

Minutes for December 7, 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>MM</u>	_____
Gov. Szymczak	x <u>MKS</u>	_____
<u>1</u> /Gov. Vardaman	_____	x _____
Gov. Mills	x _____	_____
Gov. Robertson	x <u>RO</u>	_____
Gov. Balderston	x <u>CCB</u>	_____
Gov. Shepardson	x <u>SS</u>	_____

1/ The attached set of minutes was sent to Governor Vardaman's office in accordance with the procedure approved at the meeting of the Board on November 29, 1955. The set was returned by Governor Vardaman's office with the statement (see Mr. Kenyon's memorandum of February 12, 1957) that hereafter Governor Vardaman would not initial any minutes of meetings of the Board at which he was not present. Therefore, with Governor Shepardson's approval, these minutes are being filed without Governor Vardaman's initial.

Minutes of actions taken by the Board of Governor of the Federal Reserve System on Friday, December 7, 1956. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman  
 Mr. Balderston, Vice Chairman  
 Mr. Szymczak <sup>1/</sup>  
 Mr. Mills  
 Mr. Robertson  
 Mr. Shepardson

Mr. Carpenter, Secretary  
 Mr. Fauver, Assistant Secretary  
 Mr. Thurston, Assistant to the Board  
 Mr. Thomas, Economic Adviser to the Board  
 Mr. Vest, General Counsel  
 Mr. Young, Director, Division of Research and Statistics  
 Mr. Sloan, Director, Division of Examinations  
 Mr. Johnson, Controller, and Director, Division of Personnel Administration  
 Mr. Farrell, Assistant Director, Division of Bank Operations  
 Mr. Hackley, Associate General Counsel  
 Mr. Solomon, Assistant General Counsel  
 Mr. Noyes, Adviser, Division of Research and Statistics  
 Mr. Hostrup, Assistant Director, Division of Examinations  
 Mr. Goodman, Assistant Director, Division of Examinations  
 Mr. Sprecher, Assistant Director, Division of Personnel Administration  
 Mr. Cherry, Legislative Counsel  
 Mr. Molony, Special Assistant to the Board  
 Mr. Thompson, Supervisory Review Examiner, 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 follows:

1/ Not present at afternoon session.

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Letter to Mr. Leach, President, Federal Reserve Bank of Richmond, reading as follows:

In accordance with your letter of October 17, 1956, the Board of Governors approves the following minimum and maximum salaries for the respective grades of the salary structure applicable to the Federal Reserve Bank of Richmond, including Branches, effective January 1, 1957:

<u>Grade</u>	<u>Minimum Salary</u>	<u>Maximum Salary</u>
1	\$2,100	\$2,700
2	2,220	3,000
3	2,400	3,240
4	2,640	3,540
5	2,940	3,960
6	3,240	4,380
7	3,660	4,980
8	4,020	5,400
9	4,500	6,100
10	4,860	6,600
11	5,400	7,300
12	6,000	8,100
13	6,600	8,900
14	7,200	9,800
15	8,000	10,800
16	8,700	11,700

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 the structure increase will be brought within the appropriate range as soon as practicable and not later than April 1, 1957.

Approved unanimously.

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

The Board of Governors has approved, to be effective January 1, 1957, the adjustments proposed in your letter of October 8, 1956, in the minimums and maximums of the salary structure of the Officers' Salary

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Administration Plan of the Federal Reserve Bank of San Francisco, as follows:

<u>Group</u>	<u>Minimum</u>	<u>Maximum</u>
A	\$16,000	\$22,500
B	13,000	19,000
C	11,000	16,000
D	9,000	13,500
E	8,000	12,000

Approved unanimously.

Letter to Mr. Goodwin, Assistant General Counsel, Federal Reserve Bank of Philadelphia, reading as follows:

This refers to your letter of November 13, 1956, and its enclosure, concerning the application of Regulation Q to a proposal of The National Bank of Topton, Pennsylvania, to maintain two types or classes of savings deposits. The matter is explained in your letter, as follows:

"As we understand the question, the bank presently maintains savings deposits on which it pays interest at the rate of 1-1/2 per cent and on which it has been the practice to waive notice of withdrawal. The proposal of the bank on which it desires a ruling is whether it may establish an additional class of savings deposit on which interest will be paid at the rate of 2-1/2 per cent but from which withdrawals would not be permitted except upon receipt of notification of intention to withdraw received at least 30 days in advance of the withdrawal. The passbook would contain a stipulation advising the depositor that no waiver of the requirement of such notice would be made."

The answer to the bank's question would seem to depend on whether the two classes of deposits would be subject to "the same requirement" of notice of withdrawal as that phrase is used in section 19 of the Federal Reserve Act and section 5(a) of the regulation.

Section 19 of the Federal Reserve Act provides, in part, that "No member bank shall ... waive any requirement of notice before payment of any savings deposits except as to all savings deposits having the same requirement."

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As you know, this provision of the statute is reflected in section 5(a) of the regulation which provides, among other things, that if a member bank waives notice of withdrawal as to the savings deposits of any depositor, it shall waive such notice as to the savings deposits "of any other depositor which are subject to the same requirements."

The information submitted does not give the period of notice waived by the bank in the case of its present deposits; nor does the bank's letter give very precise advice concerning its problem. However, assuming that in the case of the bank's present savings deposits the deposit contracts require 30 days' advance written notice of withdrawal, and since it appears that the deposit contracts covering the proposed additional class of savings deposits would require 30 days' advance written notice of withdrawal, both classes of deposits would be subject to "the same requirement" of notice of withdrawal within the meaning of the statute and the regulation. Accordingly, under the law and regulation, the bank would be required to waive the 30 days' notice required for the latter class of deposits if it continued its practice to waive the 30 days' notice required for the first class.

Of course, the mere fact that a bank pays a higher rate of interest on some savings deposits than it does on others would not, of itself, be contrary to the law or the regulation; and one basis for two different rates might well be differences in the restrictiveness of the applicable notice of withdrawal requirements. The regulation, itself, approves the use of different requirements in the definition of "savings deposit" in section 1(e). Under that definition, a deposit contract either must require advance written notice of withdrawal of 30 days or some longer period, or must reserve to the bank the right, at its option, to require such notice. Thus, deposit contracts could have different requirements not only because of different periods of notice. Different requirements would be present also if in one case the prescribed notice was required by the deposit contract, whereas in the other the deposit contract merely reserved to the bank the right to require notice. In addition, the adoption by a bank of a different and more restrictive withdrawal requirement for savings deposits paying

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a higher rate of interest than for those subject to a less restrictive requirement would not seem to involve the type of discrimination referred to in section 5(c) of the regulation.

As the information supplied by the national bank is somewhat incomplete and vague in important respects, the Board does not believe that it should undertake a definite answer to the bank's inquiry. However, it is hoped that the above discussion of the matter may be of assistance to you in such further consideration of the matter as may be necessary.

Approved unanimously.

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

Reference is made to your letter of October 17, 1956, regarding the application of section 8 of the Clayton Act and Regulation L to a director, officer, or employee of a member bank serving at the same time as a director, officer, or employee of a building and loan association organized under the laws of Ohio.

The statute prohibits interlocking relationships between a member bank and any other "bank, banking association, savings bank, or trust company" with certain exceptions and the first question presented in your letter is whether or not a building and loan association organized under the laws of Ohio is a "bank" within the meaning of the Clayton Act.

You state that although the primary activity of such associations is making loans to members and others secured by real estate mortgages, such institutions may receive money on deposit as well as contributions to capital, and may make loans to their members and others out of funds received on deposit, as well as out of capital funds paid in by their members. You mention the specific case which has been submitted to you in which it appears that the deposit liabilities of the association are far in excess of the capital funds, and add that the same thing would presumably be true of other building and loan associations organized under the laws of Ohio.

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In the circumstances there appears to be no reason to differ with your conclusion that such institutions are "banks" within the meaning of section 8 of the Clayton Act. The reasoning, as you point out, is the same as in the ruling in the Federal Reserve Bulletin for 1928 at page 426.

Accordingly, as you state, the remaining question is whether the interlocking relationship would come within the exception in section 3(a) of Regulation L, which permits a director, officer, or employee of a member bank to serve at the same time as a director, officer, or employee of not more than one "cooperative bank, credit union or other similar institution." You suggest that this exception may be applicable to "all types of institutions which accept deposits and which make loans out of both capital and deposits." Such an interpretation of section 3(a) might have the effect of permitting a director, officer, or employee of a member bank to serve one other bank, without restriction or qualification, and might therefore give section 3(a) a much broader meaning than seems to have been intended.

However, it seems clear that a building and loan association organized under the laws of Ohio is a "cooperative bank ... or other similar institution" within the meaning of section 3(a) of Regulation L. Accordingly, the Board is of the opinion that section 3(a) authorizes a director, officer, or employee of a member bank to serve at the same time as a director, officer, or employee of not more than one building and loan association organized under the laws of Ohio.

Approved unanimously.

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

Reference is made to your letter of November 27, 1956, regarding the request of the First Bank and Trust Company of South Bend, South Bend, Indiana, for a further extension of time in which to establish a branch at 4502 West Western Avenue in South Bend. It is noted that the Board's letter of May 24, 1956 authorized the establishment of this branch at 4702 West Western Avenue which address was in error and that the correct address should be 4502 West Western Avenue.

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In view of the fact that the branch building will not be ready for occupancy by December 31, 1956, the present time limit prescribed, the Board concurs in your favorable recommendation and extends to January 31, 1957, the time within which the First Bank and Trust Company of South Bend may establish the above described branch, which was originally approved in the Board's letter of June 2, 1955.

Approved unanimously.

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

As recommended in your letter of November 26, 1956, the Board of Governors extends to June 4, 1957, the time within which County Bank of Santa Cruz, Santa Cruz, California, may establish a branch in Boulder Creek, California.

Approved unanimously.

Letter to the Board of Directors of the York State Bank, Elmhurst, Illinois, 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. The letter also contained the following paragraph:

It appears that the bank is authorized to exercise trust powers under its charter, but that it has not qualified to engage in such activities. Attention is invited to the fact that if the bank desires to exercise trust powers it will be necessary, under condition of membership numbered 1, to obtain the permission of the Board of Governors before exercising them.

Approved unanimously, for transmittal through the Federal Reserve Bank of Chicago, with a letter to the Reserve Bank containing the following paragraph:

It is assumed that you will follow the matter of having the service of Mr. Henry G. Bates as a director of the applicant bank and the Villa Park Trust & Savings Bank, Villa Park, Illinois, brought into conformity with the provisions of Section 8 of the Clayton Act.



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Letter to Mr. R. J. Hamm, Assistant Manager, Peoples National Bank of Washington, Grant County Branch, Ephrata, Washington, reading as follows:

This refers to your letter of November 20, 1956, and its enclosures, concerning whether your proposed "Thrifty Baby Account" plan for savings would conflict with any laws or regulations administered by this Board. You indicated that your bank is giving consideration to adopting the plan which, if well received by the public, would be made available to other banks.

Briefly, the plan appears to contemplate the establishment of a "savings account" and the making of regular monthly deposits thereto by any husband and wife expecting a baby. At the choice of the expectant parents, the account would be designated either a "Baby Boy Account" or a "Baby Girl Account"; and, except as noted below, any such account would draw 2 per cent interest. If the account were a "Baby Boy Account", for example, and had been maintained for at least six months prior to the date of the child's birth, the interest rate applicable to the account would be increased to 4 per cent as from such date and until the child attained the age of five years, provided the child were a boy. However, if in any case the sex of the child were opposite to that indicated by the account designation, the rate of interest would remain at 2 per cent.

The plan goes on to provide special benefits in the event of a multiple birth. Thus, if twins were born to the depositors, they would receive from the bank a cash bonus of \$100; or, in the event of triplets, quadruplets, or quintuplets, the balance of the account would be doubled and larger bonuses would be paid by the bank, subject to certain dollar limitations. These multiple birth benefits would be covered by insurance procured by the bank, the premium for which would be paid and absorbed by the bank.

It appears further that the balance in any account under the plan would be subject to withdrawal at any time, although any withdrawal during the six months period prior to birth would make the account ineligible for the 4 per cent interest rate and multiple birth benefits.

While the Board is not unmindful of the competitive situation to which you referred or of the desirability of encouraging thrift, certain features of the plan raise

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questions under the Board's Regulation D relating to reserves of member banks, and Regulation Q relating to the payment of interest on deposits by member banks. Copies of these regulations are enclosed.

The plan seems to anticipate that the deposits thereunder would be eligible for classification as savings deposits. However, under the identical definitions in section 1(e) of Regulation D and section 1(e) of Regulation Q, a deposit may not be classified as a "savings deposit" unless the deposit, among other things, is one with respect to which "the depositor is required, or may at any time be required, by the bank to give notice in writing of an intended withdrawal not less than 30 days before such withdrawal is made." Since the deposit contracts under the plan apparently would not comply with the above quoted regulatory provisions, the deposits would not be eligible for classification as "savings deposits" for the purposes of either Regulation D or Regulation Q.

While the plan might be changed without difficulty to meet the objection just mentioned, it is to be noted further that under the present Supplement to Regulation Q the maximum interest rate permissible for any "savings deposit" is 2-1/2 per cent per annum. This maximum rate is a limitation on each savings deposit. Therefore, the 4 per cent rate provided by the plan would not be permissible regardless of whether the total interest payments to all depositors under the plan might, in the aggregate, amount to a rate of 2-1/2 per cent or less.

In determining whether there is compliance with the maximum permissible rate of 2-1/2 per cent per annum, it is necessary to include any indirect as well as any direct payment of interest to the depositor, as indicated by section 3(a) of Regulation Q. Attention is called to this matter since, as previously noted, a bank using the plan apparently would purchase and absorb the cost of insurance to cover the multiple birth benefits of the plan. In a recent case involving Regulation Q, the Board concluded that the payment by the bank of the premium on insurance on the life of its savings depositor under a plan which, because of such insurance, would double the balance of the depositor's account in the event of his death, constituted an indirect payment of interest. It would seem that the conclusion reached in that case would be equally applicable to the absorption of insurance premiums contemplated by your plan and that, therefore, the cost to the bank of such insurance would have to be taken into account in determining whether or not

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the maximum permissible rate of 2-1/2 per cent per annum would be exceeded as to any of the depositors under the plan.

As you may know, the Board recently increased the maximum permissible rate of interest on savings deposits from 2-1/2 to 3 per cent per annum, effective January 1, 1957. A copy of the Board's press release announcing this action is enclosed. Of course, the 2-1/2 per cent rate continues in effect through December 31, 1956.

It may be that in your further consideration of the plan other questions may arise concerning the application of the law and regulations administered by the Board. In such event, it is suggested that you might find it more convenient to take the matter up with the Federal Reserve Bank of San Francisco, which will be glad to assist you.

Approved unanimously.

Letter to Mr. L. A. Jennings, Deputy Comptroller of the Currency, Washington, D. C., reading as follows:

This refers to your letter of August 20, 1956 bringing to the Board's attention a question raised in correspondence between your office and the law firm of Melvin and Melvin, counsel for The Merchants National Bank & Trust Company of Syracuse, New York, with reference to an interpretation of Regulation F. It appears that the trust department of this national bank has been criticized for acquiring shares of its own stock through the exercise of rights on stock held in trust accounts.

The bank's counsel seek to justify these transactions on the basis of footnote No. 12 to section 11 of Regulation F, which provides that the prohibition against the investment of trust funds in stock of the bank "shall not be deemed to prohibit the making of any investments or the carrying out of any transactions which are expressly required by the instrument creating the trust." It is contended that in each case the exercise of rights was authorized by the trust instrument in such a manner as to direct the investment "subject only to the condition subsequent that the trustee could, in the exercise of its discretion, determine that the direction need not be carried out."

The question of the exercise of rights to acquire shares of the bank's own stock has been considered by the Board several times. On each occasion it was concluded that this is

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a type of self-dealing which should not be permitted unless the trust instrument requires unqualifiedly that it be done, with no element of discretion vested in the trustee. The fact that such absolute requirements are seldom included in trust instruments has no bearing on the soundness of the Board's policy in this matter.

As you know, the requirement of undivided loyalty on the part of fiduciaries is a basic principle in trust administration, and the Board does not believe that it should be relaxed or weakened. The Board is firmly convinced that a trustee ought not to be placed in a position where its own interests may conflict with those of trust beneficiaries. The existence of such a potential conflict might place too great a burden upon the trustee in making important administrative decisions, precluding the exercise of wholly independent and disinterested judgment and presenting the opportunity for self-serving actions.

Accordingly, the Board is in full agreement with the position taken by your office in this matter.

Approved unanimously.

Letter to Mr. Walter F. Ryan, Assistant Chief, Office of Statistical Standards, Bureau of the Budget, Washington, D. C., reading as follows:

Attached is a request for approval of certain changes we propose in statistical reporting, Form F.R. 240, Confidential Report of Member Firm of a National Securities Exchange. The proposed changes would reduce the frequency of reporting from semiannual to annual, eliminate one item on the form, institute an additional item, and add certain detail to existing items. Since it is necessary for the respective Federal Reserve Banks to print new forms and distribute them to respondents no later than mid-December, we would appreciate your attention to this matter at the earliest possible convenience.

Approved unanimously.

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:

Boston	December 3
St. Louis	December 3

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New York	December 6
Philadelphia	December 6
Cleveland	December 6
Dallas	December 6

Approved unanimously.

Before this meeting there had been circulated among the members of the Board a memorandum, prepared by Mr. Solomon under date of November 13, 1956, in accordance with the request made at the meeting on October 12, with respect to the applicability to the members of the Board's staff of a recent ruling of the Comptroller General which was to the effect that whenever a person abroad on a Rockefeller Foundation or other award received a salary from the Government and his tuition, travel, and other necessary expenses were paid by the grantor of the award, he was receiving salary in connection with his service as a Government employee in violation of a Federal statute. After discussing the legal question whether the statute was applicable to members of the Board's staff, the memorandum continued as follows:

Although, as indicated above, it is my opinion that the Board and its employees are not governed by the ruling of the Comptroller General on outside payments to a Government employee, it would seem to be desirable for the Board to follow it as a matter of policy for future Awards. As indicated in the attached memorandum from Mr. Sprecher, it is understood that the Awards Committee is willing to operate on that basis, with the winner of the Award being placed on leave without pay and the Award Committee paying both his salary and his additional expenses.

As also indicated in Mr. Sprecher's memorandum, it is understood that the Awards Committee also has indicated a willingness to take over all payments for the remaining time of employees now abroad on Awards, and perhaps to do this retroactively back to the time of the Comptroller General's ruling. If this is being done for all other

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Government agencies, it might be desirable as a matter of policy for the Board to ask the Award Committee to do the same for Board employees. In any event, as indicated above, it is my opinion that any such change is not required as a matter of law and is a question of policy.

Governor Robertson expressed the opinion that even though the Rockefeller Foundation was willing to make all of the payments involved during the remaining time Messrs. Koch and Hersey of the Board's staff were abroad on Rockefeller Public Service Awards, he saw no need to change the existing arrangements with respect to them. In future arrangements of this kind, however, he would follow the policy outlined in the first of the two paragraphs of Mr. Solomon's memorandum set forth above.

In the ensuing discussion, other members of the Board concurred in Governor Robertson's view and it was agreed unanimously that his suggestion would be followed in future cases.

At the conclusion of the discussion Messrs. Johnson, Sprecher, and Solomon withdrew from the meeting.

Consideration was then given to a draft of letter to Mr. McConnell, Vice President of the Federal Reserve Bank of Minneapolis, with respect to the application of Montana Shares, Incorporated, a newly-created holding company, for a general voting permit covering the stock which the Corporation owns or controls of The Miners National Bank of Butte, Montana, and First State Bank of Chinook, Montana. The letter would take the position that, because of the financial condition of the applicant, the issuance of a general voting permit should be deferred until such time as the current liabilities of the Corporation were not disproportionate to

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its current assets and it had eliminated its deficit from operations. The letter would also say that in the meantime, if the Corporation desired to vote its stock in the two banks, the Board upon request would consider the issuance of limited voting permits, but that the Board's willingness to continue to issue such permits would depend upon the Corporation's progress toward placing itself in such financial condition as would warrant the issuance of a general permit.

While the draft of letter was in circulation, Governor Mills raised a question whether the issuance of a general permit would not be justified at this time, and the last paragraph of the draft had been changed to say that the Board was prepared to issue a limited permit in order that the Corporation might vote its stock at the 1957 annual meetings of the banks. The changed letter would also say that the Corporation should inform the Reserve Bank as to the actions proposed to be taken by the shareholders at those meetings in order that the limited voting permit would authorize voting by the holding company for all of the purposes desired.

Governor Mills stated that this arrangement would permit the holding company to move toward the liquidation of all of its indebtedness by July 1957, as it had indicated it was willing to do, and that the Board could later consider the matter of issuing a general voting permit in the light of the progress made.

Mr. Sloan stated that if the decision of the Board should be to approve the amended letter the action would be contrary to that recommended by the Federal Reserve Bank of Minneapolis and, in accordance

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with the procedure recently established by the Board, he assumed that the Reserve Bank should be asked whether it desired to make any further representations before the matter was acted upon by the Board.

It was agreed unanimously that Mr. Sloan should make such an inquiry of the Federal Reserve Bank of Minneapolis.

Messrs. Hackley, Hostrup, and Thompson then withdrew from the meeting.

Governor Mills stated that Mr. Young had suggested, and that he had concurred, that it would be desirable in the printed copies of the study of instalment credit, being prepared at the request of the President of the United States, to give credit to the persons responsible for the different chapters of the study.

Mr. Young supplemented Governor Mills' comment, stating that he thought such a procedure would be particularly desirable since the various chapters had been prepared by members of the staff with others, including persons from the staffs of the Federal Reserve Banks, assisting in drafting and editing. It would be a simple matter, he said, to recognize these individuals in a footnote at the beginning of each chapter or in a general letter transmitting the study to the Board.

Governor Shepardson felt that such recognition should be given not only in connection with the consumer credit study but also in connection with other studies and articles prepared by the staff.

After some further discussion, it was agreed unanimously that recognition should be given as proposed, and the matter was left in the hands of Governor Mills and Mr. Young to determine the manner in which that would be done.



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There was then presented a memorandum dated December 6, 1956, from the Division of Examinations containing, for the reasons outlined in the memorandum, the following recommendations:

That the Board of Governors authorize (1) the Division of Examinations to use, after appropriate arrangements with the respective Reserve Banks, any person approved by the Board of Governors as an examiner, assistant examiner, or special assistant examiner for a Federal Reserve Bank to conduct or participate in examinations of corporations operating under the provisions of sections 25 and 25(a) of the Federal Reserve Act and foreign branches of corporations operating under the provisions of sections 25 and 25(a) of the Federal Reserve Act and foreign branches of State member banks and (2) the Secretary of the Board or one of the Assistant Secretaries, upon request by the Division of Examinations, to execute appropriate commissions certifying that such persons have been designated by the Board as Federal Reserve Examiners for the purpose of such examinations.

The recommendations were approved unanimously with the understanding that the selection of examiners by the Division of Examinations would be with the approval of Governor Robertson.

**Secretary's Note:** In accordance with this action the following examiners (all of whom are on the examining staff of the Federal Reserve Bank of New York except Mr. Aquilino, who is on the staff of the Federal Reserve Bank of Boston) were selected later in the day for participation in the examination of the institutions indicated:

American Overseas Finance Corporation

Daniel Aquilino	Examiner
David W. Bouton	Assistant Examiner
William D. Kendrick	Examiner

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Bank of America, New York

Joseph P. Abromitis	Assistant Examiner
Robert P. Accardi	Assistant Examiner
Carl H. Allen	Assistant Examiner
John P. Armbruster	Examiner
David W. Bouton	Assistant Examiner
Martin F. Byrne	Examiner
Patrick F. Callahan	Examiner
Matthew R. Ciancimino	Assistant Examiner
John A. Clear	Examiner
John J. Cooney	Assistant Examiner
Charles Eaton	Examiner
John N. Field	Special Assistant Examiner
Harvey Fleetwood	Examiner
William F. Fortunato	Assistant Examiner
Stephen K. Frank	Assistant Examiner
Donald F. Gaffney	Assistant Examiner
Joseph M. Halpern	Assistant Examiner
John J. Hoch	Assistant Examiner
William D. Kendrick	Examiner
Edward F. Kipfstuhl	Examiner
Walter LaForge	Assistant Examiner
Stephen T. Lederleitner	Assistant Examiner
F. Russel Lyons, II	Assistant Examiner
Palmer K. Mahaffey	Assistant Examiner
Eugene M. McGee	Examiner
Harry J. Meyer	Examiner
Robert F. Moreschi	Special Assistant Examiner
Emil J. Paul	Assistant Examiner
Allen F. Peterson	Examiner
Richard J. Pflieger	Assistant Examiner
Benedict Rafanello	Assistant Examiner
Edward M. Reilly	Assistant Examiner
Donald F. Rice	Assistant Examiner
John G. Russell	Assistant Examiner
William R. Skinner	Assistant Examiner
Robert E. Spaulding	Assistant Examiner
S. Herbert Turkus	Examiner
Jay W. Woods	Assistant Examiner

The Chase Bank

Daniel Aquilino	Examiner - Federal Reserve Bank of Boston
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At this point Messrs. Sloan and Goodman left the room.

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Before this meeting there had been distributed among the members of the Board biographical information with respect to possible appointments by the Board as directors of the Federal Reserve Bank branches at Pittsburgh, Houston, and Seattle.

After a discussion, it was voted unanimously:

(1) To ascertain whether Admiral Ben Moreell, Chairman of the Jones & Laughlin Steel Corporation, is eligible for and would accept appointment, if tendered, as a director of the Pittsburgh Branch of the Federal Reserve Bank of Cleveland for a term of three years beginning January 1, 1957, and to make the appointment if he is eligible and will accept.

(2) To ascertain whether Mr. Albert E. Cudlipp, Vice President and Director, Lufkin Foundry & Machine Co., is eligible and willing to accept appointment, if tendered, as a director of the Houston Branch of the Federal Reserve Bank of Dallas for a term of three years beginning January 1, 1957, and to make the appointment if he is eligible and will accept.

During a discussion of possible appointments to the Board of directors of the Seattle Branch for the two-year term beginning January 1, 1957, members of the Board indicated that they would be willing to appoint Mr. Lyman Bunting of Yakima Ice and Cold Storage Company, Yakima, Washington, or Mr. C. C. French, President of Washington State University.

It was agreed, however, that before any action was taken on this appointment Chairman Martin would discuss the matter with Mr. Brawner, Chairman of the Federal Reserve Bank of San Francisco.

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In accordance with the action taken at the meeting of the Board on December 3, 1956, there had been prepared in the Division of Bank Operations and distributed to the members of the Board, a memorandum giving the details of the amounts provided in the 1957 Federal Reserve Bank budgets for membership dues and contributions.

Following a discussion and suggestions as to how the matter should be handled, it was agreed unanimously that Governor Shepardson, working with Messrs. Leonard and Farrell of the Board's staff, would prepare a recommendation for presentation to the Board.

Mr. Farrell withdrew from the meeting at this point.

In preparation for the appearance of the members of the Board and the President members of the Federal Open Market Committee before the Patman Subcommittee of the Joint Committee on the Economic Report on December 11, consideration was given to a draft of statement that might be presented by Chairman Martin at that time. Various changes were suggested in the draft and it was understood that a further revision would be prepared and distributed to the members of the Board.

At this point Messrs. Thurston, Vest, Cherry, and Molony left the meeting, and Mr. Bailey, Special Consultant to the Board, entered the room.

At the request of the Board, Mr. Bailey summarized his letter to the Board of November 16, 1956, with which he transmitted his report of the canvass of views of the consumer credit industry

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and other interested parties with respect to the desirability of instalment credit regulation. He also reviewed briefly the nature and scope of the study as outlined in Section I of his report.

During a discussion, Governor Balderston commented that while a great majority of the 800 replies received by Mr. Bailey in response to his letters of request were not in favor of consumer credit regulation, they did not offer any answer to the questions (1) if standby controls were authorized, who should "trigger" them, and (2) how could sufficient control be achieved with a minimum of Governmental harness. He wondered whether the Board, as a part of an educational program on the problem of consumer credit, might approach the 800 respondents for the purpose of getting their reaction as to preferable alternatives in the event some standby authority over consumer credit were to be enacted.

In commenting on Governor Balderston's question, Mr. Bailey expressed the view that the respondents to his letters might well form a nucleus through which an understanding of the problem of consumer credit could be promoted and that they would "lend themselves to a course of education". However, he questioned the desirability of a further communication at this time for the reason that it might be misunderstood. He agreed with a further comment by Governor Balderston that, if the committees of Congress should get into the question of how consumer credit should be administered, the committees could go back to the 800 respondents for comment.

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The meeting then recessed and reconvened at 2:30 p.m. with Messrs. Martin, Balderston, Mills, Robertson, and Shepardson of the Board and Messrs. Carpenter, Riefler, Thomas, Young, and Marget of the staff being present.

Chairman Martin stated that, while no action was called for, he felt it would be desirable for the members of the Board to be fully informed on the action taken by the National Advisory Council in connection with the pressures on the English pound resulting from the Suez incident.

He then called on Mr. Marget who read and commented on a statement of the action of the National Advisory Council approving a proposed arrangement under which the Bank of England would be given the privilege of (a) drawing \$561 million from the International Monetary Fund and (b) a further standby arrangement for one year under which the British could draw up to an additional \$739 million to provide funds with which to protect England's gold and dollar reserves.

At Chairman Martin's request Mr. Thomas then commented on the decision of the Treasury, announced today, to issue on December 12 with payment on December 17, \$1 billion of new Treasury bills to mature on March 22, 1957. Mr. Thomas also commented on the possible effects of the offering and of possible drawings by the British under the International Monetary Fund arrangement on the United States money market.

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The meeting then adjourned.

Secretary's Note: On December 5, 1956, Governor Shepardson approved on behalf of the Board the following items relating to the Board's staff:

Memorandum dated November 27, 1956, from Mr. Sloan, Director, Division of Examinations, recommending the appointment of John T. McClintock as Federal Reserve Examiner in that Division, with basic annual salary at the rate of \$7,570, effective the date he assumes his duties. The appointment was approved with the understanding that Mr. McClintock will be reimbursed for his moving expenses from Richmond to Washington.

Memorandum dated November 21, 1956, from Mr. Young, Director, Division of Research and Statistics, recommending that the basic annual salary of Reba C. Driver, Clerk in the Division, be increased from \$3,925 to \$4,075, effective December 16, 1956.

Memorandum dated November 30, 1956, from Mr. Leonard, Director, Division of Bank Operations, recommending that permission be granted to Janet Weeks, Clerk in that Division, to accept a part-time job for the month of December as a salesgirl at Kann's Department Store in Arlington, Virginia.

Secretary's Note: Governor Shepardson today approved on behalf of the Board the following items:

Memorandum dated December 3, 1956, from Mr. Young, Director, Division of Research and Statistics, recommending that permission be granted to Shirley Barham, Clerk-Stenographer in that Division, to accept a part-time job terminating after the Christmas holidays, as salesgirl at The Cotton Shop in Arlington, Virginia.

Memorandum dated December 5, 1956, from the Division of Personnel Administration recommending that a memorandum be sent to all members of the staff advising them of the special appeal of the District Chapter of the American Red Cross for voluntary contributions to the emergency fund to be used for Hungarian relief.

Memorandum dated November 30, 1956, from Mr. Young, Director, Division of Research and Statistics, recommending an increase in the basic salary of Jennie L. Glass, Statistical Assistant in that Division, from \$3,925 to \$4,075 per annum, effective December 16, 1956.

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Memorandum dated November 30, 1956, from Mr. Marget, Director, Division of International Finance, recommending that the resignation of Elinor R. Harris, Economist in that Division, be accepted, effective December 16, 1956.

Memorandum dated December 7, 1956, from Mr. Young, Director, Division of Research and Statistics, recommending the appointment of Reavis Cox, Professor, University of Pennsylvania, effective today, as a consultant to the Board until December 31, 1957, for work on the Consumer Instalment Credit Study, on a temporary contractual basis with compensation at the rate of \$50 per day for each day worked for the Board, either in Washington or outside the city, plus a per diem in lieu of subsistence for the amount of time spent in travel status in connection with his assignments, and transportation in accordance with the Board's travel regulations. The memorandum also stated that for purposes of travel, Professor Cox's headquarters would be either his home or place of business.

Governor Shepardson today noted, on behalf of the Board, memoranda from appropriate individuals concerned stating that the following members of the Board's staff had submitted their applications for retirement under the Retirement System of the Federal Reserve Banks, effective January 1, 1957:

Margaret E. Rauber,  
Secretary, Legal Division

J. R. Radford, Jr.,  
Supervisory Review Examiner, Division of Examinations

Anna Imhoff,  
Cook, Division of Administrative Services.

Secretary's Note: Pursuant to the agreement reached on directors' fees at the meeting on November 21, 1956, the following letter was sent under date of December 6, 1956, to the Chairmen of all Federal Reserve



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Banks, with a copy to each Reserve  
Bank President:

In its letter of August 28, 1956, the Board asked for the views of the Chairmen of the Federal Reserve Banks with respect to maximum fees and allowances approved by the Board of Governors for directors of the Federal Reserve Banks and their branches and the members of the Federal Advisory Council.

Nine of the Banks suggested the elimination of the differential between the maximum fee approved for directors of the head offices and directors of the branches, one Bank suggested the elimination in part, and two favored retention. Three Banks recommended some increase in the maximum fees. Eight Banks suggested an increase in one form or another in the maximum subsistence allowance.

In the light of these suggestions and the conclusion that there are sound reasons for the payment of the same fee to head office and branch directors where the Banks wish to do so, the Board approves the following uniform schedule of maximum fees and allowances with the thought that the Banks that prefer to do so may continue to retain the differential:

#### Directors' Fees

Daily fee for attendance by head office and branch directors at directors' meetings, committee meetings, or while otherwise engaged on official business for the Bank (one fee to be paid for each day regardless of number of meetings) (\$75)

#### Allowances for Expenses

Necessary transportation expenses.

Subsistence allowance for directors residing outside the city (or its residential environs) in which the meeting is held or for any director (\$20 for each traveling away from his home city on official day or portion of day.)  
business for the Bank

The Board continues to feel that the fees and allowances for the members of the Federal Advisory Council should be comparable to those fixed for directors of Federal Reserve Banks and, therefore, the Board approves the above schedule of maximum fees and

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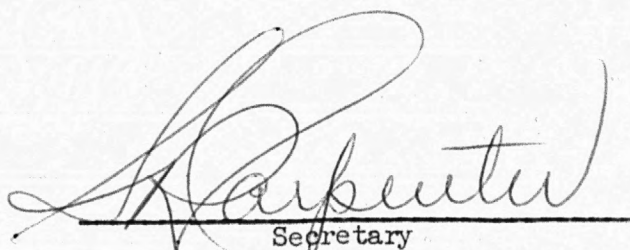
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allowances within which compensation and allowances may be fixed for the members of the Federal Advisory Council.

It will be appreciated if you will (a) send to the Board a statement of the fees and allowances fixed by your board of directors under the authority of this letter and (b) inform the Board of any subsequent change in the schedule.

Any proposed change in the payment to be made by your Bank to cover the expenses of the Secretary's Office of the Federal Advisory Council should be submitted to the Board for approval as in the past.

This letter supersedes the Board's letter of February 7, 1947, S-959 (F.R.L.S. 3083 and 4253).



Secretary