

Minutes for January 23, 1956

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, if you were present at the meeting, please initial in column A below to indicate that you approve the minutes. If you were not present, please initial in column B below to indicate that you have seen the minutes.

	A	B
Chm. Martin	x <u>M</u>	_____
Gov. Szymczak	x <u>S</u>	_____
Gov. Vardaman	x <u>V</u>	_____
Gov. Mills	x <u>M</u>	_____
Gov. Robertson	x <u>R</u>	_____
Gov. Balderston	x <u>CB</u>	_____
Gov. Shepardson	x <u>S</u>	_____

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, January 23, 1956. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
 Mr. Balderston, Vice Chairman
 Mr. Szymczak
 Mr. Vardaman
 Mr. Mills
 Mr. Robertson
 Mr. Shepardson

Mr. Carpenter, Secretary
 Mr. Sherman, Assistant Secretary
 Mr. Kenyon, Assistant Secretary
 Mr. Riefler, Assistant to the Chairman
 Mr. Thomas, Economic Adviser to the Board

The following members of the staff of the Division of Research and Statistics also were present:

Mr. Young, Director
 Mr. Garfield, Adviser on Economic Research
 Mr. Williams, Assistant Director
 Miss Burr, Assistant Director
 Mr. Noyes, Assistant Director
 Mr. Koch, Assistant Director
 Mr. Brill, Chief, Business Finance and Capital Markets Section
 Mr. Eckert, Chief, Banking Section
 Mr. Gehman, Chief, Business Conditions Section
 Mr. Miller, Chief, Government Finance Section
 Mr. Weiner, Chief, National Income, Moneyflows, and Labor Section
 Mr. Allen, Economist
 Mr. Tynan Smith, Economist
 Mr. Trueblood, Economist
 Mr. Wernick, Economist

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The Research Division presented a review of economic and financial developments, following which all of the members of the Division staff except Mr. Young withdrew from the meeting. Mr. Thomas also withdrew at this point and Messrs. Vest, General Counsel, Sloan, Director, Division of Examinations, and Cherry, Legislative Counsel, entered the room.

Mr. Riefler referred to the surveys of credit extended by banks to real estate mortgage lenders which were made in August and November 1955. After stating that there were now some indications that the volume of such credits, and commitments to extend such credits, was declining, he suggested that additional surveys be made next month, and in April and August, to obtain comparable data over the period of a calendar year. His suggestion contemplated that the coverage of the February survey would be the same as for the survey which was made in November 1955.

Following a discussion, Mr. Riefler's suggestion was approved unanimously, with the understanding that the forthcoming survey would be cleared with the Bureau of the Budget in the usual manner.

Messrs. Sherman, Riefler, and Young then withdrew from the meeting.

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 stated:

Memoranda from appropriate individuals concerned recommending that the basic annual salaries of the following employees be increased in the amounts indicated, effective January 29, 1956:

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<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
	<u>Legal</u>		
Eunice M. Boyd, Secretary		\$4,075	\$4,210
	<u>Research and Statistics</u>		
Helen R. Dyer, Librarian		5,845	5,980
William F. Hellmuth, Jr., Economist		9,205	9,420
Nancy B. Kelly, Secretary		4,075	4,210
Natalie C. Strader, Clerk		3,670	3,755
Alvern H. Sutherland, Chief Librarian		8,430	8,645
Edwin J. Swindler, Economist		5,845	5,980
	<u>Bank Operations</u>		
Rita D. Brinley, Clerk-Typist		3,345	3,430
J. N. Kiley, Jr., Technical Assistant		8,215	8,430
	<u>Examinations</u>		
Charles H. Bartz, Federal Reserve Examiner		6,725	6,860
Doris S. Shanks, Stenographer		3,500	3,585
	<u>Office of the Controller</u>		
John Kakalec, Accountant		5,845	5,980

Approved unanimously.

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Memorandum dated January 6, 1956, from Mr. Young, Director, Division of Research and Statistics, recommending that the resignation of John A. Frechtling, Economist in that Division, be accepted effective January 13, 1956.

Approved unanimously.

Memorandum dated January 13, 1956, from Mr. Johnson, Personnel Security Officer, recommending that full field investigations be authorized for Mr. Roosa, Assistant Vice President, Federal Reserve Bank of New York, and Mr. Daane, Assistant Vice President, Federal Reserve Bank of Richmond, in order to clear them for handling classified security information.

Approved unanimously.

Memorandum dated January 13, 1956, from Mr. Johnson, Personnel Security Officer, recommending that the position occupied by Catherine L. Schmidt, Secretary in the Board Members' Offices, be declared "sensitive" and that a full field investigation be authorized to clear Miss Schmidt for handling classified security information.

Approved unanimously.

Letter to Mr. Sprague, Federal Reserve Agent, Federal Reserve Bank of Boston, reading as follows:

In accordance with the request contained in your letter of January 5, 1956, the Board of Governors approves the appointments of Messrs. Wendell H. Chittim and Theo G. Morss as Alternate Assistant Federal Reserve Agents at the Federal Reserve Bank of Boston, effective January 1, 1956.

This approval is given with the understanding that Messrs. Chittim and Morss will be placed upon the Federal Reserve Agent's pay roll and will be solely responsible to him or, during a vacancy in the office of the Agent, to the Assistant Federal Reserve Agent, and to the Board of Governors, for the proper performance of their duties. When not engaged in the performance of their duties as Alternate Assistant Federal Reserve Agents they may, with the approval of the Federal Reserve Agent or, during a vacancy in the office of the Federal Reserve Agent, of the Assistant Federal Reserve Agent, and the President, perform such work for the Bank as will not be inconsistent with their duties as Alternate Assistant Federal Reserve Agents.

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Messrs. Chittim and Morss should execute the usual oath of office which should be forwarded to the Board of Governors.

Appointments to non-officer positions in the Reserve Banks continue until terminated by appropriate authority and since the appointments of Messrs. Morrissey, Mooney, Wells, Pelletier, and Muse previously have been approved, as indicated in your letter, further action by the Board of Governors at this time is not required.

Approved unanimously.

Letter to Mr. Latham, Vice President, Federal Reserve Bank of Boston, reading as follows:

In accordance with the request contained in your letter of January 5, 1956, the Board approves the appointment of Richard Earl Randall as an assistant examiner for the Federal Reserve Bank of Boston.

It is noted that Mr. Randall has disposed of the 28 shares of stock of The First National Bank of Boston. However, since Mr. Randall is the son of the Vice President and Comptroller of The First National Bank of Boston, the Board's approval of the appointment of Mr. Randall is given with the understanding that he will not participate in any examination of The First National Bank of Boston as long as his father is an officer of the national bank.

Please advise as to the date upon which the appointment is made effective.

Approved unanimously.

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

In accordance with the request contained in your letter of January 9, the Board approves, effective January 9, 1956, the appointment of Peter J. Gavin as an assistant examiner for the Federal Reserve Bank of New York.

Approved unanimously.

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

Reference is made to your letter of December 2, 1955, requesting the Board of Governors' approval of an adjustment in the salary structure applicable to the Detroit Branch of the Federal Reserve Bank of Chicago.

The Board of Governors approves the following minimum and maximum salaries for the respective grades of the Detroit Branch as set forth below, effective January 9, 1956.

<u>Grade</u>	<u>Detroit</u>	
	<u>Minimum</u>	<u>Maximum</u>
1	2 280	3 060
2	2 520	3 360
3	2 700	3 660
4	2 940	4 000
5	3 240	4 400
6	3 540	4 800
7	3 900	5 300
8	4 300	5 800
9	4 650	6 300
10	5 050	6 800
11	5 500	7 400
12	6 000	8 100
13	6 650	8 950
14	7 250	9 800
15	8 000	10 800
16	8 650	11 700

The Board understands that sufficient funds have been provided in the 1956 budget to cover the cost of increased salary rates resulting from this adjustment in structure.

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 assumed that all employees whose salaries are below the minimum of their grades as a result of the structure increase will be brought within the proper ranges as soon as practicable and not later than April 15, 1956.

Approved unanimously.

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Letter to Mr. Alexander, Federal Reserve Agent, Federal Reserve Bank of St. Louis, reading as follows:

In accordance with the request contained in your letter of December 14, 1955, the Board of Governors approves the appointments of Messrs. John M. Lamb, John Menges, and Frank Roberts as Federal Reserve Agent's Representatives at the Little Rock, Louisville, and Memphis Branches, respectively, effective January 16, 1956.

This approval is given with the understanding that Messrs. Lamb, Menges, and Roberts will be placed upon the Federal Reserve Agent's pay roll and will be solely responsible to him or, during a vacancy in the office of the Federal Reserve Agent, to the Assistant Federal Reserve Agent, and to the Board of Governors, for the proper performance of their duties. When not engaged in the performance of their duties as Federal Reserve Agent's Representatives they may, with the approval of the Federal Reserve Agent or, in his absence, of the Assistant Federal Reserve Agent, and the Vice Presidents in charge of the Little Rock, Louisville, and Memphis Branches, perform such work for the Branches as will not be inconsistent with their duties as Federal Reserve Agent's Representatives.

It is noted from your letter that upon confirmation of these appointments from the Board of Governors and upon assuming their duties, oaths of office executed by Messrs. Lamb, Menges, and Roberts will be forwarded to the Board of Governors.

Approved unanimously.

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

Reference is made to your letter of January 6, 1956, advising of the comprehensive Blue Cross-Blue Shield plan being made available at the Little Rock Branch.

The Board of Governors interposes no objection to the assumption of the increased expense by the Federal Reserve Bank of St. Louis in connection with the adoption of the additional benefits being offered as described in your letter.

Approved unanimously.

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Letter to The Chase Manhattan Bank, New York, New York, reading as follows:

The Board of Governors of the Federal Reserve System authorizes The Chase Manhattan Bank, New York, New York, pursuant to the provisions of Section 25 of the Federal Reserve Act, to establish a branch at 1012 Munoz Rivera Avenue, formerly known as Avenida Luis Munoz Marin, (opposite the Darlington Apartments, approximately 375 feet south of the intersection of Julian Blanco and Munoz Rivera Avenue) in the Rio Piedras section of the City of San Juan, Puerto Rico, and to operate and maintain such branch subject to the provisions of such Section; upon condition that, unless the branch is actually established and opened for business on or before January 1, 1957, all rights granted hereby shall be deemed to have been abandoned, and the authority hereby granted shall automatically terminate on such date.

It is understood, of course, that no change will be made in the location of such branch without prior approval of the Board of Governors.

Following comments by Governor Robertson, the letter was approved unanimously, for transmittal through the Federal Reserve Bank of New York. In this connection, the following letter to the Honorable Rafael Pico, Secretary of the Treasury, Commonwealth of Puerto Rico, San Juan, Puerto Rico, also was approved unanimously:

This refers to your letter of December 13, 1955 in reply to the Board's letter of December 5, 1955 regarding the applications of The Chase Manhattan Bank and The First National City Bank of New York for permission to establish branches in the Rio Piedras section of the City of San Juan, Puerto Rico.

It is noted that on November 3 you approved the request of The Chase Manhattan Bank for an authorization from your Department to establish the branch. The Board of Governors has today authorized The Chase Manhattan Bank, pursuant to the provisions of Section 25 of the Federal Reserve Act, to establish a branch at 1012 Munoz Rivera Avenue, formerly known as

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Avenida Luis Munoz Marin, (opposite the Darlington Apartments, approximately 375 feet south of the intersection of Julian Blanco and Munoz Rivera Avenue) in the Rio Piedras section of the City of San Juan, Puerto Rico.

On the basis of the facts presented by The First National City Bank of New York in support of its application for permission to establish a branch in the Rio Piedras section, the Board feels that The First National City Bank also should be authorized to establish a branch in the area in order to serve the needs of its existing customers.

Following receipt of your letter, inquiry was made of The First National City Bank as to whether there might be some other location which might enable them to serve the needs of their customers more effectively than the former premises of the Banco Credito y Ahorro Ponceno. The First National City Bank has expressed an interest in the proposed development of a large commercial center northwest of the intersection of Highway No. 1 and Avenida Roosevelt (Highway No. 23), which is shown as "Urbanizacion Martel" on the photostat of a map sent you in the Board's letter of December 5. It is understood that this is a project of the Economic Development Administration and involves moving the bus terminal of the Transport Authority to another location.

The bank advises that a location about 1500 feet north of the clover leaf at the above intersection would seem to the bank's officials to provide a more central location for their permanent branch and they would prefer it to Rio Piedras or Hato Rey. This location would be preferable because of the bigger land area with the availability of parking facilities, plus the fact that they would be able to take care of clients in the eastern part of Santurce and also from the Hato Rey area, as well as the development known as Martin Pena.

The bank advised that it had understood Banco Credito y Ahorro Ponceno had applied for a branch in Hato Rey, a fair distance away from the proposed location, but, so far as they knew, no other bank had indicated an interest in the proposed shopping center which would be at least three-quarters of a mile away from any existing banking office.

In the meantime, The First National City Bank desires to service the customers they have now and to be able to hold them.

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The bank feels that the former premises of Banco Credito y Ahorro Ponceno would answer their problems of serving customers temporarily, as the vault and counters are still there and little or no alterations would be needed.

In the circumstances, the Board will very much appreciate your advising whether there is any location south of the bus terminal area which you feel would be more suitable than the former Banco Credito location as temporary quarters for a branch of The First National City Bank. Although the possibility of other locations has been discussed as indicated above, the matter will not be taken up with the bank again until we have an opportunity to hear from you.

The Board desires to express to you its appreciation for the time and attention which you have given to the consideration of these two applications.

Letter to the Board of Directors, Hempstead Bank, Hempstead, New York, reading as follows:

Pursuant to your request submitted through the Federal Reserve Bank of New York, the Board of Governors approves the establishment of a branch by Hempstead Bank, Hempstead, New York, in Oyster Bay, New York, at the present location of the Oyster Bay Trust Company, provided that (a) the merger of Oyster Bay Trust Company into Hempstead Bank is effected substantially in accordance with the Plan of Merger dated December 1, 1955, (b) formal approval is obtained from appropriate State authorities, and (c) the merger and establishment of the branch are accomplished within six months from the date of this letter.

It is noted that Hempstead Bank proposes to succeed to the trust business of Oyster Bay Trust Company but that while it wishes to continue the administration of those fiduciary and agency accounts now being administered by Oyster Bay Trust Company, and to accept occasional similar appointments as a matter of convenience to its customers, it does not at this time intend to promote actively this phase of its business. It is also noted that the Articles of Incorporation of Hempstead Bank are to be amended to provide for trust powers and that the requisite approval of the State Banking Department will be obtained at the time the proposed merger is effected. Consequently,

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the Board grants permission to Hempstead Bank to exercise the trust powers authorized under the terms of its Articles of Incorporation and the laws of the State of New York.

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

Letter to the Board of Directors, Security Trust Company of Rochester, Rochester, New York, reading as follows:

Pursuant to your request submitted through the Federal Reserve Bank of New York, the Board of Governors approves the establishment by Security Trust Company of Rochester, Rochester, New York, of a branch in Shortsville, New York, at the present location of The State Bank of Shortsville, provided that (a) the merger of The State Bank of Shortsville into Security Trust Company of Rochester is effected substantially in accordance with the Merger Agreement dated November 22, 1955, (b) formal approval is obtained from the appropriate State authorities and (c) the merger and establishment of the branch are accomplished within six months from the date of this letter.

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

Letter to the Board of Directors, First Trust and Deposit Company, Syracuse, New York, reading as follows:

Pursuant to your request submitted through the Federal Reserve Bank of New York, the Board of Governors hereby gives its written consent, under the provisions of Section 18(c) of the Federal Deposit Insurance Act, to the mergers of The First National Bank of Marcellus, Marcellus, New York, and Bank of East Syracuse, East Syracuse, New York, into First Trust and Deposit Company, Syracuse, New York; and to the absorption by First Trust and Deposit Company, Syracuse, New York, of The First National Bank of Weedsport, Weedsport, New York, through the purchase of certain assets and the assumption of certain liabilities of that institution; and approves the establishment by First Trust and Deposit Company of branches in Marcellus, East Syracuse and Weedsport, at the present locations of these banks, provided that (1) the transactions are effected substantially in accordance with the

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agreements of merger and sale as presented through the Federal Reserve Bank of New York, (2) formal approval of each is obtained from appropriate State authorities, and (3) these acquisitions and establishment of the branches are accomplished within six months from the date of this letter.

It is understood that the First Trust and Deposit Company will not acquire any securities or other assets from The First National Bank of Weedsport which would not be eligible for purchase by a member bank.

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

Letter to Mr. Hill, Vice President, Federal Reserve Bank of Philadelphia, reading as follows:

This will acknowledge receipt of your letter of January 5, 1956, advising that the York Trust Company, York, Pennsylvania, plans to move the trust company's branch office, presently located at 1765 East Market Street, Springettsbury Township (York Post Office), two-tenths of a mile west to 1605 East Market Street, Spring Garden Township (York Post Office).

We concur in your opinion that the proposed change in location constitutes a mere relocation of an existing branch and does not require the formal consent of the Board of Governors.

Approved unanimously.

Letter to the Board of Directors, The Central Trust Company, Cincinnati, Ohio, reading as follows:

Pursuant to your request submitted through the Federal Reserve Bank of Cleveland, the Board of Governors of the Federal Reserve System approves the establishment of a branch in the Brentwood Plaza Shopping Center, to be erected at the corner of Hempstead Drive and Winton Road, Brentwood Village, Hamilton County, Ohio, by The Central Trust Company, Cincinnati, Ohio, provided the branch is established within one

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year from the date of this letter and the approval of the State authorities is in effect as of the date the branch is established.

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

Letter to Mr. Wayne, First Vice President, Federal Reserve Bank of Richmond, reading as follows:

This refers to your letter of January 6, regarding the penalty of \$102.31 incurred by the First National Bank of Jacksonville, Jacksonville, North Carolina, on a deficiency of 15.9 per cent in its required reserves for the semi-monthly period ended December 31, 1955.

It is noted that the deficiency resulted from the fact that the subject bank inadvertently failed to request its correspondent to transfer \$150,000 on December 15 to the Federal Reserve Bank, as intended, although the bank put the transfer through its books; that the error was not detected until December 29, on which date the transfer was made by wire but too late to offset the deficiency; that the bank carried ample funds with its correspondent to transfer the funds; and that the bank has a good record in the maintenance of reserves.

In the circumstances, the Board authorizes your Bank to waive the assessment of the penalty in this case.

Approved unanimously.

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

Referring to your letter of January 9, 1956, it is noted an examination made as of October 31, 1955, disclosed that the total amount expended by the Webster Groves Trust Company, Webster Groves, Missouri, for the purpose of remodeling and expanding its banking premises aggregated \$151,761.60, exclusive of certain furniture, fixtures and equipment, but including the cost of air conditioning, heating and a safe deposit vault which the bank's accountant did not allocate to bank premises.

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You state the aggregate expenditure for bank premises appears to have been \$40,761.60 in excess of the \$111,000 investment approved by the Board of Governors in its letter of February 19, 1954, rather than \$2,859.58 as previously reported, but that the carrying value of the new investment has been charged down to less than \$111,000.

In view of the circumstances and your favorable recommendation, the Board approves the additional expenditure of \$40,761.60 by Webster Groves Trust Company for the purpose of remodeling and expanding its banking premises. Please advise the trust company accordingly.

Approved unanimously.

Letters to the Comptroller of the Currency, Treasury Department, Washington, D. C., reading as follows:

Reference is made to a letter from your office dated August 24, 1955, enclosing photostatic copies of an application to organize a national bank at Wrightstown, New Jersey, and requesting a recommendation as to whether or not the application should be approved.

Information contained in a report of investigation of the application made by an examiner for the Federal Reserve Bank of Philadelphia reveals rather unfavorable findings with respect to the factors usually considered in connection with such proposals. It is reported that definite plans had not been made for the sale and distribution of all of the capital stock of the bank and that the members of the proposed board of directors were lacking in banking experience. Definite arrangements had not been made for qualified management to operate the institution, and it appears questionable whether sufficient business is available in the area to permit the bank to operate satisfactorily. After considering all of the information available, the Board of Governors recommends disapproval of the application.

The Board's Division of Examinations will be glad to discuss any aspects of this case with representatives of your office if you so desire.

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Reference is made to a letter from your office dated September 15, 1955, enclosing photostatic copies of an application to organize a national bank at Stafford, Texas, and requesting a recommendation as to whether or not the application should be approved.

Information contained in a report of investigation of the application made by an examiner for the Federal Reserve Bank of Dallas discloses satisfactory findings with respect to the proposed capital and management of the institution. It is indicated that the bank would furnish more convenient facilities for individuals and businesses in the area, but some question is expressed as to whether the community has developed sufficiently to permit the bank to operate satisfactorily and profitably. It appears, however, that the favorable factors outweigh the unfavorable factors, and the Board is of the opinion that approval of the application may be recommended.

The Board's Division of Examinations will be glad to discuss any aspects of this case with representatives of your office if you so desire.

Approved unanimously.

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

Boston	January 16
St. Louis	January 16
San Francisco	January 18
New York	January 19
Philadelphia	January 19
Atlanta	January 19

Approved unanimously.

Reference was made to a request from the Comptroller of the Currency for a recommendation with regard to an application to organize a national bank in Granite City, Illinois. Following an investigation, the

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Federal Reserve Bank of St. Louis suggested an unfavorable recommendation, but the Division of Examinations submitted a draft of reply to the Comptroller which would express the opinion that the facts were not such as to warrant an adverse recommendation provided arrangements were made for management satisfactory to the Comptroller's Office. When the file was in circulation to the members of the Board, Governor Shepardson raised a question concerning the justification for the proposed reply in the light of the report submitted by the St. Louis Reserve Bank.

In commenting on the matter, Governor Robertson discussed the banking facilities now available in Granite City, pointed out that the new application (which contemplated a bank in an outlying location) was sponsored by parties connected with one of the two banks now operating in the city, and said that the proposal stemmed at least partially from the fact that branch banking is not permitted in the State of Illinois. He also summarized a conversation which he had with representatives of the other bank in Granite City who objected to the proposed new institution on the grounds that there was no need at present for another bank in the area, that the new institution would be in effect merely a branch of an existing bank, and that a bank would have difficulty in operating successfully at the proposed location. Governor Robertson said that from a review of the available data it was hard to see why the proposed institution could not operate profitably in the area. In the circumstances, he found no reason

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of sufficient importance to justify an adverse recommendation concerning the current application.

Governor Vardaman said that he was familiar with the area, that in his opinion another bank was needed, and that he felt it would serve a good purpose.

Following comments by Mr. Sloan on the growth prospects of the proposed new bank, Governor Robertson stated, in response to questions by Governor Shepardson regarding the report submitted by the Federal Reserve Bank of St. Louis, that such matters as the exact location of the bank and final plans for ownership and management would have to be resolved to the satisfaction of the Comptroller of the Currency. He felt, therefore, that the unavailability of complete information on such points need not affect the Board's recommendation.

At the conclusion of the discussion, unanimous approval was given to a letter to the Comptroller of the Currency, Treasury Department, Washington, D. C., reading as follows:

Reference is made to a letter from your office dated November 9, 1955, enclosing photostatic copies of an application to organize a national bank at Granite City, Illinois, and requesting a recommendation as to whether or not the application should be approved.

Information contained in a report of investigation of the application made by an examiner for the Federal Reserve Bank of St. Louis indicates that the proposed capital structure of the bank would be acceptable and that the future earnings prospects are regarded as fair. While it appears that the need for the bank in the community is not urgent, it is believed that the institution

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could operate satisfactorily and would provide an added convenience to residents and businesses in the immediate area. The Board of Governors is of the opinion that the facts are not such as to warrant an adverse recommendation, provided arrangements are made for management satisfactory to your office.

The Board's Division of Examinations would be glad to discuss any aspects of this case with representatives of your office if you so desire.

Mr. Sloan then withdrew from the meeting.

There had been sent to the members of the Board copies of a draft of letter for the signature of Chairman Martin to Senator Johnston, Chairman of the Committee on Post Office and Civil Service, prepared in response to the latter's request for the Board's views on bills H. R. 7619 and S. 2628, which would increase the rates of compensation of the heads and assistant heads of executive agencies and certain other officials of the Federal Government. Bill H. R. 7619, as passed by the House, would increase the salaries of the members of the Board of Governors to \$20,000 per annum, while the other bill would increase such salaries to \$20,500 per annum. Both bills would increase the salary of the Chairman of the Board by an additional \$500.

The draft was discussed and several minor changes were agreed upon. It was understood that Governor Vardaman, who had not had an opportunity to review the draft of letter carefully, would inform Mr. Cherry if he had any further suggestions.

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At the conclusion of the discussion, it was agreed unanimously that if Governor Vardaman had no further suggestions, the proposed letter, as revised at this meeting, would be sent to the Director of the Bureau of the Budget with a request for advice as to the relationship of the proposed legislation to the program of the President.

Secretary's Note: Governor Vardaman having advised that he had no further suggestions, the proposed letter was sent to the Bureau of the Budget on January 24, 1956.

The meeting then recessed and reconvened at 3:30 p.m. in executive session.

The Secretary later was advised by the Vice Chairman that during the executive session the following actions were taken:

Effective immediately, the title of Frank R. Garfield was changed from Adviser on Economic Research to Adviser; and the title of Guy E. Noyes was changed from Assistant Director to Adviser, both in the Division of Research and Statistics.

Mr. Young, Director, Division of Research and Statistics, was authorized, in the event he should so desire, to accept an invitation to be the second William R. Staats & Co. Lecturer at Occidental College, Los Angeles, California, on April 5, 6, 7; April 26, 27, 28; or May 10, 11, 12, 1956. In taking this action, it was understood that if Mr. Young accepted the invitation, his transportation and subsistence expenses would be paid by the Board and he would not accept the honorarium mentioned in the invitation.

It was agreed unanimously to ask Chairman Mitchell of the Federal Reserve Bank of Atlanta

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to ascertain whether Mr. John E. Urquhart, President of the Woodward Iron Company, Birmingham, Alabama, would accept appointment as a director of the Birmingham Branch for the unexpired portion of the term ending December 31, 1958, if such appointment were tendered; that if he would accept, the appointment would be made; that in the event Mr. Urquhart was not in a position to accept, Chairman Mitchell would be asked to ascertain whether Mr. Arthur V. Wiebel, President of the Tennessee Coal and Iron Division, United States Steel Corporation, Fairfield, Alabama, would accept the appointment as a branch director; and that if Mr. Wiebel would accept, the appointment would be made.

The meeting then adjourned.

Secretary's Note: Pursuant to the discussion held by the Board on December 8, 1955, the following letter was sent on January 20, 1956, to the Presidents of all Federal Reserve Banks:

It will be recalled that the report of the Special Committee on Foreign Operations of American Banks (Neal Committee) suggested, among other things, that section 25 of the Federal Reserve Act be amended to permit the Board of Governors to issue regulations which may authorize foreign branches of American banks to exercise such further powers beyond those permitted by present law as may be usual in connection with the transaction of the business of banking in the places where foreign branches are located.

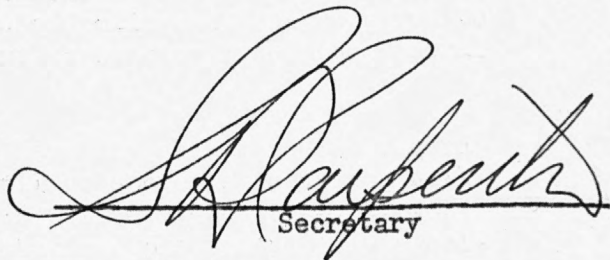
At a recent meeting of the Board the staff was requested to draft a memorandum which could be used to submit the amendment to the Congress and which would discuss the proposal and the reasons therefor. The attached draft, prepared in response to the Board's request, is being sent to the Presidents of all of the Federal Reserve Banks today so that it will be in their hands before the joint meeting of the Board and the Presidents' Conference next week.

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It will be appreciated if you will give the draft such consideration as the intervening time will permit so that the matter can be discussed at the joint meeting.

The draft is a preliminary one of which copies have also been sent informally to the Comptroller of the Currency and the Federal Deposit Insurance Corporation but their comments have not been received.


Secretary