

1009
9/61

Minutes for November 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

Gov. Mitchell

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

PRESENT: Mr. Mills, Acting Chairman
Mr. Robertson
Mr. Shepardson
Mr. King
Mr. Mitchell

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Thomas, Adviser to the Board
Mr. Fauver, Assistant to the Board
Mr. Noyes, Director, Division of Research and
Statistics
Mr. Farrell, Director, Division of Bank Operations
Mr. Koch, Adviser, Division of Research and
Statistics
Mr. Spencer, General Assistant, Office of the
Secretary
Mr. Yager, Economist, Division of Research and
Statistics

Money market review. Mr. Yager commented on recent developments
in the money market, after which Mr. Thomas presented a report on bank
credit, the money supply, and related matters.

Following discussion based on those reviews, all of the members
of the staff except Messrs. Sherman, Kenyon, Fauver, Farrell, and Spencer
withdrew from the meeting and the following entered the room:

Mr. Solomon, Director, Division of Examinations
Mr. Johnson, Director, Division of Personnel
Administration
Mr. Hexter, Assistant General Counsel
Mr. Leavitt, Assistant Director, Division of
Examinations
Mr. Sprecher, Assistant Director, Division of
Personnel Administration
Mr. Hooff, Assistant General Counsel
Mr. Potter, Senior Attorney
Mr. Fuerth, Attorney

11/17/61

-2-

Discount rates. The establishment without change by the Federal Reserve Banks of New York, Philadelphia, and San Francisco on November 16, 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.

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|--|---|
| Letter to Riverside Trust Company, Hartford, Connecticut, approving the establishment of a branch in the vicinity of the intersection of LaSalle and Ellsworth Roads, West Hartford. | 1 |
| Letter to Security Trust Company of Rochester, Rochester, New York, approving the establishment of a branch at 293 East Main Street. | 2 |
| Letter to Wells Fargo Bank American Trust Company, San Francisco, California, approving the establishment of a branch in Red Bluff. | 3 |
| Letter to Wells Fargo Bank American Trust Company, San Francisco, California, approving the establishment of a branch in the vicinity of the intersection of Saratoga, Prospect, and Campbell Avenues, San Jose. | 4 |
| Letter to Alvin L. Gray, Esq., Cleveland, Ohio, regarding the application of Regulation T to personal lending activities of a securities dealer. | 5 |
| Letter to the Federal Reserve Bank of Dallas regarding the question whether the operation of an armored truck by a member bank to pick up deposits requires a separate branch permit for each stop. | 6 |

11/17/61

-3-

Item No.

7

Letter to the Federal Reserve Bank of Richmond approving revised salary structures at the head office and the Charlotte Branch effective December 29, 1961, and at the Baltimore Branch effective December 25, 1961.

In connection with Item No. 6, there was a general discussion of the questions presented by the use of armored truck service to pick up deposits. It was pointed out that this matter had been the subject of consideration by the bank supervisory agencies over a long period of time, and that the Board had reviewed the subject thoroughly in 1953 and concluded that branch banking was involved. It was known that this service was being rendered by certain banks in New Jersey, and possibly one or two other places, without branch authorization. Efforts had been made by the Federal supervisory agencies, in consultation with the New Jersey State authorities, to bring about a correction of this condition. For various reasons, however, the New Jersey authorities had demurred from participating in corrective steps, and the matter had never been brought to a conclusion.

With respect to Item No. 7, attention was directed by Mr. Johnson to the salary structure at the Baltimore Branch, where the only changes proposed were in certain of the higher grades. While this structure was slightly higher than the proposed head office structure, it would be below the local market, as indicated by the community survey undertaken earlier this year. Therefore, the Personnel Division felt

11/17/61

-4-

that the subject should be discussed with the Richmond Bank informally when it next conducted a survey. At the present time, however, the rate of employee turnover was at an all-time low, and the branch was not experiencing any difficulty in recruiting employees. This situation apparently had some relationship to the degree of unemployment in the Baltimore area. On balance, therefore, the Division recommended approval of the Baltimore structure. Comments by members of the Board reflected no different opinion.

The meeting then adjourned.

Secretary's Note: 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:

Appointment

Mary L. Scott as Records Clerk, Office of the Secretary, with basic annual salary at the rate of \$4,145, effective the date of entrance upon duty.

Salary increase

Nyart S. Sharigan, Secretary, Division of International Finance, from \$5,820 to \$6,015 per annum, effective November 26, 1961.

Salary increases with change in titles

Margaret J. Molster, from \$5,820 to \$6,015 per annum, with a change in title from Assistant Supervisor, Administrative Subject and FOMC Files, to Supervisor, Subject Files, Office of the Secretary, effective November 26, 1961.

11/17/61

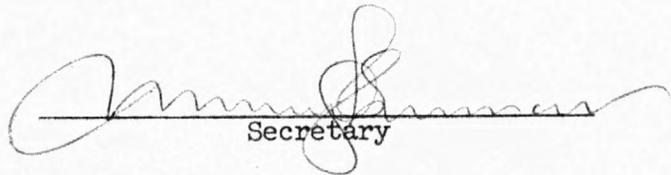
-5-

Salary increases with change in titles (continued)

Lillie B. Brow, from \$5,335 to \$5,655 per annum, with a change in title from Senior Records Clerk to Assistant Supervisor, Subject Files, Office of the Secretary, effective November 26, 1961.

Permission to engage in outside activity

Paul Gekker, Economist, Division of International Finance, to accept appointment as Consultant in Soviet Economics at George Washington University.


Secretary

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

Item No. 1
11/17/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 17, 1961

Board of Directors,
Riverside Trust Company,
Hartford, Connecticut.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch in the vicinity of the intersection of LaSalle and Ellsworth Roads, West Hartford, Connecticut, by Riverside Trust Company, Hartford, Connecticut, provided the branch is established within one year 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
11/17/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 17, 1961

Board of Directors,
Security Trust Company of Rochester,
Rochester, New York.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch by Security Trust Company of Rochester, Rochester, New York, at 293 East Main Street, Rochester, New York, provided the branch is established within one year 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
11/17/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 17, 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 in the vicinity of the downtown business area of Red Bluff, Tehama County, California, by Wells Fargo Bank American Trust Company, provided the branch is established within one year 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. 4
11/17/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 17, 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 in the vicinity of the intersection of Saratoga, Prospect and Campbell Avenues, San Jose, Santa Clara County, California, by Wells Fargo Bank American Trust Company, provided the branch is established within one year 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. 5
11/17/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 17, 1961

Mr. Alvin L. Gray, Esq.,
1012-14 Citizens Building,
Cleveland, Ohio.

Dear Mr. Gray:

Your letter of August 17, 1961, to the Securities and Exchange Commission has been referred to the Board of Governors for reply, since the regulations governing credit in the securities markets under the Securities Exchange Act of 1934 are promulgated by the Board. You inquire whether a loan venture under which your client would lend up to 85 per cent of the value of listed securities would be in violation of the regulations relating to margins. Your principal question appears to be whether loans otherwise subject to Regulation T, which governs extensions of credit by brokers and dealers, would be exempt from the Regulation if made by a dealer "personally" rather than as a part of his business as dealer.

The Board of Governors takes the position that such loans would be subject to the Regulation, on the ground that one who is a "creditor" as defined in section 220.2 of the Regulation is to be regarded as a creditor with respect to all his activities that relate to securities transactions so that when they are of the kinds covered by Regulation T they must comply with that Regulation.

Section 220.3 of Regulation T provides in part:

"(a) . . . All financial relations between a creditor and a customer, whether recorded in one record or in more than one record, shall be included in and be deemed to be parts of the customer's general account with the creditor" (Underscoring supplied.)

Mr. Alvin L. Gray

-2-

You mentioned in your letter that several New York companies have undertaken programs such as your client has proposed. Without further details as to such activities it is not possible to comment on whether such programs are subject to the Board's regulations. If you have any further questions as to the application of the regulations, you may find it convenient to contact the Federal Reserve Bank of Cleveland.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

Enclosure: Regulation T

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

Item No. 6
11/17/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 17, 1961



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

Dear Mr. Pondrom:

Reference is made to your letter of October 19, 1961, regarding the question presented by the Southern Arizona Bank and Trust Company, Tucson, Arizona, whether the operation of an armored truck by a bank to pick up deposits requires a separate branch permit for each stop, in view of the fact that the Board has held such an operation to constitute branch banking.

The Board's control over the establishment of branches by member State banks is derived from section 5155(e) of the Revised Statutes (12 USC 36(e)), which provides:

"No branch of any national bank association shall be established or moved from one location to another without first obtaining the consent and approval of the Comptroller of the Currency."

This has been made applicable to State member banks, subject to the approval of the Board, by the third paragraph of section nine of the Federal Reserve Act.

The Board has consistently held that the picking up of deposits by an armored truck constitutes the operation of a branch. This opinion is based upon the definition of branches under section 5155(f) of the Revised Statutes, which defines a branch ". . . to include . . . any branch place of business . . . at which deposits are received, . . .". Thus, each stop of the truck at which a deposit is picked up would be a branch; and therefore, since the

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Mr. L. G. Pondrom

-2-

statutes require the Board's approval when a branch is "established," a separate branch permit would appear to be necessary for each stop at which the bank operated a branch.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 7
11/17/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 17, 1961

CONFIDENTIAL (FR)

Mr. Edward A. Wayne, President,
Federal Reserve Bank of Richmond,
Richmond 13, Virginia.

Dear Mr. Wayne:

Reference is made to your letter received October 13, 1961, in which your Bank requests the approval of upward adjustments in the salary structures applicable to the employees of your Bank and its branches.

The Board approves the following minimum and maximum salaries for the respective grades of the Richmond-Charlotte Branch structure, effective December 29, 1961, and the Baltimore Branch structure, effective December 25, 1961.

| Grade | Richmond-Charlotte | | Baltimore | |
|-------|--------------------|---------|-----------|---------|
| | Minimum | Maximum | Minimum | Maximum |
| 1 | \$2,444 | \$3,302 | \$2,392 | \$3,198 |
| 2 | 2,600 | 3,510 | 2,613 | 3,562 |
| 3 | 2,808 | 3,796 | 2,860 | 3,887 |
| 4 | 3,068 | 4,134 | 3,146 | 4,251 |
| 5 | 3,432 | 4,628 | 3,536 | 4,771 |
| 6 | 3,796 | 5,148 | 3,887 | 5,239 |
| 7 | 4,212 | 5,694 | 4,225 | 5,746 |
| 8 | 4,628 | 6,266 | 4,680 | 6,318 |
| 9 | 4,966 | 6,708 | 5,200 | 7,007 |
| 10 | 5,382 | 7,280 | 5,629 | 7,605 |
| 11 | 5,980 | 8,060 | 6,097 | 8,255 |
| 12 | 6,630 | 8,944 | 6,708 | 9,048 |
| 13 | 7,280 | 9,828 | 7,280 | 9,828 |
| 14 | 7,982 | 10,790 | 7,982 | 10,790 |
| 15 | 8,762 | 11,830 | 8,762 | 11,830 |
| 16 | 9,594 | 12,948 | 9,594 | 12,948 |

The Board approves the payment of salaries to the employees, other than officers, within the limits specified for the grades in which the positions of the respective employees are classified. It is

- 2 -

assumed that all employees whose salaries are below the minimum of their respective grades as a result of the structure increase will be brought within the appropriate range as soon as practicable and not later than April 1, 1962.

Your letter indicated that the 1962 budget provides for additional salary expense arising from these changes in structure.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.