

Minutes of the Board of Governors of the Federal Reserve System
on Monday, November 6, 1961. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Mills
Mr. Robertson
Mr. Shepardson
Mr. Mitchell

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Shay, Legislative Counsel
Mr. Molony, Assistant to the Board
Mr. Fauver, Assistant to the Board
Mr. Hackley, General Counsel
Mr. Noyes, Director, Division of Research
and Statistics
Mr. Farrell, Director, Division of Bank
Operations
Mr. Solomon, Director, Division of
Examinations
Mr. Johnson, Director, Division of
Personnel Administration
Mr. Connell, Controller
Mr. Hexter, Assistant General Counsel
Mr. Hooff, Assistant General Counsel
Mr. Conkling, Assistant Director, Division
of Bank Operations
Mr. Daniels, Assistant Director, Division
of Bank Operations
Mr. Leavitt, Assistant Director, Division
of Examinations
Mr. Sprecher, Assistant Director, Division
of Personnel Administration
Mr. Young, Assistant Counsel
Mr. Fuerth, Legal Assistant
Mr. Langham, Chief, Call Report Section,
Division of Bank Operations
Mr. Achor, Review Examiner, Division of
Examinations

Items circulated to the Board. The following items, which had
been circulated to the members of 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 the Federal Reserve Bank of New York authorizing the Bank to proceed with alterations of the electrical system in the main New York building.	1
Letter to The Middle Tennessee Bank, Columbia, Tennessee, approving the establishment of a branch in the Columbia Plaza Shopping Center on West 7th Street.	2

Member Bank Call Report. After discussion, the Board approved unanimously the recommendation of the Division of Bank Operations, as stated in its circulated memorandum of October 24, 1961, that the format of the experimental Member Bank Call Report as of April 12, 1961, be adopted as the official report, effective with the September 27, 1961, call date and subject to the following modifications in the experimental format originally presented to the Board:

(1) All data pertaining to "split States" to be deleted from the main report and included in the supplement; the supplement to be published in limited quantities for distribution only within the Federal Reserve System, with appropriate restrictive phraseology printed on its cover.

(2) The identification of the report to be changed to "Summary Report, Assets and Liabilities of Member Banks."

Messrs. Daniels, Langham, and Achor then withdrew.

United Security Savings Account Plan. There had been distributed a draft of letter to the Federal Reserve Bank of Chicago relating to whether a proposed revision of the United Security Savings Account Plan of Citizens Bank and Trust Company, Park Ridge, Illinois, would conflict with the pending amendments to Regulation Q, Payment of Interest on Deposits, relating to the definition of savings deposits.

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After discussion of the language of portions of the proposed letter in the light of certain questions raised by Governor Mills, it was understood that a revised draft would be prepared for the Board's consideration.

Absorption of wire transfer charges (Item No. 3). There had been distributed copies of a memorandum from the Legal Division dated October 30, 1961, regarding the question, raised by a national bank in Odessa, Texas, through the Federal Reserve Bank of Dallas, whether its absorption for a customer of wire transfer charges imposed by a Federal Reserve Bank would represent an indirect payment of interest. Submitted with the memorandum were alternative drafts of reply, one of which would take the position that the charges in question were similar to exchange charges and should not be absorbed by the member bank; the other draft would take the position that these were normal banking services which the member bank need not charge for, even though they were of some cost to the bank.

After discussion, the second alternative draft of letter was approved unanimously. A copy of the letter sent pursuant to this action is attached as Item No. 3.

Messrs. Hexter and Conkling then withdrew.

Request of Congressman Patman (Item No. 4). In a letter dated September 29, 1961, Congressman Patman requested certain information on bank mergers disapproved by the Board during the period May 13-December 31, 1960, and approved or disapproved during the period

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January 1-September 25, 1961. For mergers that might be acted upon during the period September 25-December 31, 1961, Mr. Patman asked to be furnished similar information as soon as possible after each action was taken.

With a memorandum dated October 23, 1961, which had been distributed, the Division of Examinations submitted schedules providing the requested information on applications disapproved during 1960 and on applications approved and disapproved in 1961 through October 15. The information on mergers approved in 1961 was presented in the form in which it would appear eventually in the Board's Annual Report. However, if the information should be sent to Congressman Patman, the Division recommended that it not include the summaries of the respective competitive factor reports received from the Department of Justice.

In respect to merger applications denied, Congressman Patman had asked for the number disapproved because of (a) banking factors and (b) competitive factors. The proposed reply would point out that in the case of any merger application the Board is required by statute to consider all factors specified in the law, both banking and competitive, and to make its decision with the public interest in mind. In those applications where consent was not given to merge, the Board considered both banking and competitive factors. However, the Board had found competitive factors to be significant in all of the denials.

In discussion of the matter, Mr. Solomon noted that the request of Congressman Patman raised certain questions of policy for the Board's

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consideration, as follows: whether the Board would be agreeable to supplying information on the applications approved in 1961 in advance of publication of its Annual Report; whether the Board would want to include in its reply to Mr. Patman the summaries of the reports rendered by the Department of Justice on the respective cases; and whether the Board would want to furnish information on the applications disapproved in 1960 and 1961. He brought out that according to the procedures adopted by the Board on October 30, 1961, orders and supporting statements would henceforth be issued by the Board on all merger applications, whether approved or denied.

Upon consideration of these questions, it was the consensus that the material compiled for transmittal to Congressman Patman was satisfactorily responsive to his inquiry. As to the question of including the summaries of reports rendered by the Justice Department, it was noted that Mr. Patman had not asked for such summaries and that conceivably he had already obtained them direct from the Department. Hence, it was the view that they need not be included in the information furnished. As to the question of providing other information on approved mergers prior to its publication in the Annual Report, it was noted that henceforth this information would be published by the Board when each application was decided, that a statement had been furnished to Mr. Patman and released publicly on the Manufacturers Trust-Hanover merger, and that information on bank merger decisions perhaps could be

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regarded somewhat differently from other types of information ordinarily published in the Annual Report. As to the question of providing information on merger applications disapproved, no objection was seen to furnishing the desired information, particularly in view of the procedural policy agreed upon by the Board recently. However, it was the consensus that in the absence of a specific request, it would not be necessary to develop a "basis for disapproval" for inclusion in the material to be sent to Mr. Patman. (During the discussion of this point, Governor Mills raised the question whether the Board might not be in a better position if it detailed the reasons for disapproval. If that were done, the reasons could be weighed against the reasons for approval in those cases where consent was given, thus affording the reader of the material a better opportunity to understand the manner in which the Board was administering the powers vested in it under the law. Reasons advanced for not preparing and transmitting statements of the reasons for disapproval at this time were: such statements had not been specifically requested and the Board could reconsider the matter if there should be a specific request; such statements were not required by law to be prepared or published, and had not heretofore been prepared in the respective cases.)

There was general agreement that if the information requested by Congressman Patman were transmitted to him, it should likewise be furnished to other members of the Congress who might request it.

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However, it was not thought necessary to supply the information voluntarily to others, such as the Chairmen of the Banking and Currency Committees, at this time.

The language of the proposed explanatory note regarding the question whether rejected applications had been disapproved because of banking or competitive factors was regarded as satisfactory.

Accordingly, it was agreed to reply to Congressman Patman's letter in the manner proposed by the Division of Examinations. A copy of the letter sent pursuant to this action is attached as Item No. 4.

Mr. Leavitt then withdrew.

Conflict of interest statutes (Items 5 and 6). In a letter dated October 6, 1961, Chairman Dawson of the House Committee on Government Operations requested certain information regarding the practices and procedures of the Board with respect to the conflict of interest statutes, especially section 434 of the United States Criminal Code. There had been distributed a memorandum from the Legal Division dated October 27, 1961, relating to this matter. Submitted with it were drafts of (1) a proposed memorandum from the Board to all employees and consultants, and (2) a reply to Chairman Dawson. Revised drafts of the letter and proposed memorandum were subsequently distributed.

In discussion, certain changes in the language of the revised draft of proposed letter were agreed upon, following which the letter was approved unanimously along with the revised draft of memorandum to

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employees and consultants, it being understood that the reply would be sent after the memorandum had been distributed. Attached as Item No. 5 is a copy of the memorandum to employees and consultants, as distributed pursuant to the Board's action; attached as Item No. 6 is a copy of the reply to Chairman Dawson, as sent.

Messrs. Hooff, Young, and Fuerth then withdrew.

Seminar on regulation of bank competition. There had been circulated a memorandum from Messrs. Noyes and Solomon dated October 13, 1961, suggesting the arrangement of a seminar to bring together a small group of outstanding scholars in the field of the regulation of competition, in order to explore the possibilities for adapting the results of their research and experience to the investigation of competitive relationships in the banking area. It was suggested that the seminar participants be paid at the rate of \$75 per day plus transportation expenses and per diem. There had also been circulated a memorandum from the Division of Personnel Administration and the Office of the Controller dated October 19, 1961, recommending, for reasons stated, that the Board follow a policy of retaining economic consultants at a rate not to exceed \$50 per day pending a change in the Defense Production Act or the passage of other legislation allowing Government agencies to exceed such amount for such consultants.

At the request of the Board, Mr. Noyes outlined the purposes of the suggested seminar and referred to the type of individuals that

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it was hoped might participate. These, he noted, might include prominent lawyers as well as economists or others from the academic ranks.

From the ensuing discussion, there appeared to be general agreement on the part of the Board members with the idea of arranging a seminar of the kind suggested. On the question that had been raised with respect to remuneration, the point was made that individuals of the stature it was hoped to attract would ordinarily command a fee going well beyond even the \$75 per day mentioned in the memorandum from Messrs. Noyes and Solomon. Therefore, the reaction of persons invited to participate seemed likely to reflect considerations unrelated to the fee offered. Further, it was not apparent that such persons would have a sufficient self-interest in the subject to want to devote the time required for participation in a seminar such as suggested. However, there was agreement with a suggestion that the staff be requested to proceed with exploration of the possibility of assembling a group of recognized and competent persons for the purpose of the proposed seminar. Should this exploration prove fruitful and the seminar be arranged, Governor Robertson suggested that the Comptroller of the Currency and the directors of the Federal Deposit Insurance Corporation be invited to attend. No objection to the extending of such invitations was indicated, and reference also was made to the possibility of inviting appropriate officials of the Department of Justice.

The meeting then adjourned.

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

Letters to the Federal Reserve Banks of Philadelphia and San Francisco (attached Items 7 and 8) approving the appointment of Camille Louis Fondots and Robert L. Ruby as assistant examiners for the respective Banks.

Memorandum dated November 6, 1961, prepared by the Division of Personnel Administration with the concurrence of the Division of Administrative Services, recommending approval of a new Printing Grade Pay Schedule and changes in annual salary rates of the present incumbents of certain positions covered by that schedule, effective November 12, 1961. Copies of the schedule and a list of the approved salary changes are attached as Items 9 and 10, respectively.

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

Salary increases, effective November 12, 1961

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Board Members' Offices</u>			
Catherine B. Davian, Secretary		\$ 6,015	\$ 6,215
<u>Research and Statistics</u>			
Priscilla S. Goodby, Economist		6,435	6,600
Dorothy S. Projector, Economist		10,895	11,155
Gerald F. Millea, Chief, Division Administration Section		10,635	10,895
<u>Bank Operations</u>			
Helen Heacock, Statistical Clerk		4,460	4,565
<u>Administrative Services</u>			
Mary S. Keagan, Purchasing Assistant		5,655	5,820
Eugene E. Bishop, Guard		3,500	3,605

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Transfer

Gail K. DeLancey, from the position of Clerk-Stenographer in the Division of Personnel Administration to the position of Stenographer in the Legal Division, with no change in her basic annual salary at the rate of \$4,250, effective November 12, 1961.

Acceptance of Resignations

Lucy R. Scala, Stenographer, Legal Division, effective November 1, 1961.

June F. Quinn, Clerk-Stenographer, Division of Research and Statistics, effective at the close of business October 27, 1961.


Secretary



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

Item No. 1
11/6/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 6, 1961

Mr. H. H. Kimball, Vice President,
Federal Reserve Bank of New York,
New York 45, New York.

Dear Mr. Kimball:

This refers to your letter of October 24, 1961, submitting for the Board's consideration a proposal for alterations of the electrical system in the main New York building to double the present alternating current supply.

The Board authorizes your Bank to proceed with the project, as outlined in your letter, at an estimated cost of \$350,000, including engineering and contractors' fees.

It is noted that \$80,000 has been included in your Bank's 1962 expense budget for the first portion of the work, and that the remainder of the program will be undertaken in subsequent years.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Item No. 2
11/6/61

WASHINGTON 25, D. C.

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 6, 1961



Board of Directors,
The Middle Tennessee Bank,
Columbia, Tennessee.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Atlanta, the Board of Governors of the Federal Reserve System approves the establishment of a branch in the Columbia Plaza Shopping Center on West 7th Street, Columbia, Tennessee, by The Middle Tennessee Bank, provided the branch is established within six 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. 3
11/6/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 6, 1961



Mr. L. G. Pondrom, Vice President,
Federal Reserve Bank of Dallas,
Dallas 2, Texas.

Dear Mr. Pondrom:

This refers to your letter of August 24, 1961, enclosing copies of correspondence with The First National Bank of Odessa, Texas, regarding the absorption of wire transfer charges. It is understood that the member bank periodically is instructed by a customer to transfer funds from a demand deposit to the credit of the customer's account in a bank in another city, and such transfers are consummated through the El Paso Branch of your Bank which makes a charge against the member bank for this service. Four or five transfers are ordinarily made each month and the question is whether the absorption by the member bank of such transfer charges imposed by the Federal Reserve is in violation of the provisions of the law and Regulation Q prohibiting the payment of interest directly or indirectly by any device whatsoever on any demand deposit.

The Board, in an unpublished opinion (FRLS #6244), stated that where the bank merely agreed to refrain from making a charge against a customer for what might be regarded as normal banking functions or services, the cost to the bank of the service or benefit in question need not be regarded as constituting an indirect payment of interest within the provisions of the Regulation.

Although absorption of such wire transfer charges might be considered similar to absorption of exchange charges, it is the Board's opinion that such charges, unlike exchange charges, represent an expense incident to a normal banking function or service which the bank may refrain from charging to its customer. Accordingly, the absorption of wire transfer charges imposed by the Federal Reserve Bank for carrying out requests by the member bank for the transfer

Mr. L. G. Pondrom

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of funds, in the Board's opinion, should not be considered an indirect payment of interest by the member bank to or for the account of the depositor as compensation for use by the bank of funds constituting a deposit.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 4
11/6/61

OFFICE OF THE CHAIRMAN

November 9, 1961.

The Honorable Wright Patman,
House of Representatives,
Washington 25, D. C.

Dear Mr. Patman:

In response to your letter of September 29, 1961, requesting information about mergers, consolidations, and purchase and sale transactions, there are attached three schedules together with an explanatory note.

A copy of an amendment to the Board's Rules of Procedure, effective November 1, 1961, is attached for your information. Under the amended Rules the Board will issue, shortly after action on a merger application, an Order and accompanying Statement indicating the voting of members of the Board and the reasons for the Board's approval or disapproval. I will see that you are supplied with Orders and Statements for the period requested in your letter.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.

Enclosures.

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

Item No. 5
11/6/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 13, 1961

To All Employees and Consultants:

Attached is a memorandum from the Board to acquaint members of its staff and consultants with presently existing laws relating to conflict of interest and an attachment containing the full texts or relevant portions of each of the conflict of interest statutes. In addition, there is attached a copy of the Board's "Rules Relating To the Maintenance of the Confidential Character of System Affairs, and To Personal Financial Transactions and Other Outside Business Activities of Members of the Staff," which is required to be distributed to the Board's employees annually.

Division of Personnel Administration.

Attachments

To: All Employees and Consultants

Subject: Statutes relating
to conflicts of interest by
Government personnel

From: Board of Governors

The President of the United States on April 27, 1961, addressed a "SPECIAL MESSAGE ON CONFLICTS OF INTEREST" to the Congress. The purpose of this message was to call attention to the responsibilities of Government for maintaining the highest standards of ethical behavior by those who conduct the public business. The President reviewed existing provisions of law relating to the general subject of conflict of interest and at the same time stated that he was instructing each Cabinet Member and Agency Head to take steps designed to maintain high moral and ethical standards within his own department. The purpose of this memorandum is to acquaint members of the Board's staff and its consultants with each of the presently existing laws relating to conflict of interest.

There are seven such statutes of general application which relate to four basic problems (six of these statutes are a part of the United States Criminal Code and carry severe penalties for violation):

- (1) The Government employee who acts on behalf of the Government in a business transaction with an entity in which he has a personal economic stake. (18 U.S.C. 434)
- (2) The Government employee who acts for an outside interest in certain dealings with the Government. (18 U.S.C. 216, 281, 283)
- (3) The Government employee who receives compensation from a private source for his Governmental work. (18 U.S.C. 1914)
- (4) The former Government employee who acts in a representative capacity in certain transactions with the Government during a two-year period after the termination of his Government service. (18 U.S.C. 284, 5 U.S.C. 99)

CONFLICT OF INTEREST STATUTES

Whoever, being a Member of or Delegate to Congress, or a Resident Commissioner, either before or after he has qualified, or being an officer, employee, or agent of the United States, directly or indirectly takes, receives, or agrees to receive, any money or thing of value, for giving, procuring or aiding to procure to or for any person, any contract from the United States or from any officer, department or agency thereof; or

Whoever, directly or indirectly, offers, gives, or agrees to give any money or thing of value for procuring or aiding to procure, any such contract--

Shall be fined not more than \$10,000 or imprisoned not more than two years, or both; and be disqualified from holding any office of honor, profit, or trust under the United States.

The President may declare void any such contract or agreement. (18 U.S.C. 216)

Whoever, being a Member of or Delegate to Congress, or a Resident Commissioner, either before or after he has qualified, or the head of a department, or other officer or employee of the United States or any department or agency thereof, directly or indirectly receives or agrees to receive, any compensation for any services rendered or to be rendered, either by himself or another, in relation to any proceeding, contract, claim, controversy, charge, accusation, arrest, or other matter in which the United States is a party or directly or indirectly interested, before any department, agency, court martial, officer, or any civil, military, or naval commission, shall be fined not more than \$10,000 or imprisoned not more than two years, or both; and shall be incapable of holding any office of honor, trust, or profit under the United States. (18 U.S.C.281)

* * * * *

Whoever, being an officer or employee of the United States or any department or agency thereof, or of the Senate or House of Representatives, acts as an agent or attorney for prosecuting any claim against the United States, or aids or assists in the prosecution or support of any such claim otherwise than in the proper discharge of his official duties, or receives any gratuity, or any share of or interest in any such claim in consideration of assistance in the prosecution of such claim, shall be fined not more than \$10,000 or imprisoned not more than one year, or both. (18 U.S.C. 283)

* * * * *

(over)

Whoever, having been employed in any agency of the United States, including commissioned officers assigned to duty in such agency, within two years after the time when such employment or service has ceased, prosecutes or acts as counsel, attorney, or agent for prosecuting, any claims against the United States involving any subject matter directly connected with which such person was so employed or performed duty, shall be fined not more than \$10,000 or imprisoned not more than one year, or both. (18 U.S.C. 284)

Whoever, being an officer, agent or member of, or directly or indirectly interested in the pecuniary profits or contracts of any corporation, joint-stock company, or association, or of any firm or partnership, or other business entity, is employed or acts as an officer or agent of the United States for the transaction of business with such business entity, shall be fined not more than \$2,000 or imprisoned not more than two years, or both. (18 U.S.C. 434)

Whoever, being a Government official or employee, receives any salary in connection with his services as such an official or employee from any source other than the Government of the United States, except as may be contributed out of the treasury of any State, county, or municipality; or

Whoever, whether a person, association, or corporation, makes any contribution to, or in any way supplements the salary of, any Government official or employee for the services performed by him for the Government of the United States--

Shall be fined not more than \$1,000 or imprisoned not more than six months, or both. (18 U.S.C. 1914)

It shall not be lawful for any person appointed as an officer, clerk, or employee in any of the departments, to act as counsel, attorney, or agent for prosecuting any claim against the United States which was pending in either of said departments while he was such officer, clerk, or employee, nor in any manner, nor by any means, to aid in the prosecution of any such claim, within two years next after he shall have ceased to be such officer, clerk, or employee. (5 U.S.C. 99)

RULES RELATING TO THE MAINTENANCE OF
THE CONFIDENTIAL CHARACTER OF SYSTEM AFFAIRS, AND TO PERSONAL FINANCIAL
TRANSACTIONS AND OTHER OUTSIDE BUSINESS ACTIVITIES OF MEMBERS OF THE STAFF

The character of the Federal Reserve System requires the highest standards of conduct on the part of all persons who serve in the System.

Appropriate disciplinary action will follow for any member of the staff using confidential information, directly or indirectly, for the profit of himself or others, or for any other improper purpose.

All members of the staff shall understand clearly that they must not permit themselves to be placed in any position which might embarrass the System in the conduct of its operations or result in questions being raised as to the independence and honesty of their judgment in the discharge of their official responsibilities.

To insure such understanding, the Board of Governors has prescribed the following rules relating to the maintenance of the confidential character of System affairs, and to personal financial transactions and other outside business activities of members of the staff:

1. The affairs, actions, and activities of the System are confidential.
2. No member of the staff shall, except as may be necessary in the regular course of his work or as permitted by the Board, disclose or divulge to any unauthorized person any information obtained in the course of his work which in any way relates to the Board of Governors, Federal Reserve Banks, the United States Treasury, or other agencies of the Government, or other persons or organizations providing official information to the Board.
3. No member of the staff shall engage in speculative dealings (as distinguished from investment) in securities, commodities, real estate, money, exchange, etc.
4. Any borrowing by a member of the staff shall be on a basis that any securing of credit shall not be on terms more favorable than he would be given if he were not on the staff of the Board.
5. No member of the staff shall engage in any outside business without permission of the Board.

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

Item No. 6
11/6/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 15, 1961

The Honorable William L. Dawson,
Chairman,
Committee on Government Operations,
United States House of Representatives,
Washington 25, D.C.

Dear Mr. Chairman:

This is in response to your letter of October 6, 1961 requesting certain information regarding the practices and procedures of the Board with respect to the conflict of interest statutes referred to in your letter, especially section 434 of the United States Criminal Code.

In your letter, you also refer to the decision of the United States Supreme Court in United States v. Mississippi Valley Generating Company (364 U.S. 520 (1961)). That case in part involved the question whether a consultant acting as agent for the Government in the negotiation of a contract with a private business entity had violated section 434 of Title 18 U.S.C.

The Board has formally called the attention of all its staff to section 434 as well as the other conflict of interest statutes referred to in your letter.

The following are the answers to the specific questions which you have asked:

(1) There are enclosed two copies of the Board's memorandum to its staff with respect to the importance and implications of 18 U.S.C. 434 as well as other conflict of interest statutes.

(2) Board employees annually are provided with a copy of the Board's rules which, although making no specific reference to section 434, relate to personal financial transactions and other outside business activities of members of the Board's staff. Employees at the same time are required to file a report of such activities. These reports, upon receipt by the Board, are reviewed and approved or disapproved in writing to the employees. These forms are also provided to all new employees and to present employees who enter into additional or new outside business or

The Honorable William L. Dawson -2-

teaching activities other than at the time of the annual review. Two copies of the Board's rules on this subject and two copies of the form of report which the employees are required to sign are enclosed.

(3) The Board knows of no instances where a member of the Board's staff may have been in violation of section 434.

(4) The memorandum referred to in (1) will be brought to the attention of new employees at the time of their employment and annually to the attention of all employees.

(5) In addition to the action which the Board has taken as indicated above, it provides all of its employees with a copy of the CODE OF ETHICS FOR GOVERNMENT SERVICE which was endorsed by the Congress of the United States in Concurrent Resolution 175--85th Congress, two copies of which are enclosed for your ready reference.

(6) See above.

Sincerely,

(Signed) Wm. McC. Martin, Jr.

William McC. Martin, Jr.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM Item No. 7
WASHINGTON 25, D. C. 11/6/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 7, 1961

Mr. Joseph R. Campbell, Vice President,
Federal Reserve Bank of Philadelphia,
Philadelphia 1, Pennsylvania.

Dear Mr. Campbell:

In accordance with the request contained in
your letter of October 27, 1961, the Board approves the
appointment of Camille Louis Fondots as an assistant
examiner for the Federal Reserve Bank of Philadelphia.
Please advise 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 Item No. 8
WASHINGTON 25, D. C. 11/6/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 6, 1961

Mr. H. E. Hemmings, First Vice President,
Federal Reserve Bank of San Francisco,
San Francisco 20, California.

Dear Mr. Hemmings:

In accordance with the request contained in
your letter of October 24, 1961, the Board approves the
appointment of Robert L. Ruby as an assistant examiner
for the Federal Reserve Bank of San Francisco. Please
advise 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

Item No. 9
11/6/61PRINTING GRADE BASIC PAY SCHEDULE*

Basic Annual Pay Rates by Grade - Effective November 12, 1961

Note: This schedule applies to those positions in the Duplicating, Mail and Supply Section that perform the following kinds of lithographic work: Offset Printing, Offset Photography, Offset Composition, Photostat and Xerox Operation, Mimeograph Operation, Bindery Operation, and to the supervisor and assistant supervisor of those positions.

<u>Printing Grade</u>	<u>Step 1</u>	<u>Step 2</u>	<u>Step 3</u>
1			
2	\$2,912	\$3,058	\$3,203
3	3,141	3,307	3,474
	3,370	3,536	3,723
4	3,598	3,786	3,973
5	3,827	4,035	4,243
6	4,056	4,264	4,472
7			
8	4,285	4,514	4,724
9	4,534	4,763	4,992
	4,742	4,992	5,242
10			
11	4,971	5,242	5,512
12	5,221	5,491	5,762
	5,429	5,720	6,011
13			
14	5,678	5,970	6,261
15	5,907	6,219	6,531
	6,136	6,448	6,781
16			
17	6,365	6,698	7,030
18	6,594	6,947	7,301
	6,822	7,176	7,530
19			
20	7,051	7,426	7,800
21	7,301	7,675	8,050
	7,509	7,904	8,299

(This schedule supersedes the pay scale effective October 30, 1960)

* Incumbents of positions subject to this pay schedule are eligible for progress step increases within particular salary grades on the following basis:

For advancement to Step 2, after 26 weeks (6 months) satisfactory service in Step 1.

For advancement to Step 3, after 78 weeks (18 months) satisfactory service in Step 2.

Item No. 10
11/6/61

Budget Position Number	Employee	Position	Printing Grade/Step	Annual Salary Rates		Amount of Increase	% Inc.
				Present	Proposed		
1	Taylor, Franklin	Supv., Dup., Mail, Mess., & Supply Sec.	21/3	\$8008	\$8299	\$291	3.63%
2	Kopfman, Thomas V.	Asst. Supv., Dup., Mail, Mess., & Supply Sec.	19/3	7509	7800	291	3.88
3	Constable, Frank W.	Foreman-Operator	17/3	7010	7301	291	4.15
4	Johnson, Claiborne	Opr. (Offset Press)	16/3	6781	7030	249	3.67
5	Moffett, Bruce L.	Opr. (Offset Press)	16/3	6781	7030	249	3.67
6	Surguy, J. Robert	Clerk (Composition)	16/3	6781	7030	249	3.67
7	Dyson, Nelson S.	Photographer (Offset)	14/3	6261	6531	270	4.31
8	Cross, Edward	Photographer (Offset)	14/2	5970	6219	249	4.17
9	Berry, Benjamin D.	Foreman-Operator (Mimeograph)	9/3	5034	5242	208	4.13
10	Thompson, Abner	Operator (Multilith)	9/2	4784	4992	208	4.35
11	Barnes, Bricen	Bindery Helper and Operator (Mimeograph)	9/3	5034	5242	208	4.13
13	Bundy, Herbert W.	Operator (Dup. Devices)	7/3	4514	4724	210	4.65
14	Hart, Bishop	Bindery Worker	8/2	4555	4763	208	4.57
15	Faber, Philip D.	Operator (Xerox-Mimeo)	7/2	4445 ⁽¹⁾	4514	69	--
16	Jordan, James R.	Operator (Dup. Devices)	7/2	4306	4514	208	4.83
17	Turner, James R.	Operator (Offset Press and Multilith)	7/2	4306	4514	208	4.83
18	Dortch, Aaron	Operator (Mimeograph)	6/1	3869	4056	187	4.83

Total additional annual cost. . \$3853

Average percentage of increase. 4.2%

(1) This salary represented a "saved rate" which was \$139 above Step 2 of Printing Grade 7, the grade and step for which the incumbent qualifies by reason of his experience. The proposed Printing Grade Schedule adjustment would move the salary for this grade and step from \$4,306 to \$4,514, and thereby eliminate this "saved rate".