

Minutes for March 21, 1956

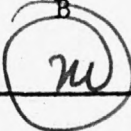
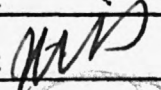

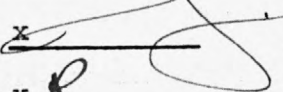
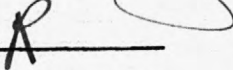
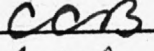
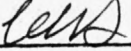
To: Members of the Board

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	
Gov. Szymczak	x 	
Gov. Vardaman	x 	
Gov. Mills	x 	
Gov. Robertson	x 	
Gov. Balderston	x 	
Gov. Shepardson	x 	

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, March 21, 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. Sherman, Assistant Secretary
 Mr. Kenyon, Assistant Secretary
 Mr. Riefler, Assistant to the Chairman
 Mr. Thomas, Economic Adviser to the Board
 Mr. Vest, General Counsel
 Mr. Young, Director, Division of Research and Statistics
 Mr. Solomon, Assistant General Counsel
 Mr. Cherry, Legislative Counsel

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:

Memorandum dated February 21, 1956, from Mr. Johnson, Director, Division of Personnel Administration, recommending the appointment of Elvira Ann Petersen as Substitute Nurse in that Division, with salary at the rate of \$15 per working day, effective as of the date she assumes her duties.

Approved unanimously.

Memorandum dated February 21, 1956, from Mr. Young, Director, Division of Research and Statistics, recommending that Gladys D. Bosben, Draftsman in that Division, be allowed to continue on duty until April 1, 1956, before beginning maternity leave rather than beginning such leave on March 19 pursuant to the requirements of the Board's Leave Regulations.

Approved unanimously.

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

Reference is made to your letter of March 12, 1956, regarding the request of Federation Bank and Trust Company for an extension of time within which it may establish a branch at 461 Eighth Avenue, New York, New York, in connection with the removal of its head office from that address to leased premises at 10 Columbus Circle.

After consideration of the information submitted, the Board concurs in your recommendation and extends to April 30, 1956, the time within which it may establish the branch, as originally approved on May 26, 1955.

Approved unanimously.

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 hereby gives its written consent, under the provisions of Section 18(c) of the Federal Deposit Insurance Act, to the merger of The Wheatley Hills National Bank of Westbury, Westbury, New York, into Hempstead Bank, Hempstead, New York, and approves the establishment by Hempstead Bank of a branch at 164 Post Avenue, Westbury, Nassau County, New York, the present location of The Wheatley Hills National Bank of Westbury, provided that (1) the transaction is effected substantially in accordance with the Plan of Merger dated February 8, 1956, (2) formal approval is obtained from appropriate State authorities, and (3) 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, The First National Bank of North Tarrytown, North Tarrytown, New York, reading as follows:

The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary

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powers and grants you authority to act, when not in contravention of State or local law, as ancillary trustee in connection with the General Motors Savings-Stock Purchase Program Trust, the exercise of such authority to be subject to the provisions of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System.

A certificate covering such authorization is enclosed.

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

Letter to the Board of Directors, Bank of Arkansas, Little Rock, Arkansas, reading as follows:

This refers to your request for permission, under applicable provisions of your condition of membership numbered 1, to accept appointments as trustee and paying agent for municipal bond issues.

Following consideration of the information submitted, the Board of Governors of the Federal Reserve System grants permission to the Bank of Arkansas, Little Rock, Arkansas, to act as trustee and paying agent for municipal bond issues with the understanding that your 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 Bank of St. Louis.

Letter to the Board of Directors, The First National Bank of Huntingburg, Huntingburg, Indiana, reading as follows:

The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers and grants you authority to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, and receiver, the exercise of all such rights to be subject to the provisions of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System.

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A formal certificate indicating the fiduciary powers which The First National Bank of Huntingburg is now authorized to exercise will be forwarded to you in due course.

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

Letter to Mr. Grobel, Chief Examiner, Federal Reserve Bank of Minneapolis, reading as follows:

Reference is made to your letter of March 9, 1956, enclosing a certified copy of a resolution adopted by the board of directors of the First State Bank of Pierpont, Pierpont, South Dakota, signifying its intention to withdraw from membership in the Federal Reserve System as of April 1, 1956.

As this resolution was received by your Bank on about March 8 and by the Board on March 12, the period of six months' notice of intention to withdraw, required by statute, will not have elapsed by April 1, 1956. It is apparent, however, that the bank wishes to withdraw from membership on that date and the Board is authorized, in its discretion, to waive such six months' notice in individual cases. Therefore, the Board of Governors will interpose no objection to withdrawal of the member bank on April 1, 1956.

Accordingly, upon surrender on that date of the Federal Reserve Bank stock issued to the member bank, the Federal Reserve Bank is authorized to cancel such stock and make appropriate refund thereon. Please advise the Board 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. State banking authorities should be advised of the bank's proposed withdrawal from membership and the reason therefor, if they are not already familiar with the situation. Such authorities should also be advised when withdrawal is actually effected.

It is noted that the bank has made application to the Federal Deposit Insurance Corporation for continuance of deposit insurance after withdrawal from membership.

Approved unanimously.

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

Reference is made to your letter of March 8, 1956, and related enclosures concerning the proposed withdrawal from membership in the Federal Reserve System of the Farmers & Merchants State Bank, Rusk, 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, Rusk, Texas, 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 Mr. Geo. H. Hottendorf, Deputy Manager, American Bankers Association, New York, New York, reading as follows:

Reference is made to your letter of February 6, 1956, requesting a listing of defalcations amounting to \$10,000 or more reported by State member banks during the second six months of 1955.

There is enclosed a list showing five cases reported by the Board of Governors to the Attorney General of the United States involving possible criminal violations where the amounts were \$10,000 or more. It is hoped that this information is in such form as to be suitable for the purposes of your Insurance and Protective Committee.

Approved unanimously.

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Letter to Mr. J. K. Sinclair, Chairman of the Board, Kennedy Sinclair, Inc., New York, New York, reading as follows:

In response to the questions contained in your letter of March 9, 1956, this is to advise you that:

(1) The collective investment by a national bank of the pension and profit-sharing funds of any one company with similar funds of other companies, as permitted in section 10(c) of Regulation F, does not limit such funds to \$100,000 per company. This limitation is only applicable when such funds are invested collectively in a common trust fund administered under section 17(c) of Regulation F.

(2) A national bank which collectively invests the funds of pension and profit-sharing trusts pursuant to the provisions of section 10(c) of Regulation F is not prohibited from advertising that it has such a fund to receive pension and profit-sharing participants. The provisions of section 17(c) of Regulation F restricting the advertising of common trust funds do not apply to the collective investment of pension and profit-sharing funds under section 10(c).

Approved unanimously.

Letter for the signature of Chairman Martin to the Honorable William L. Dawson, Chairman, Committee on Government Operations, House of Representatives, reading as follows:

This letter is in response to yours of March 8 requesting the views of the Board with respect to H. R. 9764, to amend the Employment Act of 1946.

The bill would amend the Employment Act to (1) authorize the submission of the Economic Report of the President not later than January 15 of each year instead of at the beginning of each regular session of the Congress, (2) authorize the submission of the Report of the Joint Committee not later than March 20 instead of March 1 of each year, and (3) change the name of the "Joint Committee on the Economic Report" to "Joint Economic Committee".

The Board appreciates the opportunity to comment on this bill, but, inasmuch as the proposed changes do not relate to the responsibilities of the Federal Reserve System, we have no suggestions to offer.

Approved unanimously.

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Governor Robertson referred to a request from the Granite Trust Company, Quincy, Massachusetts, submitted through the Federal Reserve Bank of Boston, for waiver of six months' notice of withdrawal from membership in the Federal Reserve System. The bank's stated reason for desiring to withdraw from membership was that it wished to invest funds now allocated to its reserve balance with the Federal Reserve Bank and pay a higher rate of interest on savings deposits. Governor Robertson recalled that last year the Board, after due consideration, approved the establishment of a branch in the Town of Weymouth by the Quincy Trust Company, a competing institution, and said that, although a branch in another part of the Town was approved at the same time for Granite Trust Company, officers of that bank expressed their displeasure to him and to the Federal Reserve Bank concerning approval of the branch of Quincy Trust Company. He understood from Reserve Bank President Erickson that the trust company had discussed with the Reserve Bank its decision to withdraw from System membership and, in the circumstances, he favored waiving the six months' notice of withdrawal.

Upon being advised that the file on the matter, including a draft of letter waiving the six months' notice, had been placed in circulation to the members of the Board, Governor Robertson suggested that if no question was raised in the course of circulation, the proposed letter be considered approved and sent to the Federal Reserve Bank of Boston.

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This suggestion was approved unanimously.

Secretary's Note: Pursuant to this action, the following letter was sent to Mr. Erickson, President of the Federal Reserve Bank of Boston, on March 23, 1956:

Reference is made to your letter of March 16, 1956, and enclosures concerning the proposed withdrawal from membership in the Federal Reserve System of the Granite Trust Company, Quincy, Massachusetts.

As requested, the Board of Governors waives the requirement of six months' notice of withdrawal. Accordingly, upon surrender of the Federal Reserve Bank stock issued to the Granite Trust Company, 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.

The following draft of letter to Mr. Bryan, President of the Federal Reserve Bank of Atlanta, had been circulated to the members of the Board and was presented for consideration:

Reference is made to your letter of February 29 regarding the proposed shipment by the Federal Reserve Bank of Atlanta of fit Federal Reserve notes of the Federal Reserve Banks of Richmond, Philadelphia and New York.

It is noted from your letter that the Jacksonville Branch has accumulated an excess supply of 50's for which

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there is little demand and that unless they are forwarded to other Federal Reserve Banks or cancelled and redeemed the Branch will be burdened with the oversupply.

It is also noted that New Orleans Armored Car, Inc., one of the armored car companies presently serving the Federal Reserve Bank of Atlanta, has made a commitment to transport \$10 million of the 50's to Richmond, Philadelphia and New York at a cost of \$1,250, as compared with registered mail costs of \$2,198, or a saving of \$948. You state that New Orleans Armored Car, Inc., carries insurance payable to the Federal Reserve Bank of Atlanta in the sum of \$10 million, the amount of the proposed shipment.

This matter has been discussed with Vice President Strathy of the Federal Reserve Bank of Richmond and that Bank, which has a demand for 50's, agreed to take the entire \$10 million. Mr. Strathy mentioned a few details as shown below and other details may, of course, be arranged with him.

It is assumed that you will advise him of the date and estimated time of arrival of the shipment, the number of bags (which should be sealed), and the names of the drivers.

It would be most convenient to the Bank if the shipment were received on a Tuesday between 10:00 a.m. and 2:30 p.m. Monday is Richmond's second choice.

Presently Richmond feels that the drivers should wait while the currency is strap counted but not piece counted.

Credit would be given through the Interdistrict Settlement Fund, subject to the usual piece-count verification.

The armored car should enter the Bank alley near 9th Street off Franklin Street which is a one-way street going east. At that point, guards will direct the armored car to the security court.

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As you know, there was some discussion with the Post Office Department with respect to use of armored car service at the time the Department reduced the surcharges on large registered mail shipments. No objection is interposed to the shipment you contemplate, with the understanding that it will not be considered as a precedent in making inter-district shipments of Federal Reserve notes by armored car rather than by registered mail.

Governor Robertson commented on the origin of the proposal and the reasons why President Bryan wished to experiment with the use of armored car service for making interdistrict shipments of Federal Reserve notes. He then said that in view of the saving which could be achieved and the fact that the insurance would be adequate to cover the amount of the proposed shipment, he felt that the Atlanta Bank should be permitted to make the shipment by armored car in this instance, although such permission should not be regarded as a precedent. He also said that in view of the unusual aspects of this case, he did not feel that the shipment of the notes to Richmond would constitute a breach of the understanding with the Post Office Department at the time the Department reduced the surcharges on large registered mail shipments.

Governor Vardaman said that he doubted whether a deviation from the usual procedure of making such shipments by registered mail was justified in view of the understanding with the Post Office Department and the relatively small amount of money that would be saved after making allowance for the time and expense involved in arranging for the proposed shipment. While he would go along with the suggested letter to President

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Bryan if the other members of the Board favored it, he believed that it would be a better policy for the Reserve Banks to use registered mail in making large shipments of Federal Reserve notes and to refrain from presenting proposals of this kind to the Board.

Other members of the Board indicated that they were inclined to agree to a certain extent with the views expressed by Governor Vardaman. However, they expressed willingness to approve the proposed letter to President Bryan on the basis that no precedent would be established and in the light of Governor Robertson's statement that this would not constitute a breach of the understanding with the Post Office Department.

Accordingly, the letter to President Bryan was approved unanimously.

There had been sent to the members of the Board copies of a memorandum from Mr. Solomon dated March 21, 1956, submitting a draft of letter to the Bureau of the Budget which had been prepared in response to the Bureau's request for comments on a draft of bill proposed by the Securities and Exchange Commission which would amend the Federal securities legislation, including the margin provisions of the Securities Exchange Act of 1934. The draft of reply would state that since the proposed changes were technical in nature and related chiefly to simplifying and improving enforcement of the legislation, the Board would have no objection to them.

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Governor Vardaman noted that one of the proposed changes would take account of the membership of corporations on securities exchanges and would make the officers and directors of a member corporation subject to the requirements now applicable to partners of a member firm. He felt that this change might be rather significant since it would appear to affect privileges such as limited liability which directors and officers of corporations enjoy by virtue of the corporate structure.

During a discussion of the point raised by Governor Vardaman, in the course of which Chairman Martin joined the meeting, the view was expressed that, while the point might be well taken, the proposed legislation was primarily concerned with improving enforcement of the Federal securities legislation, a matter not of direct concern to the Board. It was also stated that if affected parties felt strongly on the subject, they would have an opportunity to make their views known when Congressional hearings on the proposed legislation were held.

Following a statement by Chairman Martin that he would be inclined to favor the proposed change from the standpoint of principle, Governor Vardaman said that he might arrive at the same point of view if he were to look into the matter thoroughly.

A suggestion for a minor change in the wording of the draft having been agreed upon, unanimous approval was given to a letter to Mr. Roger W. Jones, Assistant Director, Legislative Reference, Bureau of the Budget, reading as follows:

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This refers to your letter of March 19, 1956 requesting comments on a draft bill "To amend certain provisions of the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, the Trust Indenture Act of 1939, as amended, and the Investment Company Act of 1940, as amended."

The proposed changes are technical in nature and relate chiefly to simplifying and improving enforcement of the legislation. One change would amend the Securities Exchange Act to make the Board's Regulation T, which relates to margin requirements and borrowing of brokers and dealers, apply to all persons who are registered as a broker or dealer with the SEC. Members of a national securities exchange or brokers or dealers who transact a business in securities through the medium of such a member would remain subject to the regulation as at present. Most over-the-counter brokers and dealers do some business through the medium of a stock exchange member and thus are already subject to Regulation T. However, the proposed amendment would eliminate technical questions as to what volume of transactions it takes to constitute doing a business through the medium of a member. Similar changes would be made at other places in the Act which at present apply only to members of an exchange or brokers or dealers doing business through a member.

Another proposed change would take account of the membership of corporations on securities exchanges and would make the officers and directors of a member corporation subject to the rules which now apply to partners of a member firm.

The Board has no objection to the proposed changes.

The members of the staff then withdrew and the Board went into executive session.

The Secretary's Office was advised later by the Vice Chairman that during the executive session the Board considered the invitation of the New Orleans Branch Board and of the Atlanta Bank Board to attend a meeting in early December to observe the Tideland oil operations

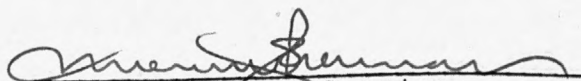
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and the sulphur and salt mining in south Louisiana, and the Chairman was asked to discuss the invitation with President Bryan.

The meeting then adjourned.

Secretary's Note: Pursuant to the recommendation contained in a memorandum dated March 20, 1956, from Mr. Marget, Director, Division of International Finance, Governor Balderston today approved on behalf of the Board the appointment of Alberta A. Lacusky as Clerk-Stenographer in that Division, with basic salary at the rate of \$3,755 per annum, effective as of the date she assumes her duties.


Assistant Secretary