

Minutes for June 19, 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> </u>	<u> W </u>
Gov. Szymczak	<u>x MSS</u>	<u> </u>
Gov. Vardaman	<u>x W</u>	<u> </u>
Gov. Mills	<u>x </u>	<u> </u>
Gov. Robertson	<u>x R</u>	<u> </u>
Gov. Balderston	<u>x CCB</u>	<u> </u>
Gov. Shepardson	<u>x </u>	<u> </u>

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, June 19, 1956. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Balderston, Vice Chairman 1/
 Mr. Szymczak
 Mr. Vardaman
 Mr. Mills
 Mr. Robertson
 Mr. Shepardson

Mr. Carpenter, Secretary
 Mr. Kenyon, Assistant Secretary
 Mr. Riefler, Assistant to the Chairman
 Mr. Vest, General Counsel
 Mr. Johnson, Controller, and Director,
 Division of Personnel Administration
 Mr. Noyes, Adviser, Division of Research
 and Statistics
 Mr. Sprecher, Assistant Director, Divi-
 sion of Personnel Administration
 Mr. Cherry, Legislative Counsel
 Mr. Miller, Chief, Government Finance
 Section, Division of Research and
 Statistics

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

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

In accordance with the request contained in your let-
 ter of June 8, 1956, and Mr. Hilkert's letter of June 11,
 1956, the Board of Governors approves the following actions
 effective June 25, 1956:

1/ Entered meeting at point indicated in minutes.

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1. Establishment of the following minimum and maximum salaries for the respective grades of the employees' salary structure applicable to the Federal Reserve Bank of Philadelphia:

<u>Grade</u>	<u>Minimum Salary</u>	<u>Maximum Salary</u>
1	\$ -	\$ -
2	2,080	2,500
3	2,200	2,900
4	2,500	3,400
5	2,900	3,900
6	3,300	4,400
7	3,700	5,000
8	4,100	5,600
9	4,600	6,200
10	5,000	6,800
11	5,500	7,500
12	6,100	8,300
13	6,700	9,100
14	7,400	9,900
15	8,100	10,900
16	8,900	11,900

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 this structure increase will be brought within the appropriate range as soon as practicable and not later than October 1, 1956.

2. Payment of salary to the following part-time employees at the rates indicated:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
Catherine Bellas	Officers' Waitress	\$1,804
Lillian F. Lohmuller	Officers' Waitress	1,804
Reba L. McLaughlin	Officers' Waitress	1,804
William S. Magee	Medical Director	5,541

The Board understands that salary increases resulting from this adjustment in structure are not expected to result in salary expenditures in excess of 1956 budget provisions.

Approved unanimously.

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

Reference is made to your letter of June 7, 1956, regarding the request of The Connecticut Bank and Trust Company, Hartford, Connecticut, for an extension of time within which to establish a branch at 71 Town Street in the Norwichtown section of Norwich, Connecticut.

After consideration of the information submitted, the Board concurs in your recommendation and extends to March 21, 1957, the time within which The Connecticut Bank and Trust Company may establish the branch in Norwich, Connecticut, as originally approved in the Board's letter of December 21, 1955.

Approved unanimously.

Letter to the Board of Directors, Princeton Bank and Trust Company, Princeton, New Jersey, reading as follows:

Pursuant to your request submitted through the Federal Reserve Bank of Philadelphia, the Board of Governors approves the establishment of a branch at 2 East Broad Street, Hopewell, New Jersey, by Princeton Bank and Trust Company, Princeton, New Jersey, provided (a) the proposed merger with The Hopewell National Bank is effected substantially in accordance with the plan of merger dated May 1, 1956; (b) the branch is established within six months from the date of this letter; and (c) formal approval of the appropriate State authorities is obtained.

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

Letter to the Board of Directors, The Bay National Bank of Panama City, Panama City, Florida, 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,

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administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies or other corporations which come into competition with national banks are permitted to act under the laws of the State of Florida, 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.

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

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

Letter to the Board of Directors, Bentonville State Bank, Bentonville, Indiana, approving, subject to conditions of membership numbered 1 and 2 contained in the Board's Regulation H, the bank's application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Chicago.

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

Letter to the Board of Directors, Irwin Union Bank and Trust Company, Columbus, Indiana, reading as follows:

Pursuant to your request submitted through the Federal Reserve Bank of Chicago, the Board of Governors hereby gives its written consent, under the provisions of Section 18(c) of the Federal Deposit Insurance Act, to the absorption through purchase of assets and assumption of liabilities of The Hope State Bank, Hope, Indiana, by Irwin Union Bank and Trust Company, Columbus, Indiana, and approves the establishment by the latter bank of a branch in Hope, Indiana, in the present quarters of The Hope State Bank, provided (a) the absorption is effected

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substantially in accordance with the Resolutions of the Boards of Directors of the respective banks dated May 31, 1956, (b) the banking quarters acquired from The Hope State Bank will not be placed on the books at an amount in excess of the depreciated value computed for Federal income tax purposes, (c) securities acquired will not be placed on the trust company's books at an amount in excess of the current market value, (d) formal approval of the State authorities is obtained, and (e) the absorption and establishment of the branch are effected within six months from the date of this letter.

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

Letter to the Board of Directors, The First National Bank of West Union, West Union, Iowa, 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, and administrator, 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.

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

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

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

Reference is made to your letter of June 11, 1956, enclosing a resolution adopted by the board of directors of the Farmers & Citizens Bank, Sauk City, Wisconsin, signifying its intention to withdraw from membership in the Federal Reserve System and a letter requesting waiver of

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the six months' notice of such withdrawal. Also enclosed was a letter from the president of the bank setting forth reason for withdrawal, and copy of opinion of Counsel regarding the resolution.

In accordance with the bank's request, 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 bank, you are authorized to cancel such stock and make appropriate refund thereon. 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.

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.

Letter to the Board of Directors, Bank of Crossett, Crossett, Arkansas, approving, subject to conditions of membership numbered 1 and 2 contained in the Board's Regulation H, the bank's application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of St. Louis.

Approved unanimously, for transmittal through the Federal Reserve Bank of St. Louis, together with a letter to Mr. Johns, President of the Reserve Bank, which contained the following paragraph:

It is understood that the bank plans to accomplish admission to membership in the System effective July 2,

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1956, and that a representative of the Federal Reserve Bank has been invited to participate in ceremonies to be arranged for that date. There is enclosed a formal certificate of membership in the Federal Reserve System which may be presented to the bank by your representative if its membership becomes effective as of July 2, 1956, as planned.

Letter to the Board of Directors, Broadway National Bank of Quincy, Quincy, Illinois, 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, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies or other corporations which come into competition with national banks are permitted to act under the laws of the State of Illinois, 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.

A formal certificate indicating the fiduciary powers which the Broadway National Bank of Quincy 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 the Board of Directors, The First State Bank of Gilby, Gilby, North Dakota, reading as follows:

Pursuant to your request submitted through the Federal Reserve Bank of Minneapolis, the Board of Governors approves the establishment of a branch by The First State Bank of Gilby, Gilby, North Dakota, in Gilby, North Dakota, provided the branch is established within one year from the date of this letter and the approval of the State Banking Department is effective as of the date the branch

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is established. It is understood the branch in Gilby will be established incident to the main office of the bank being moved from Gilby to Grand Forks, North Dakota, and that the capital stock of the bank will be increased to \$150,000 which is the amount of capital stock required by statute for a bank located in a city the size of Grand Forks and operating a branch in Gilby, North Dakota.

Approved unanimously, for transmittal through the Federal Reserve Bank of Minneapolis, together with a letter to Mr. McConnell, Vice President of the Reserve Bank, which contained the following sentence:

Furthermore, it appears that the change in location of the head office and name of the bank 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 proposed move.

Letters to The Honorable H. E. Cook, Chairman, Federal Deposit Insurance Corporation, Washington, D. C., reading as follows:

Reference is made to your letter of June 11, 1956, concerning the application of The Lucas County Bank, Toledo, Ohio, for continuance of deposit insurance after withdrawal from membership in the Federal Reserve System.

No corrective programs have been urged upon the bank, or agreed to by it, which the Board of Governors believes should be incorporated as conditions to the continuance of deposit insurance.

Reference is made to your letter of June 12, 1956, concerning the application of The Helper State Bank, Helper, Utah, for continuance of deposit insurance after withdrawal from membership in the Federal Reserve System.

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No corrective programs have been urged upon the bank, or agreed to by it, which the Board of Governors believes should be incorporated as conditions to the continuance of deposit insurance.

Approved unanimously.

Letter to The Honorable Warren Olney III, Assistant Attorney General, Department of Justice, Washington, D. C., reading as follows:

Re: Westside Television Co., Inc.,
Violation of Regulation W

Receipt is acknowledged of your letter of June 8, 1956, enclosing a copy of a letter from the United States Attorney for the Southern District of New York recommending the dismissal of the above-entitled case. You ask for an expression of the Board's views on this proposal.

It is the position of the Board of Governors that a case of this kind which has been referred to the Department of Justice is then in the hands of the Department and of the United States Attorney and is no longer in the jurisdiction of the Board. Accordingly, the Board does not feel that it should undertake to comment on the request of the United States Attorney and is entirely willing to accept the decision of the Department in the matter.

Approved unanimously.

Letter to Mr. Roger W. Jones, Assistant Director, Legislative Reference, Bureau of the Budget, Washington, D. C., reading as follows:

This refers to your letter of May 23, 1956, inquiring whether the Board has any proposals for State legislation which it desires to present through the Bureau of the Budget and the Council of State Governments, for consideration at the 1957 sessions of the State legislatures.

The Board has no proposals to suggest at this time for State legislation.

Approved unanimously.

At this point Governor Balderston joined the meeting.

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Governor Mills reported receipt of a telephone call from a representative of the American Bankers Association who referred to the forthcoming session of the International Banking Summer School to be held at Rutgers University, New Brunswick, New Jersey, and stated that some of the bankers attending the school were likely to be passing through Washington en route home. In particular, he said, it was suggested that the Board might be interested in meeting Mr. Thomas M. Bland, Senior Director of Barclay's Bank, Ltd., of London, and President of the Institute of Bankers in England. It was understood that Mr. Bland would be in Washington on July 11 and 12.

Following a discussion, it was agreed unanimously that an invitation should be extended to Mr. Bland to visit the Board's offices for lunch with available members of the Board and that appropriate programs also should be arranged for any other bankers en route home from the International Banking Summer School who might indicate a desire to call at the Federal Reserve Building.

Mr. Riefler stated that pursuant to the understanding at the meeting of the Board on June 15, 1956, he, Mr. Miller, and Mr. Cherry met yesterday afternoon with Mr. William Pincus and other members of the staff of the House Committee on Government Operations in response to Mr. Pincus's request for information concerning the role of the Federal Reserve in the marketing of Treasury securities. The scope of the

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questions, he said, extended considerably beyond the original request. In addition, interest was expressed by the Committee staff members in seeing one of the visual-auditory presentations given by the Board's research staff and the suggestion was also made that the members of the Committee might like to see the flannelboard presentation prepared by the Federal Reserve Bank of Richmond. Mr. Riefler went on to say that at the conclusion of the meeting, a request was made that Mr. Pincus and perhaps one other member of the Committee staff be permitted to visit the Federal Reserve Bank of New York on July 5 and 6 for discussions relating to the work done by the Reserve Bank in connection with the marketing and handling of Treasury securities. This would include a visit to the trading desk in the Securities Department. Because of the nature of the proposed visit, Mr. Riefler suggested that the request probably should be taken up at the next meeting of the Federal Open Market Committee before any definite arrangements were made.

Mr. Miller said that he had mentioned the matter by telephone to Mr. Rouse, Vice President of the New York Reserve Bank, who felt that relationships between the Federal Reserve System and the Treasury Department indicated the advisability of clearing the proposed visit with the Treasury. Mr. Rouse, he said, also was of the opinion that the matter should come before the Federal Open Market Committee.

In a discussion which followed it was suggested that it would be desirable for Chairman Martin to discuss the matter with the Chairmen

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of the Senate and House Banking and Currency Committees before any conclusion was reached. In addition, Governor Vardaman suggested that the Chairman talk with Chairman Dawson of the Government Operations Committee with a view to determining whether the Committee wished to place the request on a formal basis.

At the conclusion of the discussion, it was agreed that the procedural suggestions which had been made would be reported to Chairman Martin upon his return.

At this point all of the members of the staff withdrew from the meeting with the exception of Messrs. Carpenter, Johnson, and Sprecher.

Following a preliminary discussion of a matter which was to be placed on the agenda tomorrow when Chairman Martin could be present, Governor Mills referred to the action taken at the meeting on June 7, 1956, to authorize the purchase of an Alvac 800 computer and to the suggestion made at that time that bids be obtained from other manufacturers. He said that further consideration had been given to this suggestion and that, while the practice of obtaining bids should be followed whenever possible, he would like to request that the Board approve the purchase of the Alvac machine without bids. The reason for his request was that the Alvac machine was like any other machine which the Board would purchase which is known to suit the Board's purposes and there

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would be a real problem if, as a result of taking bids, the Board were compelled to purchase a machine that did not meet its requirements. He added that he had not yet received the views of the Legal Division as to the position of the Board if bids were not taken but he understood that they probably would be favorable.

Governor Vardaman suggested that the Board could state the specifications of the computer it wished to purchase and ask for bids on a machine of those specifications. If no other bids were received, the Board would be entirely free to purchase the machine it desired. It was his view that if bids were not taken another manufacturer might say that he would have been glad to build such a machine at a lower price if he had been given an opportunity. He added that he was interested primarily in protecting the Board and would prefer not to be placed in the position of having a negotiated contract on such high-priced equipment.

Following a discussion of how the matter might best be handled, it was the consensus that, on the basis of the information now before the Board, the best way to arrange the purchase would be to specify the computer that would best suit the Board's needs and ask for bids on that machine.

The meeting then adjourned.

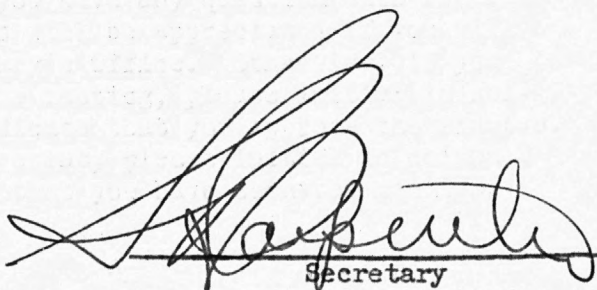
Secretary's Note: On June 18, 1956,
Governor Balderston approved on

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behalf of the Board the following
letter to Mr. Diercks, Vice Presi-
dent of the Federal Reserve Bank
of Chicago:

In accordance with the request contained in your let-
ter of June 13, 1956, the Board approves the designation
of Wallace K. Bogardus as a special assistant examiner
for the Federal Reserve Bank of Chicago. Please advise
as to the date upon which the employment is made effective.



Secretary