

Minutes for September 20, 1956

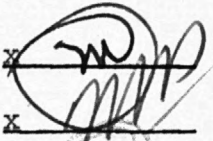



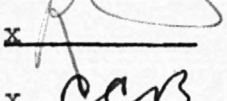
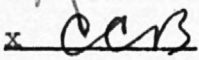
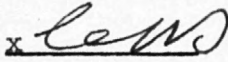
To: Members of the Board

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	<input checked="" type="checkbox"/> 	_____
Gov. Szymczak	<input checked="" type="checkbox"/> 	_____
Gov. Vardaman	<input checked="" type="checkbox"/> 	_____
Gov. Mills	<input checked="" type="checkbox"/> 	_____
Gov. Robertson	<input checked="" type="checkbox"/> 	_____
Gov. Balderston	<input checked="" type="checkbox"/> 	_____
Gov. Shepardson	<input checked="" type="checkbox"/> 	_____

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, September 20, 1956. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman 1/  
 Mr. Balderston, Vice Chairman 2/  
 Mr. Szymczak  
 Mr. Vardaman  
 Mr. Mills  
 Mr. Robertson  
 Mr. Shepardson

Mr. Carpenter, Secretary  
 Mr. Sherman, Assistant Secretary  
 Mr. Kenyon, Assistant Secretary  
 Mr. Fauver, 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. Hexter, Assistant General Counsel  
 Mr. Noyes, Adviser, Division of Research and Statistics  
 Mr. Garfield, Adviser, Division of Research and Statistics  
 Mr. Eckert, Chief, Banking Section, Division of Research and Statistics  
 Mr. Snyder, Economist, Division of Research and Statistics

There had been sent to the members of the Board copies of a memorandum from Mr. Young dated September 18, 1956, recommending that a survey of demand deposit ownership be conducted in January 1957 along the lines recommended by the System Subcommittee on Deposit Ownership Data. The memorandum stated that the Subcommittee had undertaken a thorough review of the survey methodology, that it had recommended numerous changes to improve the statistical reliability of the survey and reduce the reporting burden on respondents, that the proposed procedure had

1/ Withdrew from meeting at point indicated in minutes.

2/ Attended morning session only.

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been reviewed by the Federal Reserve Banks and had been revised in the light of their comments, and that reinstitution of the survey in 1957 would be in line with the recommendation approved by the Board in December 1955 for a one-year deferral to permit completion of the Subcommittee's study and development of an improved survey. After outlining the principal changes in the survey recommended by the Subcommittee, the memorandum stated that once the initial phase was completed the recommended changes would result in a substantial reduction in the cost of the survey, both to the System and to participating commercial banks. During the first year, however, the cost in time and money to the Board and the Reserve Banks in selecting the sample and in securing the cooperation of selected commercial banks would be substantial, and the commercial banks would also have to do their permanent ownership coding. The memorandum went on to state that although this particular survey had been under criticism from both the Reserve Banks and the commercial banks because of the work involved and although it was one of the items singled out by the Hoover Commission Task Force on Government Paper Work, the information was highly important in itself and for any national accounting records of the flow of funds and savings. The absence of deposit ownership data for the past year was reported to have handicapped national estimation work at the Board and at other Government agencies.



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Governor Vardaman opened a discussion of the matter by saying that he did not like the idea of going to the commercial banks in January 1957 and that he doubted whether any real harm would be done by postponing the survey until 1958. He also referred to the prospective burden on the Board's staff in the first part of 1957 due to the volume of current projects and expressed the view that any further projects should be considered very carefully.

In response, Mr. Young referred to the decision to defer the 1956 survey and to the fact that at that time it was stated that the survey would be reinstituted in 1957. He said that in negotiating the deferment with the Bureau of the Budget it was understood that the survey would be resumed next year. The idea behind the deferment was that the procedure for collecting this information was somewhat unsystematic, and since that time a great deal of thought had gone into effecting improvements with the result that a more scientific program had been developed. The data were said to be essential to national estimates and relationships such as the flow-of-funds accounts as well as for any new work on savings statistics that the System might undertake. In other words, these would be benchmark data that would fit into other figures.

In response to a question by Chairman Martin as to the burden on the participating commercial banks, Governor Mills said that the survey would represent a very distasteful burden to most of the reporting banks and that it would involve a considerable expense and allocation of manpower. On the other hand, he believed that the Board should



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rely on the judgment of its research staff regarding the need for the data and that in view of the staff recommendation it should approve the survey.

In response to an inquiry by Governor Vardaman as to what figures were now being used, Mr. Young said that in view of the omission of the 1956 survey it was necessary to resort to estimates which were regarded as quite unsatisfactory. If the survey were to be omitted again in 1957, there would be no real basis for checking out the estimates. He then discussed the revisions recommended in the survey and described how they would reduce the reporting burden after the first year.

Governor Vardaman then stated that he did not underestimate the value of the data but that he felt the timing was poor, particularly since the Board's staff would be heavily occupied in other studies for at least the first few months of 1957. In addition, he felt that the commercial banks had a sufficiently heavy burden to warrant postponement and that nothing of lasting value would be lost.

Governor Szymczak said it appeared that the survey was something which had to be accomplished and that his principal concern was with the number of projects confronting the Board's staff. In this connection, Governor Mills pointed out that the survey data would be assembled at the Federal Reserve Banks and not at the Board, and that the computations which must be made at the Board could be completed at a more leisurely pace later in the year.

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In reply to a question by Governor Robertson regarding the views of the Reserve Banks concerning the survey, Mr. Young said that some of the Banks thought the survey would be a rather hard thing to get under way. This was true in the case of almost any survey, Mr. Young said, and the most that could be done was to try to get as many banks as possible to cooperate through an educational process.

Governor Robertson said that he felt very much like Governor Vardaman, that if the survey could be postponed it would be advisable to defer it, but that personally he did not know enough about the value of the figures and their relationship to other statistics to form a judgment and therefore he would not go against the recommendation of the Research Division.

Mr. Young commented that he was very much aware of the total volume of work but that, as he had said, these statistics were benchmark data that the System needed each year. The survey already had been deferred one year and to defer it again would represent a very critical loss. In response to questions regarding the estimated staff burden involved in making the proposed survey, he and Mr. Eckert discussed the work that would be necessary to institute the survey, and later in developing the national estimates, from which it appeared that the time of one economist might be needed for approximately two months.

There ensued a further discussion concerning the value of the deposit ownership statistics and the volume of other statistical

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projects, following which Governor Shepardson said that he had in mind the large amount of unfinished business and that he was planning to meet with the division heads to review all current projects and see what could be done to correct the situation. In this particular case, he said, he would be inclined to rely on the statement of the staff that this was a basic project, the results of which were useful in a number of ways. Therefore, he felt that the survey should be authorized. As to the problem in general, he thought that the staff was in the best position to evaluate the relative merit of the various projects and it was his intention to ask for a staff evaluation and for suggestions on cutting down the current burden.

Chairman Martin expressed the view that such an approach was sound and he suggested that Governor Shepardson be given a free hand to work with the staff on the basis that had been outlined. He then spoke of the important nature of the Board's research work and said that personally he would not know how to differentiate between the various programs.

Governor Vardaman stated that he had merely wanted to express his serious doubts in this matter, that he would vote with the majority of the Board to authorize the survey, although with reluctance, and that his remarks should be regarded as an effort at a constructive approach.

It being understood that the reservations expressed by the various members of



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the Board would be noted in the minutes of this meeting, the recommendation contained in Mr. Young's memorandum of September 18, 1956, was approved unanimously.

At this point Messrs. Johnson, Controller and Director, Division of Personnel Administration, and **Molony**, Special Assistant to the Board, entered the room and Mr. Snyder withdrew from the meeting.

With reference to the discussion of the foregoing topic, Governor Balderston inquired whether there was available any record concerning the frequency with which member banks were contacted for statistical information. He expressed concern that the number of requests made of particular banks by the Board, the Reserve Banks, and other sources might be such as to provoke complaint.

The response was made that information of the kind mentioned by Governor Balderston would be available at the Federal Reserve Banks. It was stated that the Reserve Banks were aware of the frequency of requests and sensitive to the matter but that it was not possible in conducting surveys to obtain an adequate sample without inclusion of the larger banks.

Chairman Martin commented that the point raised by Governor Balderston was a fundamental one that should be given consideration. He said there appeared to be a rising tide of resentment which, although perhaps unjustified, posed a public relations problem.

At previous meetings of the Board consideration had been given to the acquisition of an electronic computer and the conclusion was

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reached that the purchase of an intermediate-type computer would contribute enough to the Board's operations to warrant the cost involved. Before approving a definite commitment, however, the Board had directed its staff to invite proposals from a number of manufacturers whose machines were known to be of a type adaptable to the Board's needs. Accordingly, contact was made with five selected manufacturers and the proposals received from them were carefully reviewed by the staff. On the basis of this review, Messrs. Young and Garfield submitted a memorandum under date of September 12, 1956, to Governors Mills, Balderston, and Shepardson, who comprised the special committee of the Board that had been named to consider with the staff the mechanization of the Board's computing and charting operations. This memorandum recommended the purchase of an Alvac 800 computer manufactured by Logistics Research, Inc., at a cost of approximately \$242,000. At the request of the committee, copies of the memorandum had been sent to all of the members of the Board prior to this meeting.

As Chairman of the Board's special committee, Governor Mills reviewed the decision reached as a result of the Board's previous discussions of the matter, following which he summarized the material covered in the memorandum from Messrs. Young and Garfield. He said that after a thorough review of the information now available, the committee concurred in the recommendation of the staff.

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Governor Shepardson supplemented Governor Mills' comments by referring to a memorandum prepared at his request by the Board's Controller which set forth the details of the estimated cash outlay during 1957 in connection with the electronic computer project. The total estimate, which amounted to \$285,513, included, aside from the amount of the purchase contract (\$242,413) items for training and various incidental expenses along with a reserve for contingencies of \$25,000. (The memorandum from Messrs. Young and Garfield estimated annual machine-room computing costs at \$123,750 on the basis of a five-year life of the Alvac 800 computer, as compared with current annual machine-room costs at a rate of \$60,400.)

Following a discussion of the cost estimates, Governor Vardaman made a statement in which he expressed reservations regarding the project from the standpoint of timing. After stating that he felt no harm would be done by deferring the purchase of the computer for as long as 24 months, he called attention to the developments continually taking place in the electronic computer field. He felt that the matter had been approached in a very careful manner and that the analysis made by the special committee and the staff was excellent, but he remained of the opinion that it would be preferable to postpone the purchase. However, he said, he would defer to the judgment of the majority of the Board, and if the Board decided to approve the purchase at this time he would not vote to the contrary.



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Governor Robertson inquired to what extent it was contemplated that the machinery would be used by parties outside the System, and the response was made that it was not planned to use the machine to service other agencies, at least for the time being. Governor Mills commented that the Federal Reserve Banks would have a preferential claim on machine time and that it was anticipated that the work of the Banks would represent a very substantial machine-time requirement. Mr. Young brought out that to a considerable extent this could be looked upon as a developmental expenditure, since experience with the computer would be of value in determining the adaptability of electronic machinery to various Federal Reserve operations.

Governor Shepardson said that the Board's committee was very conscious of developments in the field of electronic computers, that the staff had studied the matter carefully, and that the improvements foreseen in the near future could be incorporated in the basic machine proposed to be purchased. In other words, this machine was so constructed as to provide flexibility for accommodating developments anticipated within the next few years, and therefore the Board would be faced with only a minimum possibility of short-range obsolescence.

Governor Balderston added to Governor Shepardson's remarks by saying that all of the members of the committee had become convinced that the Alvac 800 computer was a basic unit that afforded maximum protection against obsolescence and that the committee therefore

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decided against recommending the rental of a computer, a plan which might have been preferable had it appeared that the machine would become obsolete within a short period of time. He then referred to the need to complete an adequate training program as soon as possible, for when personnel of the Board and the Reserve Banks became acquainted with the machine and its usefulness, the volume of machine operations could be increased, with a resulting reduction in the volume of manual computations.

In response to a question by Chairman Martin, Governor Mills said that upon clearance of the proposal by the Board, the staff would be requested to draw up an appropriate contract with Logistics Research, Inc.

Chairman Martin then commented that the points made by Governor Vardaman had already been discussed by the Board during the period that the proposed purchase was under consideration. He expressed the view that if the expenditure would contribute to the efficiency of operations, it was something that should not be postponed simply because of the possibility of criticism.

In this connection, Governor Mills recalled that the proposal had been under study for a period of more than a year, that all of the arguments for and against the purchase were advanced during that period, and that during the year the machine proposed to be purchased had been improved materially and its adaptability to additional devices also had been improved considerably. While it was apparent that in the next five years

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further improvements would be made in the field of computing machinery, a judgment had been reached after very extensive investigation by the Board's committee and the staff that at the end of five years the computer proposed to be purchased would still be serviceable and could be adapted to further changes. Although the expenditure would be substantial, it would be modest, he said, in comparison with the expenditures of other Government agencies and private enterprises in this field.

Governor Shepardson commented that whereas there has been extensive use of computers in various areas of Government and business, there has been little or no work in the areas with which the Board is concerned. He recalled that a group of bankers who visited the Board's offices recently expressed the thought that the Board might well assume leadership in research in the area of mechanization relating to problems in the banking field. Therefore, in addition to the significant saving of time and manpower that might be achieved through the use of the computer, there was an experimental job that needed to be carried forward - a job that the Board was in a position to assume.

In further discussion, Governors Mills and Shepardson pointed out that as the result of the consideration given to the matter previously by the Board, the point remaining for decision today - now that the offers of competing manufacturers had been thoroughly examined - was whether the Board was satisfied with the selection of the particular machine that was recommended.



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Governor Vardaman commented that his position was not one of opposition to the purchase of a computer but rather one of suggesting postponement of the purchase. He then said that as he understood it the proposal contemplated entering into a negotiated contract on the basis that the Board's committee had satisfied itself that it was not feasible to go any further in contacting competing manufacturers.

With reference to the last point mentioned by Governor Vardaman, Governor Shepardson reviewed the contacts which were made with manufacturers producing intermediate-type computers and said that each manufacturer was given an opportunity to submit bids on the basis of the equipment that they could offer. Mr. Hexter supplemented this by saying that in view of the differences in the various computers it was not feasible to have a bidding arrangement in the usual sense, that is, on the basis of specifications. Therefore, the committee and the staff selected a group of companies manufacturing machines of a nature which were suitable, in general terms, to the Board's requirements. As a result, five offers were received and a selection was made which confirmed the previous recommendation of the staff.

Chairman Martin recalled that it had been the desire of the Board to have a complete record available in the Board's files which would disclose the thoroughness with which the study of this question was conducted. Such a record had been built up over a long period of time, and while the Board's judgment in purchasing the computer might later be shown to have

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been in error, the record would stand as evidence of the thorough study that had been made.

Governor Vardaman then stated that if it was the considered judgment of the Board, in the light of the record that had been built up, that the purchase should be made at this time, he felt that the Board should stand united on that position in the event that any criticism should develop.

Thereupon, it was agreed unanimously that a contract should be entered into with Logistics Research, Inc., for the purchase of an Alvac Model 800 electronic computer at a cost of approximately \$242,000.

Messrs. Riefler, Hexter, Noyes, Garfield, and Eckert then withdrew from the meeting and Messrs. Solomon and Hackley, Assistant General Counsel, entered the room.

It was reported that Mr. Malcolm P. Ferguson would be unable to accept appointment as a Class C director of the Federal Reserve Bank of Chicago for the unexpired portion of the term ending December 31, 1958, to succeed Mr. Carl E. Allen, Jr., when the latter takes office as President of the Chicago Reserve Bank effective October 1, 1956.

Following a discussion, it was agreed unanimously to request Chairman Prall to ascertain and advise whether Mr. Robert P. Briggs, Executive Vice President of the Consumers Power Company, Jackson, Michigan, would accept the appointment as a Class C director, if tendered, with the understanding that if Mr. Briggs would accept, the appointment would be made.

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Reference was made to the desirability of obtaining more representation from the ranks of small business on the boards of directors of the Federal Reserve Banks and branches, and it was understood that the Board and staff would give consideration to ways of developing names of persons who might be considered for appointment.

Chairman Martin then withdrew from the meeting.

Governor Balderston reported that Chairman Martin had received a letter dated September 18, 1956, from Mr. Clarence B. Randall, Chairman of the Council on Foreign Economic Policy, which stated that the Council was engaged in a study of the policy aspects of regional economic integration and its impact on United States trade and other economic interests, that a Subcommittee had been formed with representation from various Government agencies, and that its Chairman, Mr. Joseph S. Davis of the Council of Economic Advisers, had suggested that Mr. Marget, Director of the Division of International Finance, could contribute significantly to the work of the Subcommittee.

Following a brief discussion, it was understood that copies of the letter from Mr. Randall would be distributed to the members of the Board.

Governor Balderston then read a press statement issued at the White House today announcing various measures that were to be put into effect to increase the availability of real estate credit in the residential field.



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Governor Robertson referred to the investigation being undertaken by the Senate Banking and Currency Committee into the procedures of certain banks in Illinois which came to light as the result of disclosure of certain activities of the former State Auditor of Public Accounts. He recalled that some time ago Chairman Fulbright of the Senate Committee wrote to the Board asking cooperation in connection with the investigation, and that the reply was to the effect that while the Board would be glad to cooperate, the fact that nonmember banks were involved made it seem doubtful whether the Board would have much pertinent information. He went on to say that representatives of the Committee later visited the Board's offices and asked for information about bank supervisory procedures involving certain Illinois State member banks, and that appropriate information was furnished, with the understanding that the information would not be made public without clearance with the Board. Governor Robertson said that in view of hearings which were to be held tomorrow, representatives of the Committee had now requested clearance to make some of the information public, that members of the Board's staff had reviewed the matter with representatives of the Committee, and that the Board had been furnished a copy of a statement proposed to be released by the Committee having to do with a complaint filed by the Board against the Devon-North Town Bank of Chicago, Illinois, in 1953 and dismissed in 1955 because of a change in the ownership and management of the bank and other corrections that had been effected. It appeared, Governor Robertson said, that in citing this case the Committee was

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endeavoring to make an unfavorable comparison between the promptness of action of the part of the Board in that case and the alleged delay of the Federal Deposit Insurance Corporation in the matters now under investigation. While he did not know whether such a conclusion was correct, he had gone over the proposed statement and could see nothing confidential in it except perhaps certain language dealing with the nature of the Board's complaint in 1953. After checking with Chairman Martin, he had therefore told the Committee that there would be no objection to the use of such a statement although he would prefer to have the portion deleted which dealt with the nature of the complaint. In this connection, he said that the Committee had not had access to Federal Reserve bank examination reports and apparently had obtained its information on this case from other sources.

Secretary's Note: The draft of statement referred to by Governor Robertson was as follows:

The Federal Reserve Board appears to have acted much more rapidly in the case of the Devon Bank on the basis of its examinations in August and December 1952 and the State Auditor's examination in March 1953. On March 27, 1953, a complaint was filed against the Devon-North Town Bank and charges covered the Bankers Discount Corporation's \$85,000 loan and installment obligations of approximately \$971,974.23 as well as overdrafts by Bankers Discount and adversely classified loans. The complaint ordered the Devon Bank to appear at a hearing on April 29, 1953 to show cause why its membership in the Federal Reserve System should not be forfeited. (The Board dismissed this complaint on August 3, 1955 because of the change in ownership and management of the bank and corrections of matters complained of.)

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The meeting then recessed and reconvened at 2:00 p.m. with Governors Szymczak, Vardaman, Mills, Robertson, and Shepardson present. The staff attendance was the same as at the conclusion of the morning session except that Mr. Fauver was not present and Messrs. Leonard, Director, and Horbett, Associate Director, Division of Bank Operations, were present along with Mr. Sloan, Director, Division of Examinations.

In response to its telegram of August 30, 1956, the Board had now received letters from each of the Federal Reserve Banks containing suggestions for changes in the Federal Reserve Act and related statutes in connection with the study of the Federal statutes relating to financial institutions and credit being conducted by the Senate Banking and Currency Committee under the acting chairmanship of Senator Robertson. Copies of these letters had been sent to each member of the Board along with a copy of a memorandum from the Legal Division listing, in the language in which they were submitted, all of the Reserve Bank suggestions except those representing matters previously considered by the Board, matters of mere codification of the law, duplications among Reserve Banks, and matters relating solely to national banks or the Comptroller of the Currency.

The suggestions submitted by the Federal Reserve Banks in the First through the Eighth Federal Reserve Districts, inclusive, were reviewed by the Board. As a result, it was agreed that the suggestions listed below would be prepared by the Legal Division in a form suitable



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for submission to the Banking and Currency Committee, their inclusion with the other material submitted then to be subject to a final clearance by the Board.

SUGGESTIONS OF FEDERAL RESERVE BANKS FOR CHANGES  
IN BANKING LAWS

New York

Section 2. It is recommended that consideration be given to the deletion of the fourth paragraph in view of the fact that provision for double liability of shareholders has been terminated in respect of national banks and many State banks.

Section 7. It is recommended that the first sentence of the second paragraph be deleted as no longer applicable unless a provision respecting a franchise tax is restored to the first paragraph.

Section 10. First paragraph. Certain provisions of the paragraph referred to are obsolete and might be deleted; it would also appear appropriate to amend the paragraph so as to eliminate reference to the salaries of the Board members in view of the Federal Executive Pay Act of 1956.

Section 13. Eighth paragraph. It is recommended that the reference to bonds issued under the provisions of the Home Owners' Loan Act of 1933, as amended, be deleted from the paragraph referred to. The Home Owners' Loan Corporation has been dissolved, and its bonds have matured.

Section 14(b). That there be deleted from the section all reference to bonds of the Federal Farm Mortgage Corporation and bonds issued under the provisions of the Home Owners' Loan Act of 1933, as amended.

Section 14(f). It is recommended that this section be deleted as unnecessary and undesirable in the conduct of open market operations. 1/

Section 23A. Second and third paragraphs. References in these paragraphs to the Home Owners' Loan Corporation

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1/ To delete reference to acceptances of National Agricultural Credit Corporations only.

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should be deleted by reason of the fact that that Corporation has been dissolved.

Section 345 of the Banking Act of 1935. The reference in this section to "capital notes or debentures of the type which the Reconstruction Finance Corporation is authorized to purchase \* \* \*" might be deleted as obsolete if in fact no capital notes or debentures of the kind described therein are outstanding. 1/

#### Cleveland

The provisions of section 19 authorizing the Board of Governors to increase reserve requirements to 7-1/2 per cent, 30 per cent, 24 per cent and 18 per cent expired June 30, 1949 and are thus obsolete.

The provisions of section 19 to the effect that the prohibition of the payment of interest on demand deposits does not apply to certain deposits by savings banks and public deposits until two years after the Banking Act of 1935 are obsolete.

The provisions of section 22 authorizing certain loans to executive officers of member banks to be extended for five years from 1939 are obsolete.

#### Richmond

Section 9, Paragraph 14. The penalty provided by this paragraph (possible forfeiture of System membership) for false certification of checks appears unduly severe and unrealistic. 2/

#### Atlanta

Amend Section 4 to provide specifically that all directors should be residents of the Districts of the Federal Reserve Bank on whose Board they are serving.

In the course of the foregoing discussion, Mr. Vest said that in preparing for the Board the compilation of items for possible submission

1/ To be studied by the Legal Division if time was available.

2/ To be given further study by the Legal Division if time was available.

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to the Robertson Committee, the Legal Division did not include a number of suggestions which it considered as simply rearranging the language of the statutes without any change of substance or intent. It was understood that such matters of codification would be taken up by the Robertson Committee separately from proposals for changes in the law. They would involve simply staff study and preparation of a draft, and the Board's Legal Division presumably would be asked to work with the staff of the Committee.

Governor Szymczak suggested that the Legal Division contact the staff of the Committee to make sure that this was the procedure that the Committee intended to follow, with the thought that if the situation was different the Board could give further consideration to the items of the kind referred to by Mr. Vest.

Governor Robertson reported having been advised that the Office of the Comptroller of the Currency was considering making the suggestion to the Robertson Committee that the authority to permit national banks to exercise trust powers and the authority to issue regulations with respect thereto be transferred to the Comptroller's Office. He said that he would doubt the advisability of such a change of authority relating only to the trust powers of national banks. He went on to say that the Comptroller's Office also was considering a recommendation that in an emergency situation a national bank be authorized to take over a failing institution and establish a branch at that location, notwithstanding the branch banking laws of the State. With respect to section



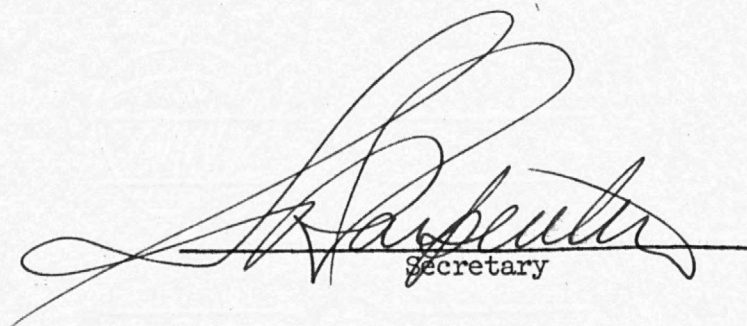
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30 of the Banking Act of 1933, Governor Robertson said that the Comptroller's Office would like to recommend something that would make section 30 more workable, but that they had no suggestions to offer. However, they might suggest that in the event an officer of a bank was removed under section 30, the stock which he continued to own could not be voted and the remaining shares outstanding would constitute the total shares of the bank for voting purposes.

The meeting then adjourned.

Secretary's Note: Governor Shepardson today approved on behalf of the Board the recommendation contained in a memorandum from Governor Szymczak dated September 6, 1956, that the basic annual salary of Virginia J. Ogilvie, Secretary in the Board Members' Offices, be increased from \$5,710 to \$6,390, effective September 23, 1956.



Secretary