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

Chm. Martin
Gov. Szymczak
Gov. Vardaman
Gov. Mills
Gov. Robertson
Gov. Balderston
Gov. Shepardson

B

x

x

x

x

x

x

x

x

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

PRESENT: Mr. Balderston, Vice Chairman  
Mr. Szymczak 1/  
Mr. Vardaman  
Mr. Mills  
Mr. Robertson  
Mr. Shepardson  
Mr. Carpenter, Secretary  
Mr. Kenyon, Assistant Secretary  
Mr. Leonard, Director, Division of Bank Operations  
Mr. Vest, General Counsel  
Mr. Sloan, Director, Division of Examinations  
Mr. Hexter, Assistant General Counsel  
Mr. Goodman, 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:

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

The Board of Governors approves the payment of salaries to the following officers for the period November 1, 1956, through December 31, 1956, at the rates indicated which are the rates fixed by the Board of Directors as reported in your letter of November 2, 1956:

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>Annual Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Joseph J. Srp</td>
<td>Assistant Cashier, Head Office</td>
<td>$10,250</td>
</tr>
<tr>
<td>Paul F. Carey</td>
<td>Assistant Cashier, Detroit Branch</td>
<td>9,100</td>
</tr>
</tbody>
</table>

1/ Entered meeting at point indicated in minutes.
The Board of Governors also approves the payment of salary to Mr. Paul C. Hodge as General Counsel and Assistant Secretary for the period November 1, 1956, through December 31, 1956, at his present rate of $18,000 per annum.

The salary proposals for 1957 will be considered in connection with the review of your annual budget.

Approved unanimously.

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

The Board of Governors approves the payment of salary by the Federal Reserve Bank of Chicago to the incumbent of the position listed below at the rate indicated, effective October 1, 1956, in accordance with the requests in your letters of September 25 and October 29, 1956.

<table>
<thead>
<tr>
<th>Title</th>
<th>Annual Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marble Man</td>
<td>$5,171.40</td>
</tr>
</tbody>
</table>

Approved unanimously.

Letter to the Board of Directors, Manufacturers and Traders Trust Company, Buffalo, New York, reading as follows:

Pursuant to your request submitted through the Federal Reserve Bank of New York, the Board of Governors approves the establishment by Manufacturers and Traders Trust Company, Buffalo, New York, of a branch at 97 Main Street, Batavia, New York, the present location of Genesee Trust Company, provided that (a) the merger of Genesee Trust Company into Manufacturers and Traders Trust Company is effected substantially in accordance with the plan of merger dated June 20, 1956, as submitted through the Federal Reserve Bank of New York, (b) formal approval is obtained from the appropriate State authorities, and (c) the merger and establishment of the branch are accomplished within six months from the date of this letter.

Approved unanimously, for transmission through the Federal Reserve Bank of New York.
Letter to the Board of Directors, American National Bank of Brunswick, Brunswick, Georgia, 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 Georgia, 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 American National Bank of Brunswick is now authorized to exercise will be forwarded to you in due course.

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

There were presented telegrams proposed to be sent to the following Federal Reserve Banks approving the establishment without change, on the dates indicated, of the rates of discount and purchase in their existing schedules:

- San Francisco: November 14
- New York: November 15
- Philadelphia: November 15
- Chicago: November 15

Approved unanimously.

A letter dated October 25, 1956, had been received by the Board from Mr. E. David Rosen, Assistant United States Attorney, Southern District of Florida, Miami, Florida, requesting the name and address of each State member bank located in certain named cities in the State of
Florida, a copy of the latest report of condition for each such bank, and the names of persons who had served as President or Chairman of the Board of such institutions for the past five years. The letter, however, did not disclose the purpose for which the information was sought. A draft of reply to Mr. Rosen which would furnish the requested information had been circulated to the members of the Board prior to this meeting.

In a discussion of the matter the opinion was expressed that although the information requested was of a published nature it would be desirable to know the reason for the request before a reply was sent. Accordingly, Governor Robertson suggested that Mr. Vest be asked to get in touch with the appropriate office of the Department of Justice with a view to ascertaining the circumstances surrounding the request. This suggestion contemplated that if the response of the Department of Justice indicated that the request was made in line with official duties and there appeared to be no other complicating circumstances, the information would be furnished to Mr. Rosen.

There was unanimous agreement with the procedure suggested by Governor Robertson.

Secretary's Note: Mr. Vest having contacted the Department of Justice and received advice concerning the purpose of the request, as stated in a memorandum which he placed in the files under today's date, the following letter was sent to Mr. Rosen today:

In reply to your letter of October 25, 1956, we are enclosing a pamphlet containing the list of all State member...
banks on December 31, 1955, and a supplement to the pamphlet showing changes through October; there have been no further changes in November to date. We are also enclosing photostats of September 26, 1956 reports of condition of all State member banks in the cities you have listed. The names of these banks are shown below, together with the names of their presidents and chairmen of boards of directors who, according to available bankers' directories, have served during the last five years; dates of the directories are indicated in cases where they show different officers during this period.

**Little River Bank and Trust Company, Miami**

James G. Garner, President

No Chairman of the Board listed

**Metropolitan Bank of Miami**

(Admitted to membership April 20, 1954)

G. James Hughes, President (September 1956)

Arthur V. Davis, President (March 1956)

Robert Pentland, Jr., Chairman of the Board (September 1954 to September 1955)

Gordon H. Robertson, President (March 1955 to September 1955)

T. T. Scott, President (September 1954)

**North Shore Bank, Miami Beach**

Leonard L. Abess, Chairman of the Board

F. Rouse Smith, President

**Pan American Bank of Miami**

James Sottile, Sr., Chairman of the Board (March 1956 to date)

James Sottile, Jr., President (March 1956 to date)

P. J. Serralles, Chairman of the Board (September 1951 to September 1955)

T. A. Davis, Jr., President (September 1951 to September 1955)

**Peoples Bank of North Miami Beach**

(Admitted to membership May 16, 1956)

Leonard A. Usina, Chairman of the Board

Frank H. Willer, President
Reference was made to an application of Bank of the Southwest National Association, Houston, Texas, transmitted through the Federal Reserve Bank of Dallas, for permission to accept drafts or bills of exchange for the purpose of creating dollar exchange. It appeared that the drafts would be drawn by clients of Banco de America, Managua, Nicaragua, on Bank of the Southwest and endorsed by Banco de America. There had been circulated to the members of the Board a draft of reply to the Dallas Reserve Bank which would take the position that in the circumstances described, such bills would not be drafts or bills of exchange drawn upon a member bank by banks or bankers in a foreign country for the purpose of furnishing dollar exchange as required by the usages of trade, as contemplated by section 2(a)(1) of Regulation C, Acceptance by Member Banks of Drafts and Bills of Exchange. The letter would contain certain suggestions, however, as to an alternative procedure according to which Bank of the Southwest might wish to handle the requested facilities under an import arrangement.

Attention was called to a portion of the proposed reply which
11/16/56

would state that although Nicaragua had been included since 1916 in the list of countries with respect to which the Board of Governors had found that the usages of trade were such as to justify banks or bankers therein in drawing on member banks for the purpose of furnishing dollar exchange, and although no formal review of the usages of trade in Nicaragua had been made by the Board for many years, informal inquiries had indicated that it was doubtful whether the trade requirements in Nicaragua would conform to the purposes of the amendment to section 13 of the Federal Reserve Act passed on September 7, 1916. The letter would go on to say that the Board would be reluctant to grant the requested permission, even though the bills were drawn by Banco de America or some other banker in Nicaragua, in the absence of a current showing that the usages of trade in that country required the granting of the acceptance facilities requested by the applicant.

The suggestion was made that it might be inadvisable to indicate that denial of the current request was based in part on an absence of information concerning the usages of trade in Nicaragua resulting from the lack of a formal review of the situation in that country by the Board. There being agreement with this suggestion, it was understood that the portions of the proposed letter referring to the usages of trade in Nicaragua would be deleted.

Governor Shepardson then raised with Mr. Goodman a series of questions bearing on whether the remaining grounds for denying the application were sufficiently strong to warrant such action or whether they...
were in effect predominantly technical in nature. In view of these questions, it was understood that Governor Shepardson would discuss the subject further with Mr. Goodman after the meeting.

Thereupon, it was agreed that the draft of letter to the Federal Reserve Bank of Dallas would be modified to the extent agreed upon at this meeting and that if the revised draft was satisfactory to Governor Shepardson in the light of his further discussion with Mr. Goodman, the letter would be sent.

Secretary's Note: Pursuant to the foregoing action, the following letter, having been approved by Governor Shepardson, was sent to Mr. Irons, President of the Federal Reserve Bank of Dallas, on November 19, 1956:

Reference is made to your letter of August 9, 1956, transmitting the application of Bank of the Southwest National Association, Houston, Texas, for permission to accept drafts or bills of exchange for the purpose of creating dollar exchange.

It is noted that the management of the Federal Reserve Bank of Dallas recommended that the application be granted favorable consideration subject to the limitations that the Board (1) considers the items as required by the "usages of trade", (2) considers the items as drawn "by banks or bankers in foreign countries", and (3) limits the permissible maturity to not more than three months from the date of acceptance, exclusive of days of grace.

On the basis of the information submitted in the applicant's letter, it is apparently contemplated that the drafts would be drawn by clients of Banco de America, Managua, Nicaragua, on Bank of the Southwest and endorsed by Banco de America. Accordingly, such bills would not be drafts or bills of exchange drawn upon a member bank by banks or bankers in foreign countries for the purpose of furnishing dollar exchange as required by the usages of trade as contemplated by Section 2(a)(1) of Regulation C.
In telephone conversation with Mr. Goodman, Assistant Director of the Board's Division of Examinations, Vice President and General Counsel Shuford of your bank stated that he had been informed the Nicaraguan bank had transactions, similar to the facility requested of Bank of the Southwest, with Grace National Bank, New York, and American Trust Company, a State member bank, San Francisco.

Upon making informal inquiry through the Federal Reserve Bank of New York, it was ascertained that Grace National Bank had no dollar exchange acceptances outstanding for Nicaragua and had no current line. However, the bank had accepted some bills for this purpose some ten years ago or more.

The Federal Reserve Bank of San Francisco ascertained that American Trust Company (which has not been authorized by the Board of Governors to accept drafts or bills to furnish dollar exchange) has accepted 90-120 day drafts drawn for exportation of coffee from Nicaragua to United States. The drafts are drawn by the grower on American Trust Company in favor of self and endorsed to Banco de America, which sends to American Trust for acceptance under a line of credit established for the Nicaraguan bank. The American Trust Company volunteered the opinion that, in all probability, transactions about which inquiry was received are actually similar to export drafts rather than drafts drawn to furnish dollar exchange. Under the American Trust facility, the drafts are clean bills and not accompanied by shipping documents at time of acceptance. However, the bill is accompanied by a letter from Banco de America giving particulars of transaction and stating name of purchaser, description of commodity, sales contract number, and amount of coffee sold. These contracts are registered with the Exchange Control in Nicaragua. The purchaser identified in letter is a large exporter of coffee who sells exclusively to San Francisco importer. Final settlement flows through exporter's account with American Trust and, in turn, usually into account of Banco de America, whose account is charged at maturity of draft. It appears that in some instances drafts are negotiated prior to actual harvest of coffee.

The foregoing information regarding the procedure followed by the State member bank is furnished you in confidence. Bank of the Southwest might wish to consider handling the requested facilities under an import arrangement along similar lines. However, as Bank of the Southwest is a national
bank, it is subject to the restrictions of section 13 and of Regulation C with respect to the kinds of acceptances they may make, which restrictions are not applicable to State member banks (F.R.L.S. #4060). In view of the parties to, and the nature of the transactions in this situation, any such arrangement contemplated by Bank of the Southwest should be considered with particular reference to items #4900, #4901, and #4902 of the Loose-Leaf Service. In addition, Bank of the Southwest should satisfy itself, with respect to any such acceptances it may make, that an actual import takes place during the life of the bill.

During the foregoing discussion Governor Szymczak joined the meeting.

Governor Shepardson called attention to a memorandum from Mr. Sloan dated November 9, 1956, recommending that the Board authorize the tendering of a reception and luncheon, on November 13 and 16, 1956, respectively, in connection with the thirteenth session of the School for Assistant Examiners of the Inter-Agency Bank Examination School. The memorandum stated that it was anticipated that the total expense of such luncheons and receptions during 1956 would exceed by about $150 the amount of $350 included in the 1956 budget of the Division of Examinations, and it was requested that the Division be authorized to exceed its budget for the purpose by that amount. In an attached memorandum, dated November 13, 1956, the Board's Controller stated that he had initialled the memorandum with the understanding that the Division of Examinations would report any overexpenditure in the manner provided by the budget instructions.

Governor Shepardson said that the overexpenditure would be due in part to the scheduling of an additional session of the school. He
went on to suggest that a blanket authorization for a luncheon and reception at the end of each session of the school would obviate the necessity for requesting authorization on each occasion. Any budget overexpenditure, he said, could be handled in the same way as any other budget overexpenditure.

Governor Robertson said he thought the idea was a good one, but that in his opinion it would also be desirable to circulate a memorandum on each occasion so that the Board could change the practice if it wished. He did not regard the cost of the luncheons and receptions as excessive in view of the benefits derived therefrom.

Governor Vardaman stated that although he had no objection to this specific item, he felt that too liberal a policy was being followed with respect to the entertainment of guests in the Board's dining rooms, going beyond the proper expenditure of Board funds. He noted that he had raised the same point at times in the past.

Governor Shepardson commented that while the general question mentioned by Governor Vardaman was one to which consideration perhaps should be given, he had understood that the tendering of a luncheon and reception in connection with each session of the Inter-Agency Examination School met with the Board's approval.

Thereupon, Governor Vardaman's comments on the use of the Board's dining rooms having been noted, it was agreed that the procedure suggested by Governor Shepardson with respect to the tendering of luncheons and receptions in connection with the program
of the Inter-Agency Bank Examination
School should be followed and blanket
authorization was given for such lunch-
eons and receptions.

The meeting then adjourned.

Secretary's Note: On November 14, 1956,
Governor Shepardson approved on behalf
of the Board the following matters re-
lating to the Board's staff:

Memorandum dated November 6, 1956, from Mr. Bethea, Director,
Division of Administrative Services, recommending the appointment of
Alice E. Rayman as Secretary in that Division, with basic salary at
the rate of $4,075 per annum, effective upon assuming her duties.

Memorandum dated November 7, 1956, from Mr. Sloan, Director,
Division of Examinations, recommending the appointment of Daisy L. Polk
as Clerk-Typist in that Division, with basic salary at the rate of
$3,175 per annum, effective upon assuming her duties.

Memorandum dated November 13, 1956, from Mr. Marget, Director,
Division of International Finance, recommending that Samuel I. Katz,
Chief of the British Commonwealth, Scandinavia, and Near East Section
in that Division, be sent to Ottawa, Montreal, and Toronto, Canada, for
the week of November 26-30, 1956, to study the new discount rate policy
introduced by the Bank of Canada and to review recent economic and
monetary developments in Canada.

On November 14, 1956, Governor
Shepardson also approved on behalf
of the Board the following letter
to Mr. Phelan, Vice President, Fed-
eral Reserve Bank of New York:

In accordance with the request contained in your letter
of November 7, 1956, the Board approves the appointment of
Harold J. Spony as an assistant examiner for the Federal Re-
serve Bank of New York. If the appointment is not made ef-
fective November 19, 1956, as planned, please advise us.

The Board also approves the designation of Ronald B.
Gray as a special assistant examiner for the Federal Re-
serve Bank of New York.
On November 15, 1956, Governor Shepardson approved on behalf of the Board the following recommendations contained in memoranda from appropriate individuals concerned, effective as indicated:

Appointments, effective as of the respective dates of entrance on duty:

<table>
<thead>
<tr>
<th>Name and title</th>
<th>Division</th>
<th>Basic annual salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dorothy V. Brooks,</td>
<td>Legal</td>
<td>$4,620</td>
</tr>
<tr>
<td>Secretary</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Emogene F. Frymier,</td>
<td>Examinations</td>
<td>3,515</td>
</tr>
<tr>
<td>Clerk-Typist</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Salary increases, effective November 18, 1956:

<table>
<thead>
<tr>
<th>Name and title</th>
<th>Division</th>
<th>Basic annual salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research and Statistics</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bessie M. McCrae, Clerk</td>
<td></td>
<td>$3,585</td>
</tr>
<tr>
<td>Ann M. Van Eckhardt, Clerk</td>
<td></td>
<td>3,345</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3,500</td>
</tr>
<tr>
<td>Examinations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Carl A. Zimmerman,</td>
<td></td>
<td>4,080</td>
</tr>
<tr>
<td>Assistant Federal Reserve Examiner</td>
<td></td>
<td>4,215</td>
</tr>
<tr>
<td>Administrative Services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aaron Dortch, Cafeteria Laborer</td>
<td></td>
<td>3,000</td>
</tr>
<tr>
<td>Charles R. Nichols, Guard</td>
<td></td>
<td>3,035</td>
</tr>
<tr>
<td>Blanche E. Peacock, Charwoman</td>
<td></td>
<td>3,725</td>
</tr>
<tr>
<td>Lura Jean Powell, Clerk</td>
<td></td>
<td>3,300</td>
</tr>
</tbody>
</table>

1/ Title changed from Clerk-Typist.
Governor Shepardson today approved on behalf of the Board a memorandum dated November 1, 1956, from Mr. Noyes, Adviser, Division of Research and Statistics, recommending that the basic annual salary of Patti A. Davenport, Secretary in that Division, be increased from $4,210 to $4,350, effective November 18, 1956.

Governor Shepardson also approved on behalf of the Board today the recommendation contained in a memorandum dated November 15, 1956, from Mr. Bethea, Director, Division of Administrative Services, that The Grenadier Corporation, New York, New York, be authorized to continue caulking work in the Federal Reserve Building beyond the terms of the original contract, at a total additional cost of $10,325, with the understanding that if the work should be completed before December 31, 1956, an overexpenditure in this amount in the appropriate account of the 1956 budget of the Division of Administrative Services would be authorized, but that if the work should be completed after January 1, 1957, the expenditure would be charged against the 1957 budget of the Division.