

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, July 25, 1955. The Board met in the Board Room at 10:00 a.m.

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

Mr. Carpenter, Secretary
 Mr. Sherman, Assistant Secretary
 Mr. Kenyon, Assistant Secretary
 Mr. Thurston, Assistant to the Board
 Mr. Riefler, Assistant to the Chairman
 Mr. Young, Director, Division of Research and Statistics
 Mr. Sloan, Director, Division of Examinations
 Mr. Johnson, Controller, and Director, Division of Personnel Administration
 Mr. Solomon, Assistant General Counsel
 Mr. Masters, Assistant Director, Division of Examinations
 Mr. Sprecher, Assistant Director, Division of Personnel Administration

The following matters, which had been circulated to the members of the Board, were presented for consideration and the action taken in each instance was as indicated:

Letter to Mr. Phelan, Vice President, Federal Reserve Bank of New York, reading as follows:

In accordance with the request contained in your letter of July 14, 1955, the Board approves the reappointment of John J. Hoch as an assistant examiner for the Federal Reserve Bank of New York. Please advise as to the date upon which the reappointment is made effective and also as to salary rate.

The Board also approves the designation of the following employees as special assistant examiners for the Federal Reserve Bank of New York:

Gerald E. Beach
 Donald M. Burd
 Max Gray
 Harry F. Lutz, Jr.

James M. Mitchell, Jr.
 David D. Nelson
 Edward K. Ward, Jr.

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It is noted that Mr. Mitchell is indebted to a national bank in Lebanon, New Hampshire, in the First Federal Reserve District, in the amount of \$1,240, that the loan was made on May 13, 1955, in the original amount of \$1,500, and that it is being amortized \$131.40 monthly.

Approved unanimously.

Letter to Mr. Diercks, Vice President, Federal Reserve Bank of Chicago, reading as follows:

In accordance with the request contained in your letter of July 15, 1955, the Board approves the appointment of Robert L. Mossburg, Jr. as an assistant examiner for the Federal Reserve Bank of Chicago. Please advise as to the date upon which the appointment is made effective.

Approved unanimously.

Letter to Mr. Mangels, First Vice President, Federal Reserve Bank of San Francisco, reading as follows:

In accordance with your letter of July 11, 1955, the Board of Governors approves the payment of salary to Mr. Franklyn Clerk, Examiner, at a rate which exceeds the maximum of the grades in which his training program assignments are classified. It is assumed that upon completion of this program, Mr. Clerk's salary will fall within the grade limits of the position to which he is assigned.

Approved unanimously.

Letter to Mr. Crosse, Assistant Vice President, Federal Reserve Bank of New York, reading as follows:

Reference is made to your letter of July 12, 1955, and enclosures, with respect to the proposed retirement of \$5,000 par value preferred stock on August 1, 1955, by The State Trust Company at Plainfield, New Jersey.

It is noted that the present capital structure of the trust company is somewhat low. However, the Board's approval of its recent request for permission to establish an in-town branch was conditioned upon an increase in its capital funds of not less than \$300,000 through the sale of additional capital stock. Moreover, the information submitted indicates

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that the trust company expects the new stock to be sold within the next few months, which should substantially improve its capital ratios.

After consideration of the information submitted, the Board of Governors concurs in your recommendation and gives its prior consent to the retirement on August 1, 1955, of \$5,000 preferred stock by the trust company.

It is understood that Counsel for the Reserve Bank will review and satisfy himself as to the legality of all steps taken in effecting the retirement.

Approved unanimously.

Letter to Mr. Diercks, Vice President, Federal Reserve Bank of Chicago, reading as follows:

Reference is made to your letter of July 18, 1955, regarding the request of the City Bank and Trust Company, Jackson, Michigan, for an extension of time within which to establish a branch on West Ganson Street near the intersection of West Avenue in Jackson, Michigan.

After consideration of the information submitted, the Board concurs in your recommendation and extends to September 1, 1955, the time within which the City Bank and Trust Company may establish the above described branch.

Approved unanimously.

Letter to the Board of Directors, The Friendship State Bank, Friendship, Indiana, reading as follows:

This refers to your request for permission, under applicable provisions of your condition of membership numbered 1, to exercise statutory fiduciary powers.

Following consideration of the information submitted, the Board of Governors of the Federal Reserve System grants permission to The Friendship State Bank to exercise the fiduciary powers now or hereafter authorized under the terms of its charter and the laws of the State of Indiana.

Approved unanimously, for transmittal through the Federal Reserve Bank of Chicago.

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Letter to Mr. Peterson, Vice President, Federal Reserve Bank of St. Louis, reading as follows:

Reference is made to your letter of July 8, 1955, submitting, with a favorable recommendation, the request of the Elk Horn Bank and Trust Company, Arkadelphia, Arkansas, for the Board's approval of an investment of approximately \$19,000 in banking premises. This investment is in addition to an expenditure of not exceeding \$140,000 approved by the Board in its letter of July 2, 1954.

It is noted from the report of examination as of April 9, 1955, that your computation of the current excess includes the net cost of wrecking the old building and that it gives consideration also to a payment of \$3,500 still due the contractor and the transfer of \$6,500 from the bank premises account to furniture and fixtures. With this understanding, the Board concurs in your recommendation and approves the investment of approximately \$19,000 additional in banking premises. Please advise the bank accordingly.

According to the report of examination the carrying value of bank premises, after provision for the adjustments mentioned, will be approximately \$128,000 and the directors have formally resolved to follow a conservative dividend policy, even to the extent of waiving dividends, if necessary, until such time as the amount carried as building on the books is reduced to a normal sound value.

Approved unanimously.

Letter to the Board of Directors, Elk Horn Bank and Trust Company, Arkadelphia, Arkansas, reading as follows:

This refers to your request for permission, under applicable provisions of your condition of membership numbered 1, to exercise statutory fiduciary powers but limited, however, to appointments as trustee for bond issues of local educational institutions.

Following consideration of the information submitted, the Board of Governors of the Federal Reserve System grants permission to the Elk Horn Bank and Trust Company, Arkadelphia, Arkansas, to act as trustee for bond issues of local educational institutions with the understanding that your

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bank will not accept fiduciary appointments of other kinds without first obtaining the permission of the Board.

Approved unanimously, for transmittal through the Federal Reserve System of St. Louis.

Letter for the signature of the Chairman to Mr. Byron Moser, 1134 Locust Street, St. Louis, Missouri, reading as follows:

This will acknowledge receipt of your letters of June 8 and July 8, 1955, regarding the Mercantile Trust Company and the Mercantile-Commerce National Bank of St. Louis, Missouri, inquiring as to the law in relation to this matter.

The law with respect to the purchase of stock by member banks of the Federal Reserve System is contained in paragraph 20, section 9 of the Federal Reserve Act (12 U.S.C., sec. 335), and in paragraph "Seventh" of section 5136 of the U. S. Revised Statutes (12 U.S.C., sec. 24). Copies of these laws are enclosed herewith.

In view of the previous discussions and correspondence on this subject, the Board does not believe that there is anything further it can add regarding this matter.

Approved unanimously, together with the following letter for the signature of the Chairman to Mr. Byron Moser, Jr., Chairman of the Board, Southern Commercial and Savings Bank, St. Louis, Missouri, with the understanding that copies of both letters would be sent to the Federal Reserve Bank of St. Louis:

Your letter of July 11, 1955, regarding the Mercantile Trust Company and the Mercantile-Commerce National Bank of St. Louis, Missouri, has been received. Inquiries as to the law in relation to this matter were the subject of recent letters from your father, also.

For your information, there is enclosed a copy of a letter of this date to your father.

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There were presented telegrams to the Federal Reserve Banks listed below approving the establishment without change, on the dates indicated, of the rates of discount and purchase in their existing schedules:

Boston	July 18
Kansas City	July 18
San Francisco	July 20
New York	July 21
Philadelphia	July 21
Atlanta	July 21

Approved unanimously.

Reference was made to a memorandum from Mr. Young dated July 15, 1955, proposing that the Board authorize the organization of a seminar on the mechanism of credit and monetary policy in which commercial bank economists would be invited to participate. The memoranda prepared for the seminar held on June 13 and 14, 1955, would serve as background documentation, but in addition the participants would be asked to submit papers dealing with the use of instruments of credit and monetary policy during various phases of the business cycle. No compensation, travel expense, or per diem allowances would be paid on this occasion, so that the only expense to the Board would be for luncheons on the days of the conference. It was suggested that if the invitations were extended by August 1, the seminar might be held in late October. Attached to Mr. Young's memorandum, which had been circulated to the members of the Board, was a tentative list of those who might be invited to participate.

In a discussion of the matter, Governor Balderston inquired whether it was planned to have Reserve Bank economists attend the seminar. Mr.

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Young said it had not been planned to invite them, principally because of space limitations and also because reports of the previous seminar had been sent to the Reserve Bank economists and there would be other opportunities for discussion with them. Governor Balderston commented that he had raised the question because he felt that the Board should extend all possible advantages to the Reserve Bank economists and should make use of appropriate occasions to become better acquainted with Reserve Bank personnel.

In a further discussion, consideration was given to arranging additional seminars for the Reserve Bank economists and for insurance company, labor, and agricultural economists. Various suggestions were made as to how these different classes of professional personnel might be grouped appropriately but no conclusions were reached. It was the consensus, however, that it would be beneficial to arrange seminar participation for each group to the extent that time and resources permitted.

Chairman Martin then suggested that Mr. Young be authorized to proceed with arrangements for the seminar mentioned in his memorandum of July 15, 1955, with the understanding that persons other than bank economists might be invited to attend if deemed advisable and with the further understanding that additional thought would be given to the organization of seminars in which various groups of economists would participate.

This suggestion was approved
unanimously.

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Consideration was then given to a memorandum dated July 19, 1955, from Mr. Carpenter, as Employment Policy Officer, submitting a draft of regulations and procedures to carry out the purposes of Executive Order 10590. This memorandum had been circulated to the members of the Board along with a draft of letter for the signature of Chairman Martin to Mr. Maxwell Abbell, Chairman of the President's Committee on Government Employment Policy, reading as follows:

There are enclosed three copies of the regulations and procedures which the Board has prescribed in the light of Executive Order 10590 to continue the effective implementation of the policy of the Board that its employment practices shall not be improperly based on considerations of race, color, religion, or national origin.

These regulations and procedures have been posted on the employees' bulletin board and are being brought to the attention of all officers and employees of the Board by transmitting a copy to the head of each division of the staff with the instruction that they be brought to the attention of each employee in the division.

The Board is in full accord with the spirit and purpose of both the Executive Order and the regulations of your Committee irrespective of any question regarding the applicability of the order to the Board of Governors under the provisions of law governing its operations.

At the request of the Board, Mr. Carpenter discussed various provisions of Executive Order 10590 and the regulations of the President's Committee issued pursuant thereto. He pointed out that the proposed regulations and procedures of the Board would follow very closely the applicable portions of the regulations and procedures prescribed by the President's Committee, with such changes as were appropriate to make them

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fully applicable to the Board's organization. Mr. Carpenter remarked that there was a question from the legal standpoint whether the Executive Order was applicable to the Board but said that the staff nevertheless believed it would be advisable to follow the procedures contemplated by the Executive Order to carry out the purposes of the Order. This point, he noted, was brought out in the letter to Mr. Abbell.

In response to an inquiry by Governor Balderston as to whether it was fully understood that findings of the President's Committee in the event of an appeal to that Committee would be of an advisory nature only, Mr. Carpenter said it was so stated in the Executive Order and clearly set forth in the proposed Board regulations. Governor Shepardson inquired whether, in the circumstances, it was desirable to include in the regulations the right of referral to the President's Committee. Mr. Carpenter said that this point had been considered carefully by the staff, that omission of the procedure might be taken to indicate a lack of willingness to cooperate, and that in view of the reservation stated in the letter to Mr. Abbell and the fact that the Committee's findings would be advisory only, the staff considered it preferable to make provision for the appeal procedure in the regulations.

Thereupon, unanimous approval was given to the regulations and procedures in the form submitted, and to the letter to Mr. Abbell in the form set forth above.

Messrs. Thurston, Johnson, and Sprecher then withdrew from the meeting.

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Mr. Masters discussed a telephone call which he received on Friday, June 22, from a staff member of the Senate Subcommittee on Welfare and Pension Funds who raised certain questions in connection with the Subcommittee's desire to obtain additional information regarding the volume and nature of pension trusts at member banks. It appeared that the Subcommittee staff member had been in touch with the Office of the Comptroller of the Currency, that he was informed that examination reports of national banks do not disclose information on pension trusts, that it would be necessary to send a questionnaire to the national banks to get the desired information, and that he was therefore interested in obtaining the Board's views regarding the type of questionnaire which might appropriately be sent by the Comptroller to national banks, by the Board to State member banks, and by the Subcommittee to nonmember, noninsured trust companies.

Governor Balderston and Mr. Masters then discussed the problems involved in devising a satisfactory questionnaire, pointing out the construction of definitions would be rather difficult and that restrictions would have to be placed on the categories of information sought so that the burden on the reporting banks would not be too great.

Chairman Martin suggested that the questionnaire be prepared under the direction of Governor Balderston and that all aspects of the project be carried forward in a manner satisfactory to him. It was also suggested that a member of the Division of Research and Statistics designated by Mr. Young be assigned to work with the Division of Examinations in preparing

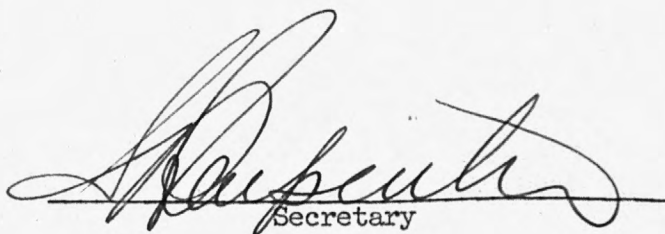
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the questionnaire in view of the interest of the research staff in data relating to pension trusts.

These suggestions were approved unanimously, with the understanding that Governor Balderston would report to the Board concerning the project to the extent that he considered necessary or desirable.

Minutes of actions taken by the Board of Governors of the Federal Reserve System on July 21, 1955, were approved unanimously.

The meeting then adjourned.


Secretary