

Minutes for April 16, 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><i>MM</i></u>	_____
Gov. Szymczak	x <u><i>MS</i></u>	_____
Gov. Vardaman	x <u><i>V</i></u>	_____
Gov. Mills	x <u><i>[Signature]</i></u>	_____
Gov. Robertson	x <u><i>R</i></u>	_____
Gov. Balderston	x <u><i>CCB</i></u>	_____
Gov. Shepardson	x <u><i>[Signature]</i></u>	_____

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, April 16, 1956. The Board met in the Board Room at 10:00 a.m.

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

Mr. Carpenter, Secretary
 Mr. Sherman, Assistant Secretary
 Mr. Kenyon, Assistant Secretary
 Mr. Vest, General Counsel
 Mr. Sloan, Director, Division of Examinations
 Mr. Hackley, Assistant General Counsel
 Mr. Hexter, Assistant General Counsel
 Mr. Masters, Assistant Director, Division of Examinations
 Mr. Benner, Assistant Director, Division of Examinations

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 persons concerned recommending actions with respect to the Board's staff as follows:

Salary increases, effective April 22, 1956

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
	<u>Research and Statistics</u>		
Bernard N. Freedman, Economist		\$7,250	\$7,570
Edward R. Fry, Economist		5,065	5,440
Irma B. Gavin, Draftsman-Illustrator		4,480	4,620
Margaret Hastings, Clerk		3,260	3,415

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Salary increases, effective April 22, 1956 (continued)

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Research and Statistics</u>			
Jo Ann L. Murray, Clerk-Typist		\$3,260	\$3,345
Grace R. Sahn, Draftsman		4,750	4,885
Charles Trescott, Library Assistant		4,075	4,210
Philip M. Webster, Economist		6,605	6,820
<u>International Finance</u>			
Davita C. Leister, Clerk-Stenographer		3,260	3,415
Nancy J. Smith, Economist		4,930	5,065
<u>Examinations</u>			
Francis D. Dargo, Assistant Federal Reserve Examiner		4,215	4,525
S. D. Everett, Assistant Federal Reserve Examiner		5,440	5,575
<u>Administrative Services</u>			
Harry F. Allen, Telegraph Operator		4,075	4,210
Paul G. Hutts, Operator, Tabulating Equipment		3,670	3,805

Transfer

Transfer of Ruth B. Willard from the position of Clerk-Stenographer in the Division of Bank Operations to the position of Secretary in the Legal Division, with an increase in her basic annual salary from \$3,925 to \$4,075, effective as of the date of assuming her new duties.

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 April 3, 1956, the Board approves the designation

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of the following employees of your bank as special assistant examiners for the Federal Reserve Bank of Boston for the specific purpose of participating 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; The Merrill Trust Company, Bangor, Maine:

Philomena L. Andosca

John L. Malvey

Eunice S. Wall

The Board also approves the designation of Arthur Stetson as a special assistant examiner for the Federal Reserve Bank of Boston. The authorization heretofore given your bank to designate him as a special assistant examiner is hereby cancelled.

Approved unanimously.

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

In accordance with the request contained in your letter of March 21, 1956, the Board approves the appointment of John J. Lambert as an assistant examiner for the Federal Reserve Bank of San Francisco. Please advise as to the date upon which the appointment is made effective.

Approved unanimously.

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

In accordance with the recommendation contained in your letter of April 6, 1956, the Board of Governors extends to June 15, 1956, the time within which the Peoples Bank of North Miami Beach, North Miami Beach, Florida, may accomplish membership. Please advise the applicant to this effect.

Approved unanimously.

At this point Governor Vardaman joined the meeting.

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

Letter to Mr. McConnell, Vice President, Federal Reserve Bank of Minneapolis, reading as follows:

Reference is made to your letter of March 29, 1956, outlining the proposal of the State Bank of Rockville, Rockville, Minnesota, to change its name to "Plaza Park State Bank of St. Cloud," and its location to the vicinity of the junction of Highways numbered 23 and 52, Stearns County, Minnesota. This location is in a shopping center in an unincorporated area between St. Cloud and Waite Park, Minnesota. It is understood that the Minnesota Department of Commerce has approved the changes in name and location provided the bank increases common capital to \$50,000, surplus to \$25,000, and undivided profits to \$25,000.

It appears that the change in location and name will have no material effect upon the general character of the bank's business; and therefore, the Board will interpose no objection to the State member bank's proposal.

It is assumed that Counsel for the Reserve Bank will review and satisfy himself as to the legality of all steps taken in changing the name and location of this bank.

Approved unanimously.

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

An inquiry has been received from one of the Reserve Banks regarding the availability of System summaries prepared from the form F.R. 527 series of reports on member bank borrowings which were requested in the Board's letter of January 30, 1956.

Summaries are being prepared weekly for central reserve and reserve city banks and semi-monthly for country banks, as

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indicated by the attachments from which individual district data have been deleted.

It will be appreciated if you will advise us whether you have any objection to figures for your District being included and transmitted to all Federal Reserve Banks, and whether you would desire to receive copies of the summaries regularly.

Approved unanimously.

Letter to Mr. Hall, Chairman, Federal Reserve Bank of Kansas City, reading as follows:

At the completion of the examination of the Federal Reserve Bank of Kansas City, made as of January 30, 1956, by the Board's examiners, a copy of the report of examination was left for your information and that of the directors. A copy was also left for President Leedy.

The Board will appreciate advice that the report has been considered by the Board of Directors. Any comments you may care to offer regarding discussions with respect to the examination, or as to action taken or to be taken as a result of the examination, will also be appreciated.

Approved unanimously.

In a letter dated March 28, 1956, Mr. W. E. Cosgriff, President of The Continental Bank and Trust Company, Salt Lake City, Utah, responded to the Board's letter of March 13, 1956, regarding a proposed increase in the bank's capital by stating that a special meeting of the bank's stockholders would be held in Salt Lake City on May 8, 1956, for the purpose of discussing the proposal. The letter extended an invitation to have representatives of the Board and the Federal Reserve Bank

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of San Francisco attend the meeting. It also stated that copies of the notice formally calling the meeting would be furnished the Board when the notice was prepared.

In a memorandum dated April 9, 1956, copies of which had been sent to the members of the Board, Mr. Hexter discussed reasons for and against accepting the invitation. The memorandum brought out that in the course of the current examination of the member bank, which was begun on March 12, Mr. Cosgriff handed to the examiner for the Federal Reserve Bank of San Francisco in charge of the examination an undated notice of the stockholders' meeting along with a proxy form. The notice contained a statement that the proposal to "increase the capital stock of the Bank from \$1,800,000 to \$3,300,000, which is presented at the suggestion of the Federal Reserve System" was "opposed by the Board of Directors of the Bank". The proxy form indicated that unless a stockholder should affirmatively indicate that he was "for" the increase, the proxy would be voted against the proposal. It also appeared that a resolution adopted unanimously on March 28 by the bank's directors, who together with their close relatives own or control a majority of the outstanding stock, stated that the notice to stockholders should indicate "that the Board did not approve of the proposal" to increase the bank's capital. In view of these developments, Mr. Hexter's memorandum recommended that no representative of the Board attend the stockholders' meeting and that

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the Board suggest a similar course to the Federal Reserve Bank of San Francisco. A draft of letter to Mr. Cosgriff taking such a position was attached to the memorandum, along with a draft of letter which might be sent if the Board should conclude that Federal Reserve representatives should attend the meeting. It was suggested in the memorandum that the Board might wish to defer sending any letter until it had an opportunity to discuss the matter with President Mangels of the Federal Reserve Bank of San Francisco when he was in Washington on April 17 and 18 to attend a meeting of the Federal Open Market Committee.

In commenting on the matter, Mr. Hexter pointed out that the Board's letter to Mr. Cosgriff of March 13, which stated that the Board or its representatives would be glad to discuss the proposed capital increase with the bank's board of directors and that it felt sure the San Francisco Reserve Bank would be willing to discuss the matter at Salt Lake City with the stockholders or the directors of the institution if Mr. Cosgriff so requested, was predicated on the assumption that something might be gained through such discussion and that the System might be helpful in the development of a program for increasing the bank's capital. In the light of the developments mentioned in the memorandum, however, it appeared to be a foregone conclusion that the proposal would be defeated at the stockholders' meeting.

Mr. Vest said that in a discussion last week members of the staff of the Federal Reserve Bank of San Francisco who were in Washington to

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attend the Conference of Federal Reserve Bank Examiners suggested that it might be advisable to have Federal Reserve representatives attend the stockholders' meeting because of the expressions contained in the Board's letter of March 13. The staff members of the San Francisco Bank did not know the views of President Mangels on this point and did not purport to speak for the Bank.

Governor Vardaman said that in hindsight he deemed it unfortunate that the Board's letter of March 13 was worded in the form in which it was sent, since this might indicate that the invitation to the stockholders' meeting should be accepted. On the other hand, the Board now was on notice of a decision by the bank's directors which meant in substance that the stockholders' meeting would be nothing but a front, since the directors, who in effect control a majority of the stock, had already indicated that they intended to vote against the proposed capital increase. He went on to say that in a discussion which he had with Messrs. Vest and Hexter the suggestion was made that a paragraph might be added to the letter to Mr. Cosgriff which would mention the nature of steps that the Board might be expected to take if the capital increase proposal were acted on unfavorably. The thought, he said, was to put on record some notice of the further action that the Board might decide upon in such an event.

Governor Vardaman then commented that if the Board were to act following the stockholders' meeting to require a capital increase, he

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understood that in accordance with customary procedure the member bank might be given as long as six months to effect the increase. It was his thought that such a period would be excessive if the Board regarded the bank's capital inadequacy as serious enough to consider action under section 9 of the Federal Reserve Act or section 30 of the Banking Act of 1933. He then said he wanted to emphasize his feeling that the Board should at this stage give consideration to the retention of outside counsel so that it might have the benefit of objective advice in respect to the case.

At this point Chairman Martin referred to a memorandum from Mr. Vest dated March 30, 1956, which had been circulated to the Board, relating to the retention of outside counsel. He asked Mr. Vest to comment on this phase of the matter in the light of his memorandum.

Mr. Vest said that in the opinion of the Legal Division it would be desirable to have special counsel in this case. Whether such counsel should come from outside the System or from the Federal Reserve Bank of San Francisco was in his opinion a rather close question, with considerations on both sides. Counsel for the Reserve Bank would be more intimately acquainted with the System's organization and problems, while outside counsel would be more immediately familiar with procedural problems that might come up in a hearing of this kind. Another question would be whether the San Francisco Bank could spare its General Counsel,

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Mr. O'Kane, for a job of this nature; that is, how much the handling of the case would interfere with his work for the Bank. Generally speaking, he thought the retention of counsel from outside the System would have more to recommend it, but it was a matter of judgment.

Governor Vardaman said that after having given much thought to the matter, it was his view that if the Board's own counsel were not used it would be preferable to go outside the System.

Governor Mills then made a statement in which he said that he would favor a letter to Mr. Cosgriff declining to have Federal Reserve personnel attend the stockholders' meeting in view of the evidence now available that the member bank had no intention of adopting the suggested capital increase program. As to the proposed additional paragraph which Governor Vardaman had mentioned, he felt that it might be construed as in the nature of a threat. Should the stockholders vote unfavorably on the capital increase, he thought it necessary to provide a period of time that would give ample opportunity to spell out the Board's legal position and how the Board would proceed to enforce that position. On the question of retaining counsel, he felt that if the Board should decide that it would be advantageous to have special counsel, it would be preferable to go outside the System. He doubted, however, that it was necessary to resolve the question immediately. It was his feeling that counsel might be retained when the member bank clearly indicated its intention not to increase its capital.

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Governor Robertson suggested the possibility of replying to Mr. Cosgriff that Governor Vardaman would represent the Board at the stockholders' meeting. He noted that Governor Vardaman had followed the case closely over a period of years and that he would be in a good position to present the System's views to the stockholders.

Governor Vardaman responded by expressing the view that if anyone from the Board attended it should be a member of the staff because participation of a Board member in the meeting might tend to give the appearance of prejudging the case.

Governor Robertson then suggested that the draft of letter declining the invitation be sent, with a sentence added which would request that the Board be notified of the action taken by the stockholders at the meeting on May 8. In the event the capital increase was not approved, he would not be inclined to grant a period as long as six months to effect the capital increase. He considered the retaining of outside counsel at this point as not being necessary but, on the other hand, not undesirable. If the stockholders failed to approve a capital increase, he would favor giving consideration to the retention of counsel immediately so that the Board might have the benefit of counsel's review of the case and his recommendations.

In reviewing developments in the matter to date, Mr. Vest brought out that the San Francisco Reserve Bank's letter of February 10 to the

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member bank (sent at the Board's suggestion) which requested submission within 60 days of a capital increase plan, was not a letter which had strict legal significance. The other part of the proposal originally presented to the Board, and which the Board approved, was that if the bank did not present a plan within 60 days a second letter would be sent, as required by Regulation H, Membership of State Banking Institutions in the Federal Reserve System, which would put the bank definitely on legal notice that it was required to increase its capital. The bank not only must provide a plan but it must obtain the additional capital funds within a prescribed period. A period of six months to obtain the additional capital was not legally required, he said, and the time could be fixed at the Board's discretion. It would seem undesirable, however, to fix a period less than 90 days since the Board might then run into questions of whether it had afforded a reasonable time.

Governor Szymczak made a statement at this point in which he expressed the view that, generally speaking, it would be advisable to treat this case in much the same way as any other similar case. He would send a letter to Mr. Cosgriff along the lines proposed stating that the System would not have representatives at the stockholders' meeting, request the San Francisco Bank to have its General Counsel prepare himself as fully as possible, and then, in the event Mr. O'Kane needed assistance,

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bring in outside counsel at that point. He felt that three months might be sufficient time to give the member bank in which to effect the required capital increase. It was his view that as the matter progressed the bank might take steps to withdraw from the System.

In a further discussion of the question of employing outside counsel, it was the consensus that retention of counsel with offices in Washington would have much to recommend it, particularly because of the fact that if the case should go to the United States Court of Appeals it probably would be heard in Washington. The suggestion was made that the Board's Counsel study the situation and present to the Board the names of persons who might be retained for this purpose.

Chairman Martin then suggested that the alternative draft of letter to Mr. Cosgriff which would decline to send Board representatives to the meeting on May 8 be changed in accordance with Governor Robertson's suggestion, that the amended draft be discussed with President Mangels later this week, and that in the absence of developments which would make some change in procedure seem advisable, the letter then be sent. This would be with the understanding that, as suggested previously, the Board's Counsel would present a recommendation to the Board on the retention of outside counsel in this case.

Following a suggestion by Governor Vardaman which resulted in an additional minor change in the draft of letter to

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Mr. Cosgriff, the procedure suggested by Chairman Martin was approved unanimously.

Mr. Hexter then withdrew from the meeting.

At the meeting on April 4, 1956, the Board deferred for further consideration an application from The Bank of Tokyo, Ltd., Tokyo, Japan, for a reaffirmation of the determination made by the Board in 1953 that the bank was not deemed to be engaged as a business in holding the stock of, or managing or controlling, banks or trust companies within the meaning of section 301 of the Banking Act of 1935. Pursuant to the understanding at that meeting, the file on the matter was recirculated to the members of the Board for review. In addition, there were sent to the members of the Board copies of a memorandum from Mr. Hackley dated April 6, 1956, discussing (1) the pertinent facts of the present case, (2) the nature and purpose of determinations under section 301, (3) past precedents where the holding company was itself a bank or where the holding company controlled more than one bank, and (4) outstanding cases involving such circumstances. The memorandum suggested as possible alternatives that the Board might (1) reaffirm its previous determination in this case, reserving the right to rescind the determination if the facts should change substantially, (2) decline to make the requested determination on the grounds that The Bank of Tokyo, having acquired control of The Bank of Tokyo Trust Company of New York, New York,

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in 1955, could no longer be regarded as not engaged in the business of holding the stock of, or managing or controlling, banks or trust companies, or (3) advise The Bank of Tokyo that the Board was unwilling to reaffirm the previous determination, but that it would be willing to consider the matter further if binding assurances were given that The Bank of Tokyo Trust Company of New York would not engage in any trust or banking business except for its functions as fiscal agent in servicing certain Japanese bonds and activities directly related to that function.

Governor Szymczak said he continued of the opinion that the Board should follow the first alternative; that is, reaffirm the previous determination. However, he would not eliminate the possibility of an approach along the lines of the third alternative if the other members of the Board considered that preferable.

In the discussion which ensued, Governor Shepardson referred to the cases cited in Mr. Hackley's memorandum and pointed out that most of the determinations appeared to have been made some time ago and no longer represented outstanding cases. He had received the impression from recent discussions of the Board that the general situation in regard to holding companies had come to assume somewhat different proportions than might have existed when many of the previous actions were taken. If there was now a feeling on the part of the Board that a change in direction should be made, it seemed to him that the number of prior determinations still outstanding might have been reduced to a point where this

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would not be an unfavorable time to change directions. With that thought in mind, he felt there might be considerable merit in the third alternative suggested in Mr. Hackley's memorandum, particularly in view of the broad powers contained in the charter of The Bank of Tokyo Trust Company.

Governor Robertson then suggested a compromise which might tie in with past procedure and practices, meet Governor Shepardson's point, and yet permit The Bank of Tokyo Trust Company to operate in the restricted field for which it was organized; i. e., that the Board might reaffirm the previous section 301 determination on condition that the trust company would not receive deposits from the public. In response to a question whether this meant that he would not favor including a condition that the trust company refrain from engaging in any trust business except for functions related to servicing the Japanese bonds and similar activities, Governor Robertson said that for this purpose he did not believe there would be the same difficulties with regard to a trust business as with regard to a deposit business. In the light of the action of the State authorities in granting the trust company's charter, he thought the Board might be in a better position if it did not make any condition against the trust company's conducting a trust business restricted to local Japanese residents and Japanese business concerns.

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Mr. Hackley reviewed the nature and purpose of section 301 determinations and said that if the Board could be assured that the trust company would not receive deposits, it would be clear to that extent that The Bank of Tokyo had not expanded its banking business as compared with the situation when the Board made its previous determination in 1953. He felt that it would be preferable if the Board could be assured, before reaffirming its determination, that the trust company would not receive deposits.

Further discussion concerned the question whether anything would be gained by requiring assurances from The Bank of Tokyo that the trust company would not receive deposits as opposed to reaffirming the determination and including language to the effect that the reaffirmation was made on condition that the trust company would not receive deposits. Some preference was expressed for the first approach on the basis that the Board would have positive assurances placing The Bank of Tokyo on record and that it could then make its determination on the basis of the facts as represented by that institution.

At the conclusion of the discussion, unanimous approval was given to a letter to Mr. Y. Ono, Director and Agent, The Bank of Tokyo, Ltd., New York, New York, in the following form, for transmittal through the Federal Reserve Bank of San Francisco:

This refers to your letter of October 24, 1955, with respect to the holding company affiliate status of The Bank of Tokyo, Ltd. of Japan.

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The Board understands that in addition to control by majority stock ownership of The Bank of Tokyo of California, The Bank of Tokyo, Ltd. of Japan owns 9,920 of the 10,000 outstanding shares of the capital stock of The Bank of Tokyo Trust Company of New York. It is also understood that this trust company was organized in 1955 for the primary purpose of assisting in the performance of the duties of fiscal and paying agent for the Japanese Government or any political subdivision or agency thereof or for the Japanese Government on private obligations; that the trust company proposes to act as escrow agent and generally conduct a trust and banking business for foreign principals in connection with Japanese foreign trade and financing, as well as transacting similar trust and banking business from other Far East sources and the various branch agencies, subsidiaries, affiliates, and representatives of The Bank of Tokyo, Ltd. of Japan throughout the world located outside of New York State; but that the trust company will not undertake to engage in local personal trust business in competition with domestic trust companies in New York City, except for local Japanese residents and Japanese business concerns, and will not seek deposits from the public at large in the United States.

On the basis of its understanding of the facts as above stated, the Board feels that it would not be warranted in reaffirming the determination made by the Board in its letter of January 8, 1953, that The Bank of Tokyo, Ltd. of Japan is not engaged as a business in holding the stock of, or managing or controlling banks, banking associations, savings banks or trust companies. In accordance with that letter and in view of the substantial change in the facts of the situation, the Board proposes to rescind the determination made at that time. However, before taking any such action, you are advised that the Board would be willing to consider favorably a reaffirmation of the 1953 determination upon receipt from The Bank of Tokyo, Ltd. of Japan of satisfactory assurance that The Bank of Tokyo Trust Company of New York will not receive deposits from the public in the United States, including Japanese nationals in this country. It is requested, therefore, that you advise the Board within a reasonable time and in any event not more than 60 days from the date of this letter whether or not The Bank of Tokyo, Ltd. of Japan is willing to give such assurance.

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At this point Mr. Solomon, Assistant General Counsel, entered the room and Mr. Hackley withdrew.

Consideration was given to a memorandum from Mr. Solomon dated April 11, 1956, copies of which had been sent to the members of the Board, discussing developments in connection with the proposal previously considered by the Board that there be submitted to the Congress a draft of legislation which would authorize the Board to enlarge the powers of foreign branches of national banks. The memorandum pointed out that copies of a draft of legislation amended to meet certain comments of the Federal Advisory Council were sent to the Council following the Board meeting on March 13, 1956, that responses had been received from all but one member of the Council, and that the responses were favorable. (One Council member who had not been heard from at the time the memorandum was written subsequently responded favorably.) The memorandum stated that while Deputy Comptroller of the Currency Jennings saw no real need for the amendment to the draft, he had no objection and continued to favor the proposal. It also stated that advice had not yet been received from the Federal Deposit Insurance Corporation concerning its views. There was submitted with the memorandum a draft of letter to the Bureau of the Budget which would enclose a draft of proposed letter to the Chairman of the Senate Banking and Currency Committee recommending enactment of the legislation.

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Following explanatory comments by Mr. Solomon, Governor Vardaman raised a question whether it would be appropriate for the Board to request such legislation, which he referred to as relatively unimportant, or whether the proposal should more appropriately be made by an organization such as the American Bankers Association.

Other members of the Board expressed the view that the proposal was not an unimportant one in relation to the Board's responsibilities for the foreign operations of American banks. They pointed out that the legislation was recommended by the System committee (the Neal Committee) which studied this area extensively at the Board's request. In the circumstances, they considered it appropriate for the Board to sponsor such a proposal. It was also brought out that discussion of the proposal with the Federal Advisory Council and others had resulted in the matter reaching a stage where it would seem highly desirable to go forward.

Governor Vardaman said he recognized the advanced stage of the matter, that his inquiry was mainly for the purpose of raising the point for consideration, and that in all the circumstances he would have no objection to submitting the proposal to the Budget Bureau.

Thereupon, unanimous approval was given to a letter for the signature of Chairman Martin to the Honorable Percival F. Brundage, Director, Bureau of the Budget, reading as follows, with the understanding that if the Bureau had no objection, the proposal would be submitted to the Senate and House Banking and Currency Committees:

Enclosed is a draft of a proposed letter to Senator Fulbright, Chairman of the Senate Banking and Currency

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Committee, transmitting a proposed draft of a bill "to improve the usefulness of national bank branches in foreign countries", together with an explanatory memorandum.

The Board would appreciate advice as to the relationship of this proposal to the program of the President. It would be appreciated if such advice could be received as promptly as possible in order to expedite presentation to this session of the Congress. The Office of the Comptroller of the Currency has indicated approval of the proposal.

At this point Messrs. Johnson, Controller, and Director, Division of Personnel Administration, and Sprecher, Assistant Director, Division of Personnel Administration, entered the room.

At the meeting on April 4, 1956, the Board gave consideration to a letter from President Bryan, Chairman of the Special Committee on Study of the Retirement System, relating to the procedure which should be followed in evaluating reports submitted by Industrial Relations Counselors Service, Incorporated, on (1) the retirement and other benefit programs of the Board of Governors, and (2) the similar programs of the Federal Reserve Banks. At that meeting it was agreed that the report relating to the Board's programs should be evaluated and acted upon by the Board itself. It was also agreed that the Board should not be represented on the committee which would be established to evaluate and make recommendations on the report relating to the Federal Reserve Banks.

Governor Mills made a statement in which he brought out that there remained for decision two points: first, what steps should be taken

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to implement the review of the report regarding the programs of the Board, and, second, what procedure the Board should follow in appointing the two Federal Reserve Bank directors who, according to the suggestion made in Mr. Bryan's letter, would serve with others on the committee to evaluate the report concerning the Federal Reserve Banks.

Governor Balderston, who was not present at the meeting on April 4, said he concurred wholeheartedly in the recommendation made by Governor Mills at that time that the Board should not be represented on the committee to evaluate the report on the Federal Reserve Banks. He went on to suggest the difficulty of finding two Reserve Bank directors to serve on that committee who would be acquainted with the area concerned and also would have the time at their disposal to participate in the review of the report. He felt that the main burden of the review work would have to fall upon selected Reserve Bank personnel. However, when such a review was completed the evaluating committee, including the Reserve Bank directors, might meet for the purpose of appraising the results and reaching conclusions.

Governor Mills commented that something might be said for having Reserve Bank directors on the evaluating committee, since they are not beneficiaries under the Retirement System of the Federal Reserve Banks. He understood the thought of the Special Committee to be, also, that inclusion of the directors would bring into the committee parties having

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a responsibility for operating policies of the Banks and for following Reserve Bank operations in the areas of economy and the general welfare of the employees. He then cited instances in the past where Reserve Bank directors had served on System committees in connection with various projects. Mr. Bryan's suggestion contemplated, he felt sure, that the evaluating committee might draw upon any persons it saw fit, either within or outside the Reserve Banks, for such assistance as it might need.

Following a further discussion of the advantages of having Reserve Bank directors on the committee and of possibilities for reconciling these advantages with the practical problem that Governor Balderston had mentioned, it was suggested that Governors Balderston and Mills review the roster of Federal Reserve Bank and branch directors and make a recommendation to the Board regarding directors who might most appropriately be designated by the Board to serve on the evaluating committee.

This suggestion was approved unanimously.

With regard to the evaluation of the report concerning the Board's retirement and other benefit programs, Chairman Martin suggested that Governors Szymczak and Shepardson be requested to serve as a subcommittee for the purpose of making the evaluation and submitting recommendations to the Board, with the understanding that they would be free to call upon

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members of the staffs of the Board and the Federal Reserve Banks for assistance in any way and to such an extent as they deemed desirable.

Following a discussion, during which Governor Mills suggested that the nature of the recommendations in the report might cause the study to extend over a relatively long period, Chairman Martin's suggestion was approved unanimously.

Messrs. Sherman, Johnson, Solomon, and Sprecher then withdrew from the meeting.

There had been sent to the members of the Board copies of a memorandum from the Division of Examinations dated February 21, 1956, containing information relative to the status of "problem" member banks as of December 31, 1955.

Governor Robertson stated that the memorandum had been prepared and distributed for the purpose of providing all of the members of the Board an opportunity to review the situation and raise any questions that they might have.

Following a brief discussion, Chairman Martin suggested that the matter be placed on the agenda for another Board meeting at which time would permit appropriate consideration of the general situation and the specific cases referred to in the memorandum.

There was unanimous agreement with this suggestion.

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The meeting then adjourned.

Secretary's Note: Pursuant to the recommendations contained in memoranda dated April 12, 1956, from Mr. Marget, Director, Division of International Finance, Governor Balderston approved on behalf of the Board on April 13 the appointments of Bertha G. Brown and Viola M. Challingsworth as Clerk-Stenographers in that Division, with basic annual salaries at the rates of \$3,925 and \$3,175, respectively, effective as of the respective dates on which they assume their duties.

Pursuant to the recommendation contained in a memorandum dated April 12, 1956, from Mr. Bethea, Director, Division of Administrative Services, Governor Balderston today approved on behalf of the Board an extension of the temporary appointment of Ruth H. Rideout, Cafeteria Helper in that Division, for a period not to exceed two months, without change in her present basic salary at the rate of \$2,600 per annum, effective upon the expiration of her present appointment.

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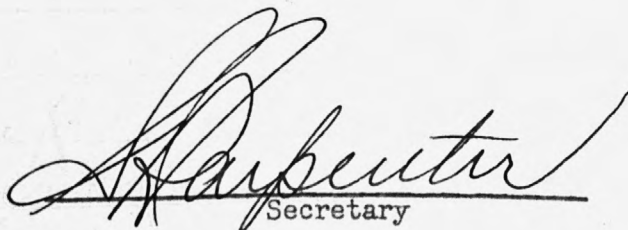
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Secretary