Minutes for February 28, 1957

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.

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

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 Governors of
the Federal Reserve System on Thursday, February 28, 1957. The
Board met in the Board Room at 2:30 p.m.

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

Mr. Carpenter, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Thurston, Assistant to the Board
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. Noyes, Adviser, Division of Research
and Statistics
Mr. Cherry, Legislative Counsel
Mr. Molony, Special Assistant to the Board
Mr. Wood, Economist, Division of Research
and Statistics

Before this meeting there had been distributed to the mem-
ers of the Board copies of a draft of statement to be presented by
Mr. Riefler as representative of the Board before the Subcommittee
on Housing of the House Banking and Currency Committee on March 4,
1957. The statement was devoted principally to an analysis of factors
affecting the flow of funds into the home mortgage market.

No disagreement was expressed by the members of the Board
with the substance of the proposed statement and suggestions were
limited mostly to matters of an editorial nature.

At the conclusion of the discus-
sion, it was understood that the state-
ment would be presented in a form re-
flecting the changes agreed upon at this
meeting.
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 the Board of Directors, The Reading Trust Company, Reading, Pennsylvania, reading as follows:

Pursuant to your request submitted through the Federal Reserve Bank of Philadelphia, the Board of Governors of the Federal Reserve System approves the establishment of a branch at the southwest corner of Fifth and Cherry Streets, Reading, Pennsylvania, by The Reading Trust Company, Reading, Pennsylvania, provided the branch is established within six months from the date of this letter, and the approval of the State authorities is in effect as of the date of the establishment of the branch.

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

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

Reference is made to your letter of February 15, 1957, submitting the request of Union Bank of Michigan, Grand Rapids, Michigan, for an extension of time within which to establish a branch in the vicinity of the intersection of Michigan Street, N.E. and Fuller Avenue, N.E., Grand Rapids, Michigan, owing to delays encountered in starting the branch building program.

After consideration of the information submitted and your favorable recommendation, the Board extends to August 26, 1957, the time within which the establishment of the branch, which was approved in the Board's letter of May 25, 1956, may be accomplished.

Approved unanimously.

Letter to the Comptroller of the Currency, Treasury Department, Washington, D.C., reading as follows:

Reference is made to a letter from your office dated October 15, 1956, enclosing photostatic copies of
an application to organize a national bank at Lawrenceburg, Tennessee, and requesting a recommendation as to whether or not the application should be approved.

A report of investigation of the application made by an examiner for the Federal Reserve Bank of Atlanta indicates that the proposed capital structure of the bank may be barely adequate, and a suggestion was made and accepted by the proponents that a capital structure of $225,000 would be more satisfactory. It appears that the volume of business which may be acquired by the proposed bank would provide only meager profits from operations for some time. The active management of the bank is to be in the hands of persons with past banking experience; however, in view of age and health conditions of the official staff and the apparent lack of available replacements, the management situation is regarded as barely satisfactory. The community is now served by two commercial banking institutions, as well as a Federal savings and loan association, and the investigation did not reveal the need for additional banking facilities. After considering the information available, the Board of Governors does not feel justified in recommending approval of this application to organize a national banking association in Lawrenceburg, Tennessee.

The Board's Division of Examinations will be glad to discuss any aspects of this case with representatives of your office if you so desire.

Approved unanimously, with a copy to the Federal Reserve Bank of Atlanta.

The members of the staff then withdrew and the Board went into executive session.

The Secretary later was informed by Governor Shepardson that during the executive session the Board, having been advised by George B. Vest of his desire to retire from the position of General Counsel at the close of business March 31, 1957, appointed Howard H. Hackley, now Associate General Counsel, to succeed Mr. Vest as General Counsel, with annual salary at the rate of $16,500, effective April 1, 1957. This action was taken with the understanding that
a letter would be sent to Mr. Vest by the Board expressing appreciation for his services.

Secretary's Note: In this connection, Governor Shepardson today noted on behalf of the Board a memorandum from Mr. Vest dated February 26, 1957, indicating that he was making application for voluntary retirement under the Retirement System of the Federal Reserve Banks, effective at the close of business March 31, 1957.

The meeting then adjourned.

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

Memorandum dated February 21, 1957, from Mr. Marget, Director, Division of International Finance, recommending the appointment of Dorothea Mae Grasham as Clerk in that Division, with basic salary at the rate of $3,345 per annum, effective the date of assuming duties.

Memorandum dated February 18, 1957, from Mr. Young, Director, Division of Research and Statistics, recommending that the basic annual salary of Margaret Hastings be increased from $3,415 to $3,670, effective March 10, 1957, with a change in title from Clerk to Research Assistant.

Letter to Mr. Williams, Chairman, Special Committee on Emergency Operations, Conference of Presidents of the Federal Reserve Banks, reading as follows:

In accordance with your recent suggestion to Mr. Leonard that a member of the Board's staff be designated to serve as an associate of the Subcommittee on Emergency Cash Operations, the Board is pleased to designate Mr. Farrell, Assistant Director of the Board's Division of Bank Operations, to serve in that capacity.

Letter to Mr. John K. Slear, Counsel, Subcommittee on Government Employees' Security Program, United States Senate, reading as follows:

Reference is made to your letter of September 13, 1956, requesting information with respect to the Security
Program of the Board of Governors as of June 30, 1956, and for the last half of 1956. The following information for the last half of 1956 is being submitted in the same order as that furnished in our letter of October 4, 1956, for the period ending June 30, 1956:

1. 132 (As of December 31, 1956) (Consists of 44 persons whose positions have been declared sensitive in connection with defense planning only, and 88 other positions that have been declared "sensitive."

2. None

3. None

4. None

5. For the period July 1, 1956 through December 31, 1956:
   $2,840 - cost of administration and adjudication
   $7,415 - cost of investigations conducted by the Civil Service Commission

Please note that the $4,450 reported in my letter of October 4, 1956, as the cost of the Security Program for the year ending June 30, 1956, represented the cost of administration and adjudication only, to which should be added $3,155, the cost of the investigations conducted for us during this period by the Civil Service Commission.

With respect to the request contained in your letter of October 18, 1956, for information relative to the number of sensitive and nonsensitive cases handled under Sections 4, 5, and 11 of Executive Order 10450, there have been no cases handled in these categories in addition to those reported in our letter of December 18, 1956.