at the Board meeting on August 8, 1961, reference had been made to the insufficiency of time for Board members adequately to study the topics considered by the Presidents' Conference and the action taken thereon by the Conference the day preceding joint meetings with the Board. The suggestion made by the Conference of Presidents was designed to cure this procedural problem.

Governor Mills stated that, since the Board had raised the question of procedure with the Presidents in the first instance, it seemed appropriate to experiment with the suggestion that the Presidents had made.

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Other members of the Board having expressed similar views, it was understood that an appropriate letter would be sent to Mr. Bryan stating that the Board would be happy to experiment with the procedure outlined in the memorandum from the Presidents dated September 12, 1961, and referred to in Mr. Bryan's letter of September 15. A copy of the letter sent to Mr. Bryan as Chairman of the Conference of Presidents informing him of the foregoing action is attached as Item No. 5.

Question was then raised whether the Board desired a joint meeting with the Presidents for discussion of other topics in the memorandum of September 12 and, after a brief discussion, it was understood that no joint meeting need be arranged at this time and that the topics would be presented to the Board for its consideration in the customary manner.

In this connection, Governor Robertson said that he felt an effort should be made to bring all items listed by the Presidents and requiring Board consideration to the Board for discussion promptly, and there was general concurrence in this suggestion.

Mr. Hackley then withdrew from the meeting.

Fallout shelter survey. Governor Shepardson referred to discussion at the meeting on September 15, 1961, regarding provision of fallout shelter facilities in the Board's building or on property owned by the Board and located across "C" Street. He noted that in response to the request of the Board at that time the staff had made an investigation of

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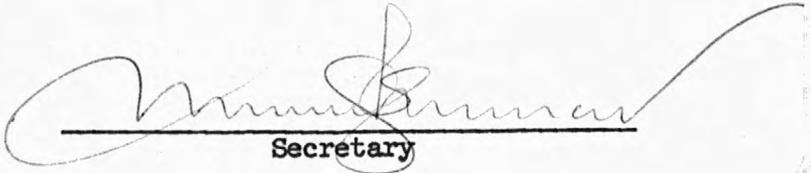
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the question and was ready to present plans for provision of such a shelter as soon as the Board was ready. He inquired as to the feeling of urgency attached by the Board to moving ahead on such a project which, if it utilized an area in the existing Board building, could be provided more promptly than if an alternative plan to provide a shelter in an annex to be constructed on the Board's "C" Street parking lot were used.

Following discussion it was understood that the matter would be considered by the Board during the week of October 2, 1961, prior to which there would be distributed to the members of the Board a staff memorandum with respect to a shelter survey.

The meeting then adjourned.

Secretary's Note: Governor Shepardson today approved on behalf of the Board letters to the Federal Reserve Banks of Cleveland and Richmond (attached Items 6 and 7) approving the appointment of Eugene Thomas Carter and James J. Duke as assistant examiners for the respective Banks.



Secretary

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

Item No. 1  
9/29/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

September 29, 1961



Board of Directors,  
First Trust & Deposit Company,  
Syracuse, New York.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of New York, the Board of Governors approves the establishment by First Trust & Deposit Company, Syracuse, New York, of a branch in the Seneca Knolls Shopping Center, on the east side of New York State Route No. 48, approximately 500 feet north of the intersection of Route No. 48 and Northrup Boulevard, (unincorporated area) Town of Van Buren, Onondaga County, New York, provided the branch is established within 12 months from the date of this letter.

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  
9/29/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

September 29, 1961



Board of Directors,  
First State Bank of Uvalde,  
Uvalde, Texas.

Gentlemen:

The Federal Reserve Bank of Dallas has forwarded to the Board of Governors your letter dated August 30, 1961, together with the accompanying resolution dated August 29, 1961, signifying your intention to withdraw from membership in the Federal Reserve System and requesting waiver of the six months' notice of such withdrawal.

In accordance with your request, the Board of Governors waives the requirement of six months' notice of withdrawal. Upon surrender to the Federal Reserve Bank of Dallas of the Federal Reserve Bank stock issued to your institution, such stock will be canceled and appropriate refund will be made thereon. Under the provisions of section 10(c) of the Board's Regulation H, your institution may accomplish termination of its membership at any time within eight months from the date the notice of intention to withdraw from membership was given.

It is requested that the certificate of membership be returned to the Federal Reserve Bank of Dallas.

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  
9/29/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

September 29, 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 June 19, 1961, enclosing copies of an application to organize a national bank at San Francisco, California, and requesting a recommendation as to whether or not the application should be approved.

A report of investigation of the application made by an examiner for the Federal Reserve Bank of San Francisco indicates generally favorable findings with respect to each of the factors usually considered in applications of this nature. Accordingly, the Board of Governors recommends favorable consideration of the proposal.

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  
9/29/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD



September 29, 1961

CONFIDENTIAL (FR)

Mr. Delos C. Johns, President,  
Federal Reserve Bank of St. Louis,  
St. Louis 66, Missouri.

Dear Mr. Johns:

The Board of Governors approves the payment of salary to Mr. Norman N. Bowsher as Assistant Vice President of the Federal Reserve Bank of St. Louis at the rate of \$14,500 per annum for the period October 1 through December 31, 1961. The Board also approves the payment of salary to Mr. John K. Ward as an Assistant Cashier, assigned to the Little Rock Branch, at the rate of \$9,500 per annum for the period November 1 through December 31, 1961.

The salary rates approved by the Board are those fixed by your Board of Directors as reported in your letter of September 14, 1961.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

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

Item No. 5  
9/29/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

October 13, 1961.



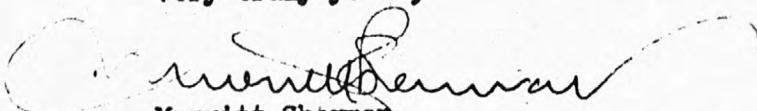
Mr. Malcolm Bryan, Chairman,  
Conference of Presidents of the  
Federal Reserve Banks,  
c/o Federal Reserve Bank of Atlanta,  
Atlanta 3, Georgia.

Dear Mr. Bryan:

The Board has considered your letter of September 15, 1961, in which you comment on the proposed change in arrangements for joint meetings of the Board of Governors and the Conference of Presidents, at which meetings the Presidents ordinarily present to the Board the topics that they have discussed in their separate meeting. The Board is favorably disposed toward the procedure outlined and, in conformance with the suggestion indicated in your letter and the memorandum from the Presidents dated September 12, 1961, would like to proceed on an experimental basis with such procedure.

It appears that joint discussion by the Board and the Presidents of topics listed in the memorandum submitted to the Board on September 12 is not required at this time. A letter was sent to the Presidents under date of October 6, 1961, regarding topic 5 relating to Cash Agent Indemnification, and advice of the Board's views on other topics calling for comment by the Board will be sent in due course.

Very truly yours,

  
Merritt Sherman,  
Secretary.

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

Item No. 6  
9/29/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

September 29, 1961

CONFIDENTIAL (FR)

Mr. Paul C. Stetzelberger, Vice President,  
Federal Reserve Bank of Cleveland,  
Cleveland 1, Ohio.

Dear Mr. Stetzelberger:

In accordance with the request contained in your letter of September 14, 1961, the Board approves the appointment of Eugene Thomas Carter as an assistant examiner for the Federal Reserve Bank of Cleveland. Please advise the effective date of the appointment.

It is noted that Mr. Carter is indebted to Central National Bank of Cleveland, Cleveland, Ohio, in the amount of \$575. Accordingly, the Board's approval of Mr. Carter's appointment is given with the understanding he will not participate in examinations of that bank until his indebtedness has been liquidated.

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. 7  
9/29/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

October 2, 1961

CONFIDENTIAL (FR)

Mr. John L. Nosker, Vice President,  
Federal Reserve Bank of Richmond,  
Richmond 13, Virginia.

Dear Mr. Nosker:

In accordance with the request contained in your letter of September 19, 1961, the Board approves the appointment of James J. Duke as an assistant examiner for the Federal Reserve Bank of Richmond, effective today.

It is noted that Mr. Duke is indebted to Virginia Trust Company, Richmond, Virginia, a nonmember bank, in the amount of \$280. Accordingly, the Board's approval of Mr. Duke's appointment is given with the understanding that he will not participate in any examination of that bank until his indebtedness has been liquidated.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,  
Assistant Secretary.