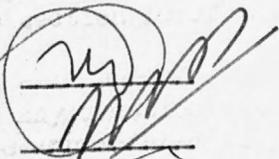
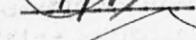
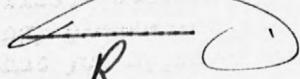


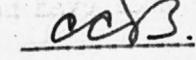
The attached set of minutes of the Board of Governors of the Federal Reserve System on February 23, 1956, which you have previously initialed, has been amended at the request of Governor Shepardson to revise the sentence beginning at the bottom of page 12 and continuing on page 13. If you approve these minutes as amended, please initial below.

Chm. Martin 

Gov. Szymczak 

Gov. Mills 

Gov. Robertson 

Gov. Balderston 

Chm. Martin

Gov. Szymczak

Gov. Yordana

Gov. Mills

Gov. Robertson

Gov. Balderston

Gov. Shepardson

Minutes for February 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	<u>MM</u> →	x _____
Gov. Szymczak	x <u>MS</u>	_____
Gov. Vardaman	x <u>W</u>	_____
Gov. Mills	x <u>MS</u>	_____
Gov. Robertson	x <u>R</u>	_____
Gov. Balderston	x <u>CB</u>	_____
Gov. Shepardson	x <u>SS</u>	_____

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, February 23, 1956. The Board met in the Board Room at 9:30 a.m.

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

Mr. Carpenter, Secretary
 Mr. Kenyon, Assistant Secretary

Governor Robertson reported having been advised by Chairman Martin that Mr. Prall, Chairman of the Federal Reserve Bank of Chicago, called him on the telephone on Tuesday, February 21, to say that the Board of Directors of the Chicago Bank would meet today, that the committee of directors which had been assigned to look into the matter of selecting a successor to Mr. C. S. Young as President of the Bank could come to Washington for a discussion with the Board on Saturday, March 3, or Monday, March 12, and that Mr. Prall would like to be informed whether either of those dates would be agreeable to the Board.

Following a discussion of the matter, Governor Robertson was authorized to say to Chairman Prall that Saturday, March 3, would not be acceptable from the standpoint of the Board, but that the Board would be agreeable to meeting with the committee of directors on Monday, March 12, if the directors could not arrange an earlier date which would be mutually convenient.

Secretary's Note: Pursuant to this action, Governor Robertson called Chairman Prall on

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the telephone and conveyed the Board's views. Later in the meeting he reported that, according to Mr. Prall, it had now developed that the Chicago directors could not come to Washington on Monday, March 12. He said that Mr. Prall would call him later in the day and suggest other possible dates. Subsequently, arrangements were made to hold the meeting at 9:30 a.m. on Tuesday, February 28.

Governor Balderston stated that Robert L. Sammons, applicant for the position of Chief of the Latin American Section in the Division of International Finance and at present an employee of the Government of Puerto Rico, would like to report for duty at the Board about April 15, 1956, in the event his appointment should be approved. At that time Mr. Sammons would have terminal leave of approximately ten weeks due him from the Government of Puerto Rico, which does not provide a lump sum terminal payment but instead continues salary payments through the period of terminal leave. Consequently, Mr. Sammons would be receiving terminal leave payments while on the pay roll of the Board. He would, however, resign from the employ of the Puerto Rican Government not later than the date of his reporting for duty at the Board, so that there would appear to be no problem of dual employment. Governor Balderston said it was the recommendation of the Division of Personnel Administration, as stated in a memorandum to him dated February 21, 1956, that if Mr. Sammons should be appointed to the Board's staff, his appointment be approved without regard to his receiving salary on a terminal leave basis from the Government

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of Puerto Rico, with the provision that Mr. Sammons would resign from his present employment prior to the date of reporting for work at the Board.

Following a statement by Governor Balderston that he concurred in the recommendation of the Division of Personnel Administration, there was a discussion of the matter during which Mr. Carpenter reported that the Board's General Counsel was of the opinion that no technical violation of section 10 of the Federal Reserve Act would be involved in the proposed arrangement.

Thereupon, it was agreed unanimously that if Mr. Sammons should be appointed to the Board's staff, the appointment should be made pursuant to the procedure recommended by Governor Balderston. This action was taken with the understanding that, in accordance with a suggestion by Governor Shepardson, the Board's General Counsel would place in the files a memorandum of his opinion that no technical violation of section 10 of the Federal Reserve Act would be involved.

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 February 26, 1956:

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
Eleanor I. Klein, Statistical Clerk	<u>Bank Operations</u>	\$3,925	\$4,075

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Salary increases, effective February 26, 1956 (continued)

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
	<u>Bank Operations</u>		
Theodore A. Veenstra, Jr., Technical Assistant		\$5,710	\$6,390
	<u>International Finance</u>		
Catherine B. Davian, Clerk-Stenographer		3,670	3,805

Approved unanimously.

Memorandum dated February 14, 1956, from Mr. Sloan, Director, Division of Examinations, recommending that the official headquarters of A. S. MacKenzie, Assistant Federal Reserve Examiner in that Division, be changed from Minneapolis, Minnesota, to Washington, D. C.

Approved unanimously.

Memorandum dated February 10, 1956, from Mr. Sloan, Director, Division of Examinations, recommending that the resignation of Elizabeth A. Kropog, Special Assistant Federal Reserve Examiner in that Division, be accepted, effective April 7, 1956.

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 February 10, 1956, the Board approves the designations of the following as special assistant examiners for the Federal Reserve Bank of Boston for the specific purpose of lending assistance in the examinations of Rhode Island Hospital Trust Company, Providence, Rhode Island; The Connecticut Bank and Trust Company, Hartford, Connecticut; Depositors Trust Company, Augusta, Maine; and The Merrill Trust Company, Bangor, Maine:

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Robert E. Swain
 Arthur Christie
 John J. Dwyer

James E. Neville
 Harold F. Stevenson
 John A. Gookin

Approved unanimously.

Letter to Mr. Waage, Secretary, Federal Reserve Bank of New York, reading as follows:

Reference is made to your letter of February 9, 1956, advising that Mr. Philip J. W. Glaessner has been granted additional leave to mid-May 1956, plus travel time, on the same terms and conditions as his original leave.

It is noted that this extension was granted in response to letters received from the Klein & Saks Economic and Financial Mission to Chile, Governor Maschke of the Banco Central de Chile, and the Finance Minister of the Chilean Government, indicating that it would be a severe blow to the Mission and to the work on which it is engaged if it was deprived of Mr. Glaessner's valuable assistance in the formulation and application of an effective anti-inflationary program.

In the light of the circumstances, the Board of Governors interposes no objection to the arrangement with respect to Mr. Glaessner as described in your letter.

Approved unanimously.

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

In accordance with the request contained in your letter of February 13, 1956, the Board approves the designation of James J. Akers and Robert C. Duffer as special assistant examiners for the Federal Reserve Bank of Richmond for the purpose of participating in the examinations of State member banks only.

The Board also approves the designation of the following as special assistant examiners for the Federal Reserve Bank of Richmond for the purpose of participating in examinations

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of State member banks only except the bank listed immediately above their names:

Southern Bank and Trust Company, Richmond, Virginia
Robert W. Cournow

State-Planters Bank of Commerce and Trusts, Richmond, Va.
Richard M. Norris

Approved unanimously.

Letter to Mr. Denmark, Vice President, Federal Reserve Bank of Atlanta, reading as follows:

In accordance with the request contained in your letter of February 9, 1956, the Board approves the designation of Stanley Gordon Gibson, Jr. as a special assistant examiner for the Federal Reserve Bank of Atlanta for the specific purpose of rendering assistance in the examinations of State member banks only.

Approved unanimously.

Telegram to Mr. Woolley, Vice President, Federal Reserve Bank of Kansas City, reading as follows:

Reurlet February 13, Board approves appointment of Wade H. McDowell as assistant examiner for Federal Reserve Bank of Kansas City. It has been noted McDowell is indebted to Miami County National Bank, Paola, Kansas in amount of \$750. Approval is given with understanding that he will not be authorized to participate in examinations of said bank until debt is liquidated or otherwise eliminated.

Approved unanimously.

Letter to Mr. Brawner, Chairman, Federal Reserve Bank of San Francisco, reading as follows:

The Board of Governors approves the payment of salaries to the following officers of the Federal Reserve Bank of San Francisco and the Salt Lake City Branch for the periods indicated and at the rates shown, which are the rates fixed by the Board of Directors as reported in your letter of November 3, 1955:

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<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
<u>Head Office</u> (for the period March 1, 1956, through December 31, 1956)		
R. H. Morrill	Vice President	\$13,000
H. E. Hemmings	Cashier	12,000
J. L. Barbonchielli	Assistant Vice President	11,000
Paul W. Cavan	Assistant Cashier	8,500

Salt Lake City Branch
(for the period April 1, 1956, through December 31, 1956)

E. R. Barglebaugh	Vice President	\$12,000
A. L. Price	Assistant Manager	10,000
A. G. Holman	Assistant Manager	7,500

You were advised in a separate letter with respect to Mr. Mangels and Mr. Swan.

Approved unanimously.

Letter to the Board of Directors, East Side State Bank of Wichita, Wichita, Kansas, approving, subject to conditions of membership numbered 1 and 2 contained in the Board's Regulation H and the following special conditions, the bank's application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Kansas City:

- Such bank shall not invest in banking premises without consent of the Federal Reserve Bank of Kansas City and shall not make any further major investment in other fixed assets unless specifically authorized to do so by the Federal Reserve Bank of Kansas City.
- Such bank shall eliminate from its assets estimated losses shown in the report of examination made as of January 4, 1956, by a chargeoff of \$8,622.26 prior to admission to membership and a further chargeoff of \$8,500.00 not later than July 1, 1956.

Approved unanimously, for transmittal through the Federal Reserve Bank of Kansas City, with a letter to the Reserve Bank containing the following paragraphs:

Pursuant to the provisions of Section 19 of the Federal Reserve Act, the Board of Governors grants permission to the

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subject bank to maintain the same reserves against deposits as are required to be maintained by banks not in Reserve or Central Reserve cities. This permission is subject to revocation by the Board of Governors. Please so advise the applicant bank.

It is assumed that the bank has been informed that as a member of the Federal Reserve System it cannot exercise the authority contained in its charter to acquire the stock of a trust company.

Letter to Mr. Pondrom, Vice President, Federal Reserve Bank of Dallas, reading as follows:

Reference is made to your letter of February 10, 1956, and related enclosures concerning the proposed withdrawal from membership in the Federal Reserve System of the Farmers & Merchants State Bank of Shamrock, Shamrock, Texas.

As requested, the Board of Governors waives the requirement of six months' notice of withdrawal. Accordingly, upon surrender of the Federal Reserve stock issued to the Farmers & Merchants State Bank of Shamrock, you are authorized to cancel such stock and make appropriate refund thereof. Under the provisions of Section 10(c) of Regulation H, as amended effective September 1, 1952, the bank may accomplish termination of its membership at any time within eight months after notice of intention to withdraw is given. Please advise when cancellation is effected and refund is made.

The certificate of membership issued to the bank should be obtained, if possible, and forwarded to the Board. The State banking authorities should be advised of the bank's proposed withdrawal from membership and the date such withdrawal becomes effective.

Approved unanimously.

Letter to the Presidents of all Federal Reserve Banks reading as follows:

The Board of Governors concurs in the action taken by the Conference of Presidents on January 24-25, 1956 approving the "Memorandum in connection with the Federal Reserve

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Leased Wire System as revised November 30, 1955" prepared by the Subcommittee on Cash, Leased Wire and Sundry Operations.

This letter and the memorandum, copy of which is transmitted herewith, supersede the Board's letter S-1500 dated June 26, 1953 (FRLS #3200) and the memorandum transmitted therewith dated March 20, 1953.

Approved unanimously.

Letter to Mr. Alex. C. Hoagland, Jr., The Association of the Bar of the City of New York, 42 West 44th Street, New York, New York, reading as follows:

This is in response to your letter of January 3, 1956, to the Board's General Counsel, requesting certain information which might be of assistance in connection with the study now being made by the Law Reform Committee of The Association of the Bar of the City of New York of the Federal conflict-of-interest statutes and regulations.

You requested particularly that the Board's letter of September 13, 1949, to all employees (Z-2561) be made available. This letter was in effect superseded by the Board's letter of March 24, 1953, to each member of the Board's staff, a copy of which is enclosed. Also enclosed are--(1) a copy of the Board's letter of March 24, 1948, to the Presidents of all Federal Reserve Banks and to the Chairmen of all Federal Reserve Banks, concerning outside business affiliations and related matters; and (2) 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. These rules are annually brought to the attention of each employee.

There are certain statutory provisions applying to members of the Board of Governors, in which you might be interested. Section 10 of the Federal Reserve Act, as amended, requires the members of the Board to devote their entire time to the business of the Board, and provides that they shall be ineligible during the time they are in office and for two years thereafter to hold any office, position or employment in any member bank,

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except that this restriction does not apply to a member who has served the full term for which he was appointed. The same section prohibits a member of the Board from serving as an officer or director of any bank, banking institution, trust company, or Federal Reserve Bank, or from holding stock in any bank, banking institution, or trust company; and before entering upon his duties a member of the Board is required to certify under oath that he has complied with this requirement. Similar prohibitions are provided in section 25(a) of the Act with respect to a member of the Board serving as an officer or director of, or holding stock in, banking corporations authorized to do foreign banking business. You may also wish to examine section 4 of the Federal Reserve Act, which contains provisions relating to the qualifications of the board of directors of Federal Reserve Banks. In this connection, however, it should be understood that, while Federal Reserve Banks are subject to the supervision of the Board of Governors, employees of such Banks are not Federal employees.

Approved unanimously.

Memorandum dated February 10, 1956, from Mr. Fauver, Assistant Secretary, suggesting arrangements for a program on the morning of March 28, 1956, for a German instalment sales study group visiting the United States under the sponsorship of the International Cooperation Administration, and raising the question whether luncheon should be provided for the group.

Following a discussion of the programs arranged for similar groups in the past, it was agreed unanimously that a suitable program should be arranged for the German instalment sales study group and that the Board should pay the cost of luncheon for the group, either in the staff dining room or the cafeteria.

There had been circulated to the members of the Board a draft of letter to the Comptroller of the Currency relating to the request of that Office for the Board's recommendation concerning an application to organize a national bank at Evergreen Park, Illinois, under the title

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of Evergreen Plaza National Bank of Evergreen Park. For reasons developed during an investigation of the application by the Federal Reserve Bank of Chicago, the draft would state that the Board did not feel justified in recommending approval of the application.

Attention was called to certain aspects of the application which were not clarified completely by the report of investigation submitted by the Chicago Reserve Bank. Following a discussion of these factors, during which Mr. Sloan, Director of the Division of Examinations, was called into the room, it was understood that Mr. Sloan would obtain additional information from the Reserve Bank and that further consideration would then be given to the application. Because of the service of some of the persons interested in the proposed bank as directors of an insured nonmember bank in Chicago which was organized recently, it was understood that Mr. Sloan also would endeavor to obtain information through the Federal Deposit Insurance Corporation which might have a bearing on the recommendation to be made by the Board.

Reference was made to a draft of letter to Mr. Francis G. Addison, Jr., Chairman of the Law and Legislative Committee of the District of Columbia Bankers Association, which had been prepared in response to Mr. Addison's request for the Board's views regarding H. R. 8844, known as the "District of Columbia Banking Act of 1956", to provide for a dual banking system in the District of Columbia.

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During a discussion of the proposed reply, which had been circulated to the members of the Board, Governor Mills suggested certain changes in the form of the letter which would not affect the substance of the reply.

There being unanimous agreement with Governor Mills' suggestions, it was understood that the letter would be sent when in a form satisfactory to him.

Secretary's Note: Pursuant to this action, the following letter was sent to Mr. Addison today:

This letter is in response to yours of January 31 with respect to the proposed "District of Columbia Banking Act of 1956" (H.R. 8844).

The Board would like very much to respond to your request for its opinions and reactions regarding this bill. However, for reasons which you will understand, it has been its custom not to express opinions with respect to legislation pending before the Congress except in response to a request from a congressional committee. In accordance with this policy, its study of the bill will not be completed until such a request is received. If and when it makes such a study, it will be glad to furnish you with comments regarding the proposed legislation.

Governor Shepardson recalled that at a recent meeting of the Board in executive session he reported having been asked informally whether he would accept appointment to the General Administration Board of the Department of Agriculture Graduate School. He said that in view of a question which was raised at that time he checked the Board's records and was unable to find that any member of the Board had served in this capacity. After describing the nature of the program offered by the

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Graduate School, he stated that he had been informed that it is strictly a professional and scientific educational activity of the Department, serving several branches and departments of Government, and is in no way involved in the administrative or policy determinations of the Department. He went on to say that he had now received a letter from the Secretary of Agriculture formally inviting him to serve and that unless there were views to the contrary he would accept the appointment.

It was the unanimous view of the Board that there would be no objection to acceptance of the appointment by Governor Shepardson if he so desired.

The meeting then adjourned.

Secretary's Note: Pursuant to the recommendation contained in a memorandum dated February 23, 1956, from Mr. Marget, Director, Division of International Finance, Governor Balderston today approved on behalf of the Board the appointment of Anna Irene Sansalone as Clerk in that Division, with salary at the rate of \$2,960, effective as of the date she assumes her duties.

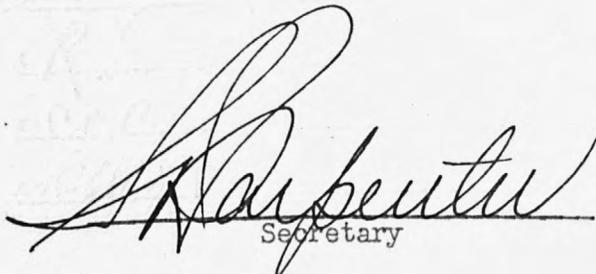
Gov. Tolson

Gov. Mills

Gov. Robertson

Gov. Balderston

Gov. Shepardson



Secretary