

Minutes for March 6, 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.

	A	B
Chm. Martin	x <u>TM</u>	_____
Gov. Szymczak	x <u>[Signature]</u>	_____
Gov. Vardaman	x <u>[Signature]</u>	_____
Gov. Mills	x <u>[Signature]</u>	_____
Gov. Robertson	x <u>R</u>	_____
Gov. Balderston	x <u>CCB</u>	_____
Gov. Shepardson	x <u>[Signature]</u>	_____

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, March 6, 1957. The Board met in the Board Room at 10:00 a.m.

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

Mr. Carpenter, Secretary
 Mr. Kenyon, Assistant Secretary
 Mr. Fauver, 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. Sloan, Director, Division of Examinations
 Mr. Marget, Director, Division of International Finance
 Mr. Hackley, Associate General Counsel
 Mr. Hexter, Assistant General Counsel
 Mr. Noyes, Adviser, Division of Research and Statistics
 Mr. Masters, Associate Director, Division of Examinations
 Mr. Furth, Chief, International Financial Operations Section, Division of International Finance

The following items, which had been circulated to the members of the Board and copies of which are attached to these minutes under the respective item numbers indicated, were approved unanimously:

	<u>Item No.</u>
Letter to the Federal Reserve Bank of New York approving the payment of salary to John F. Pierce as Chief Examiner at the rate fixed by the Board of Directors.	1

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With reference to this item, Governor Robertson stated that although he considered Mr. Pierce well equipped for the position of Chief Examiner and would have no objection to Mr. Pierce's appointment, it was his opinion that in view of the Board's responsibilities for the function of bank supervision, the Federal Reserve Bank of New York, like the other Reserve Banks, should follow the practice of consulting with the Board before making and announcing appointments to official positions in the field of bank examinations. He suggested that the matter of procedure in the future be discussed with President Hayes of the New York Bank.

Agreement was expressed with the point of view stated by Governor Robertson and he was authorized to discuss the question of procedure with President Hayes.

Item No.

Letter to Dr. Javier Marquez, Director, Center for Latin American Monetary Studies, Mexico City, Mexico, relating to arrangements whereby selected Federal Reserve System personnel would participate as students in the Center's annual training sessions. (This letter had been prepared pursuant to the understanding at the meeting on February 21, 1957.)

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With reference to this item, Mr. Marget called attention to a letter received yesterday from the Federal Reserve Bank of New York outlining proposed foreign travel of members of the Bank's staff during 1957 in which it was stated that the Board of Directors had approved, among other items, attendance by one of the Bank's economists as a student at

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this year's session of the Center for Latin American Monetary Studies in Mexico City. While the letter from the New York Bank mentioned that the Board's letter of February 26, 1957, to President Hayes on the subject of System participation in the Center had been noted, the intent of the reference was not clear and Mr. Marget suggested that the Board might want to discuss the matter with the New York Bank in view of the steps being taken to coordinate System attendance at the Center.

At the suggestion of Chairman Martin, it was agreed that Governor Szymczak would handle the matter in such way as he felt most appropriate.

	<u>Item No.</u>
Telegram to the Federal Reserve Bank of New York approving the opening and maintenance of an account in the name of the Nepal Rastra Bank.	3
Letter to The First National Bank of Jackson, Jackson, Ohio, approving the bank's application for permission to exercise fiduciary powers. (For transmittal through the Federal Reserve Bank of Cleveland.)	4
Letter to Bank of the Commonwealth, Detroit, Michigan, approving the establishment of a branch in Detroit. (For transmittal through the Federal Reserve Bank of Chicago.)	5
Letter to Ann Arbor Bank, Ann Arbor, Michigan, approving the establishment of a branch in Ann Arbor. (For transmittal through the Federal Reserve Bank of Chicago.)	6
Letter to the Federal Reserve Bank of Minneapolis regarding the classification of a form of "savings certificate" being used by a national bank in that city as a savings deposit. (With a copy to the Comptroller of the Currency.)	7

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	<u>Item No.</u>
Letter to the Federal Reserve Bank of San Francisco regarding the status of Marine Bancorporation, Seattle, Washington, as a bank holding company.	8
Letter to the House Committee on Government Operations regarding recommendations on lending agencies submitted to Congress by the Hoover Commission in 1955.	9

Testimony on reduction in security expenditures. There had been sent to the members of the Board copies of a draft of testimony proposed to be given by Chairman Martin tomorrow before the Subcommittee on Disarmament of the Senate Foreign Relations Committee dealing with the economic significance of a 50 per cent cut in national security expenditures. Also distributed were copies of a memorandum, prepared at the request of the Subcommittee staff, regarding the possibility of control of international armament reduction through budgetary inspection.

Governor Vardaman suggested that it might not be advisable for Mr. Martin, as Chairman of the Board of Governors, to present any detailed prepared statement on a subject of this kind and that an alternative would be to present the proposed statement as a study prepared by the Board's staff. He went on to say that if it were possible for Chairman Martin to testify in a personal capacity as an interested and informed citizen, he would regard the matter in a somewhat different light. However, since the questions presented by the Subcommittee were of a hypothetical nature and involved an element of forecasting, he doubted whether it would be appropriate to offer detailed testimony on behalf of the Board.

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Chairman Martin said that he had discussed the matter with Governor Vardaman before the meeting, and that it would seem possible to submit a brief prepared statement, handle the remaining testimony on an informal basis, and submit the prepared document as a memorandum reflecting staff study. Availability of the staff document, he said, would indicate to the Subcommittee that appropriate attention had been given to the subjects of inquiry.

Following a discussion, during which it was understood that certain statements in the staff document would be rechecked for accuracy in the light of questions raised by members of the Board, it was agreed unanimously (1) that a brief statement would be presented in a form satisfactory to Chairman Martin, (2) that the document distributed before this meeting as a draft of proposed testimony would be submitted to the Subcommittee by Chairman Martin as a document reflecting staff study of the questions raised by the Subcommittee, and (3) that the memorandum on control of armament reduction through budgetary inspection would be submitted by Chairman Martin to the Subcommittee on the same basis.

Mr. Thurston then withdrew from the meeting and Mr. Thompson, Supervisory Review Examiner, Division of Examinations, entered the room.

Testimony on bank merger bills. The Board then gave consideration to a memorandum from Mr. Hexter dated March 4, 1957, copies of which had been distributed to the members of the Board, submitting a draft of testimony to be given by Chairman Martin before the Antitrust Subcommittee of

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the House Judiciary Committee on Friday, March 8, regarding bills H.R. 264, introduced by Representative Keating of New York, and H.R. 2143, introduced by Representative Celler of New York, both dealing with approval of bank mergers through amendment of the Clayton Act. The draft of testimony, which would follow generally statements made on behalf of the Board before Congressional committees in 1956, would support the "prior approval" approach toward the approval of bank mergers as opposed to the "prior notification" approach contained in the bills to amend the Clayton Act. In this connection, the testimony would point out that the proposed Financial Institutions Act of 1957 contained legislation with respect to bank mergers embodying the basic principles favored by the Board. The testimony would conclude with a paragraph stressing the advisability of relieving the Board of enforcement responsibilities under the Clayton Act if it should be decided to amend the Act in the manner contemplated by H.R. 264 or H.R. 2143.

In a discussion of the matter, Governor Mills raised questions designed to bring out whether there was any inconsistency between support of the "prior approval" approach, as embodied in the Financial Institutions Act, and representation by the Board that antitrust enforcement responsibilities with respect to banks under the Clayton Act should be turned over to the Department of Justice. He noted that in supporting the "prior approval" approach the Board held out that the bank supervisory agencies were qualified to determine whether approval should be given with respect to

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proposed mergers, which would include appraisal of the competitive aspects. If the Board or another supervisory agency gave its prior approval to a merger, that approval presumably would be final. He then inquired whether such an approach would be consistent with statements in respect to section 7 of the Clayton Act to the effect that, if the Board found a tendency toward monopoly developing or circumstances that deserved investigation, it should turn the matter over to the Department of Justice. Any seeming inconsistency, he said, perhaps could be corrected in the proposed testimony by a statement indicating very strongly that if advance approval was prescribed by law, the Board would be willing to accept the responsibility for reaching a terminal decision.

On these points Mr. Vest commented that in 1955, when similar questions were raised with the Board and the Financial Institutions Act was not yet in the picture, the Board took the position that it approved the objective of the proposal to bring bank mergers involving acquisition of assets under the Clayton Act, but with the conditions that there would be advance approval of bank mergers by the bank supervisory agencies and that the Board would be divested of responsibility in the enforcement field. He said that the last paragraph of the proposed statement, stressing the advisability of relieving the Board of enforcement responsibilities, perhaps overemphasized that point, but that it appeared to be generally consistent with the position previously taken by the Board.

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Governor Mills then suggested the possible deletion of the paragraph in question, pointing out that the Board would have only limited responsibilities if section 7 of the Clayton Act were continued in its present form.

Governor Balderston stated that he was inclined to share the concern expressed by Governor Mills regarding the element of possible inconsistency and that the matter might be clarified by using more precise language in an earlier paragraph of the statement which indicated the distinctions between the Board's primary responsibilities and the prosecuting and adjudicatory functions involved in the enforcement of the anti-trust laws.

Governor Balderston also suggested how the statement might be recast to point up the alternative approaches to the bank merger problem and give the reasons for the Board's preference. However, in view of the time element involved, he agreed with a statement that extensive revision of the draft testimony probably would not be feasible.

Governor Robertson contrasted the Board's present responsibilities under the Clayton Act and those which it would be assigned under amendments to the Act such as envisaged by H.R. 264 and H.R. 2143, emphasizing that under such legislation the Board's functions would be increased a great deal in a field in which it was not experienced. He felt that this point should be brought out in the statement, and that this could be done by revising the paragraph to which Governor Balderston had referred.

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As to the statement in general, Governor Robertson saw no fundamental inconsistency in supporting the "prior approval" approach and asking to be relieved of responsibilities under the Clayton Act. He then reviewed the procedures that the bank supervisory agencies would follow in dealing with bank mergers if the Financial Institutions Act were approved, with authority to request the views of the Attorney General as to prospective competitive effects.

In further discussion, it was proposed to eliminate the final paragraph of the testimony stressing the advisability of relieving the Board of enforcement responsibilities under the Clayton Act if section 7 should be amended as contemplated by H.R. 264 or H.R. 2143; to revise the earlier paragraph mentioned by Governors Balderston and Robertson to point up the fundamental difference between the Board's primary responsibilities and enforcement responsibilities under the antitrust laws; to emphasize these distinctions rather than the time that would be required for the Board to perform the latter duties; and to make certain technical changes in the statement.

At the conclusion of the discussion, it was agreed unanimously that the changes mentioned above should be made, and that the statement would be presented in a final form satisfactory to Chairman Martin.

With reference to the foregoing testimony, Mr. Vest commented that another bill, H.R. 2142, had been introduced by Congressman Celler which

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also applied to mergers, but that it did not appear to be aimed specifically at banks. He said that according to Mr. Cherry there had been no request to cover that bill in the testimony on Friday.

Governor Robertson suggested, and it was agreed, that if questions should be asked at the hearing about H.R. 2142, it would be appropriate to say that time would be needed to study the bill and that the Board would be glad to report on it, if the Committee so desired, after such a study had been made.

Messrs. Riefler and Young then withdrew from the meeting.

Marine Midland application for voting permit. Reference then was made to a memorandum from Mr. Hackley dated February 28, 1957, and a memorandum from the Division of Examinations dated March 1, 1957, regarding the application of Marine Midland Corporation, Buffalo, New York, for a limited permit to vote the stock of The Lake Shore National Bank of Dunkirk, Dunkirk, New York, for the purpose of authorizing the merger of that bank into Chautauqua National Bank of Jamestown, Jamestown, New York. Since the Board on January 31, 1957, had issued an order under the Bank Holding Company Act authorizing Marine Midland Corporation to acquire the outstanding shares of Lake Shore National Bank, both memoranda recommended that the voting permit application be approved. Question was raised, however, as to whether approval of the application should be deferred in view of provisions of the Bank Holding Company Act pursuant to which any party aggrieved by an order of the Board under the Act may obtain judicial review of such order

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by filing a petition within 60 days after entry of the order. In the present case, the time allowed for seeking review would expire on April 1, 1957. The alternatives presented were (1) that the Board approve the voting permit application with instructions to the Federal Reserve Bank of New York not to issue the permit until several days after the expiration of the 60-day period prescribed by the Bank Holding Company Act and then only in the event that no petition for court review had been filed, or (2) that the Board defer any action on the application until after the 60-day period but inform the Marine Midland Corporation that the deferment was only because of the provisions of the Bank Holding Company Act.

With regard to future policy, Mr. Hackley's memorandum suggested that the Board might wish to decide that, where it had approved a bank holding company's acquisition of the stock of a bank, it not grant a voting permit for the purpose of merging that bank with another bank until after the expiration of the period provided for judicial review of the Board's order, plus perhaps a period of several days to allow for receipt by the Board of advice of a petition that might be filed on the last day of the 60-day period. In cases where the Board approved the acquisition of the stock of a nonmember bank and no voting permit would be required, it was suggested that a condition might be attached to the Board's order approving the acquisition which would preclude the voting of the stock by the bank

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holding company during the period allowed for judicial review if the effect of the voting would be to merge the acquired bank with another bank. As an alternative, the Board might defer the effective date of its approval of stock acquisitions until expiration of the 60-day period or several days thereafter.

Following a review of the Marine Midland matter by Mr. Hackley and a restatement of the alternative courses which might be followed in this case and in the future, Governor Robertson expressed a preference for following in the future the alternative under which no action would be taken on a voting permit application until after the expiration of the period provided to seek judicial review, since that procedure would obviate the necessity for the voting permit application to come before the Board twice. In response to a question, he said that he saw no reason for phrasing the Board's order so as not to permit the bank holding company to acquire stock in a bank immediately, for it would be possible for a court to require disposition of the stock. He felt, however, that the holding company should be advised of the possibility that it would not be able to vote the stock.

Mr. Hexter, who had made the alternative suggestion for future policy mentioned in Mr. Hackley's memorandum, stated that the basic reasoning underlying his suggestion was as follows: If, in the Dunkirk case, for example, Marine Midland Corporation acquired the stock of the Lake Shore Bank and the courts later should hold that the acquisition should not be permitted, Marine Midland would not be in a position to force the original

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local owners of the stock to repurchase it. Therefore, it might be that one of the objectives of the Bank Holding Company Act would be defeated.

Governor Robertson said that he saw some merit in Mr. Hexter's position, that he would like to think through the matter more carefully, and that he therefore would like the Board to defer a final decision on the procedure to be followed in future cases. In the circumstances, it was understood that a decision on future policy would be deferred for further consideration.

Governor Mills expressed some concern about the matter of timing from the standpoint of the technical planning of a merger. He pointed out that, taking into consideration the time necessary for the Board to process an application and the 60-day period during which judicial review may be requested by an aggrieved party, substantial changes could take place in the value of the securities carried on the books of the bank to be absorbed. Generally speaking, he felt that the parties concerned could guard against such changes in value in the contract of purchase, but unless that could be done successfully, the rights of the parties might be adversely affected.

Governor Robertson commented that in the ordinary case under the Bank Holding Company Act involving acquisition of assets, a merger would not be involved. Where a merger was involved, he was inclined to feel that the situation could be dealt with by the parties concerned.

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Mr. Hackley said that he would dislike to see approval of an application to acquire bank stock deferred for 60 days, although he recognized that the Board could come to such a decision quite logically. He referred to the rights of bank holding companies operating under the Bank Holding Company Act and pointed out that the Act did not specify that when the Board approved an application the holding company concerned could not take advantage of the ensuing 60-day period. A middle ground, he said, would be to defer the right to vote the stock.

In a further discussion of the decision to be made in the Marine Midland matter, Governor Shepardson suggested that in the interest of consistency it would seem appropriate for the Board to follow the approach that seemed favored as a matter of general policy; that is, to notify Marine Midland of the Board's intent to grant the voting permit after the expiration of the period available to seek judicial review, unless a petition for judicial review was filed. He said that even if it were necessary to bring the matter back to the Board, the matter at that stage would be a mere formality.

Agreement having been expressed with the point of view stated by Governor Shepardson, unanimous approval was given to the letter to the Federal Reserve Bank of New York attached to these minutes as Item No. 10, with the understanding that a final decision on the policy to be followed by the Board generally would be deferred pending further study of the alternatives and additional discussion by the Board.

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Messrs. Thomas, Vest, Sloan, Hexter, Masters, and Thompson then withdrew from the meeting.

Bill to amend Anglo-American Financial Agreement. In a letter dated February 28, 1957, the Bureau of the Budget requested the Board's comments on an attached draft bill which would approve the signature by the Secretary of the Treasury of an agreement amending the Anglo-American Financial Agreement of December 6, 1945. In a memorandum dated March 1, 1957, which had been circulated to the members of the Board, Mr. Marget discussed the effect of the proposed bill and stated that it was identical with a proposal approved by the National Advisory Council on February 12, 1957. The memorandum recommended that the Board endorse the proposed bill.

Chairman Martin stated that this again raised the question whether the Board should be asked to comment on items previously approved by the National Advisory Council. Since this particular matter was largely of a technical nature, he said that if the Board was so disposed it perhaps could give a brief reply which would be in accord with the favorable position that he had already taken as a member of the National Advisory Council. Generally speaking, however, he doubted whether it was feasible to operate the National Advisory Council on a basis whereby items of negotiation were later taken up by the Board as a whole. In further comments, he pointed out that certain aspects influencing decision on many problems coming before the Council are known only to the members of the Council, so that a matter might be decided on a different basis than if such facts were not fully available.

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In further discussion it was agreed that there was much to be said for the point of view expressed by Chairman Martin. At the same time it was brought out that this particular matter had been referred by the Budget Bureau only because proposed legislation was involved, and that most of the matters coming before the National Advisory Council do not involve legislation. A possible circumstance, it was suggested, where reference to the Board of proposed legislation might be warranted would occur when there were changes in the composition of the Board.

While no firm conclusions with regard to the matter of general procedure were reached, there was unanimous agreement that in view of the technical nature of the proposed legislation on which the Board's comments had been requested, there would be no objection to a reply which would simply follow the Chairman's position previously expressed in his capacity as a member of the National Advisory Council.

Accordingly, unanimous approval was given to a letter to the Bureau of the Budget in the form of the letter attached to these minutes as Item No. 11.

Form of minutes. The next item to be considered was a memorandum from Mr. Carpenter dated February 26, 1957, which had been circulated to the members of the Board, recommending a change in the form of the Board's minutes pursuant to which letters, telegrams, and similar documents would be set forth as attachments to the minutes, as shown in sample sets of minutes attached to the memorandum. The memorandum recommended adoption

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of the suggested new form of minutes, with typed attachments, effective immediately, with the understanding that attachments to the minutes produced by the Xerox-Multilith process would be substituted for the typed attachments when the Xerox-Multilith equipment was available and practicable procedures for instituting the practice had been developed.

Governor Shepardson stated that the recommendation appeared to be constructive, both from the standpoint of reducing the stenographic work necessary to produce the minutes and from the standpoint that the minutes could be reviewed more easily by the members of the Board.

Governor Vardaman then said that he favored the recommended change in the form of the minutes as a step in the right direction, but that he felt further consideration should be given to other changes in the minutes. In addition to expressing views regarding the content of the minutes, he stated objections to the procedure providing for initialing of the minutes by members of the Board on an attached cover sheet. It was his suggestion that the Board retain the services of an expert consultant to advise on minutes procedures.

With regard to the last point mentioned by Governor Vardaman, Governor Shepardson stated that he was exploring the possibility of retaining a management expert to study all of the Board's operations.

Thereupon, Governor Vardaman's comments having been noted, the recommendation contained in Mr. Carpenter's memorandum was approved unanimously.

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Branches in Seventh Federal Reserve District. With reference to the discussion at the meeting on March 1, 1957, concerning additional Federal Reserve Bank branches in the Seventh Federal Reserve District, Governor Shepardson presented a proposed letter to Mr. Allen, President of the Federal Reserve Bank of Chicago, intended to reflect the views of the Board expressed at the meeting on March 1.

The letter, attached to these minutes as Item No. 12, was approved unanimously.

Retention of public accounting firm. Governor Robertson inquired as to the status of plans for the retention of a different public accounting firm to audit the Board's accounts for 1957 and to accompany the Board's field staff on the examination of a selected Federal Reserve Bank to observe examining procedures.

Chairman Martin stated that notice had been given to Arthur Andersen & Co. regarding the probable choice of another accounting firm, that it had been made clear to Arthur Andersen & Co. that no reflection on the quality of services rendered by that firm was involved, and that a representative of the firm had requested an opportunity for discussion before a final decision was made. He went on to say that he would endeavor to set a time for the requested appointment in the near future and that he felt it would be desirable for Governors Robertson and Shepardson to participate in the discussion.

Agreement was expressed with the procedure proposed by Chairman Martin.

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Currency vault. Governor Robertson then referred to the proposal to construct a vault for the storage of reserve supplies of currency at Fort Riley, Kansas, and said that he understood the matter continued to be held under study at the Treasury Department. After expressing the opinion that it would be very desirable for the project to go forward and that appropriate legislation should be recommended, if necessary, he said that one factor contributing to the delay might be the matter of expense; and that if this was the case, perhaps something could be worked out in the way of a contribution by the Federal Reserve. In the circumstances, he thought that it might be helpful if the Chairman would raise the matter again with the Treasury.

Chairman Martin said that he would be glad to mention the subject again, although he had some doubt whether this would contribute to expediting the project.

The meeting then adjourned.

Secretary's Note: On the dates indicated, Governor Shepardson approved on behalf of the Board the following items:

March 4, 1957:

Memorandum dated February 15, 1957, from Mr. Vest, General Counsel, recommending that Clifford A. Davis, Assistant Counsel, be authorized to attend the Graduate School of Banking at Rutgers State University, beginning with the 1957 session, that his transportation and other expenses be paid in accordance with the Board's letter of February 26, 1953 (S-1489), and that the Board reimburse the Federal Reserve Bank of New York for the tuition already paid by the Bank on Mr. Davis' behalf.

Memorandum dated March 1, 1957, from Mr. Hackley, Associate General Counsel, requesting that authorization be given to arrange a conference of

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Counsel of the Federal Reserve Banks to be held in Washington, probably on March 22, 1957, and that the Board pay the cost (estimated not to exceed about \$8 per person) of a dinner to be given in connection with the conference. The memorandum stated that the total attendance at the dinner was estimated at approximately 40, including the visiting Reserve Bank Counsel, the lawyers in the Legal Division, any members of the Board who might be able to come, and selected members of the Board's staff; and also that the expense of the proposed dinner had not been provided for in the 1957 budget of the Legal Division.

Memoranda from appropriate individuals concerned recommending actions with respect to members of the Board's staff, as follows:

Appointments, effective on the respective dates of assuming duties

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
John F. Rolph, III, Law Clerk	Legal	\$5,980	
Joseph B. Dunn, Assistant Federal Reserve Examiner	Examinations	5,440	

Salary increases, effective March 10, 1957

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Research and Statistics</u>			
Frank de Leeuw, Economist		\$5,575	\$5,710
<u>Examinations</u>			
Alexander J. Harris, Jr., Assistant Federal Reserve Examiner		4,080	4,215
Robert N. Westmoreland, Jr., Assistant Federal Reserve Examiner		4,525	4,660
<u>Administrative Services</u>			
Peter Black, Laborer		2,915	3,000
Margaret C. Caldow, Secretary		4,210	4,345
James R. Jordan, Messenger		3,030	3,115

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March 5, 1957:

Memoranda from appropriate individuals recommending actions with respect to members of the Board's staff, as follows:

Salary increases, effective March 10, 1957

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Board Members' Offices</u>			
Michael L. Jamison, Messenger		\$3,555	\$3,640
<u>Personnel Administration</u>			
Ruth L. Jarvis, Maid		3,340	3,425

Transfer

Lucy I. McColloch, from the position of Secretary in the Legal Division to the position of Secretary to Mr. Thomas (Board Members' Offices), with no change in her basic annual salary at the rate of \$5,645, effective the date she assumes her new duties.

Notice of retirement

Alene D. Carroll, Charwoman, Division of Administrative Services, effective March 1, 1957.

March 6, 1957:

Memoranda from appropriate individuals recommending actions with respect to members of the Board's staff, as follows:

Increase in basic annual salary

Kathleen Barnes, Draftsman, Division of Research and Statistics, from \$3,045 to \$3,175 per annum, effective March 10, 1957.

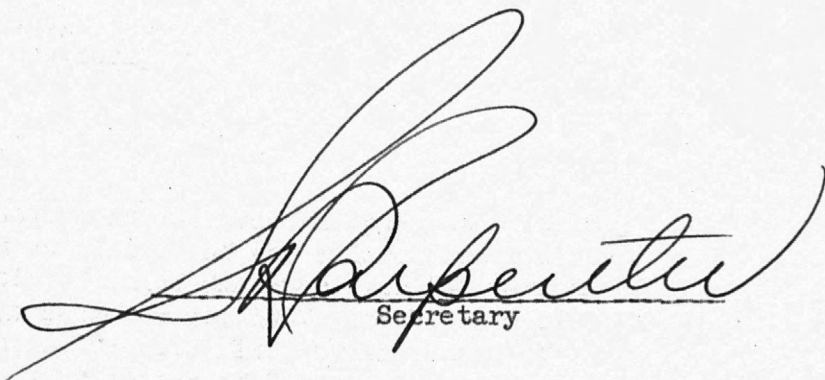
Acceptance of resignation

Thomas O. McConnell, Analyst, Division of Bank Operations, effective March 8, 1957.

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Memorandum dated March 4, 1957, from Mr. Sloan, Director, Division of Examinations, recommending that the annual Conference of Representatives of Bank Examination Departments of the Federal Reserve Banks be held in Washington, D. C., April 15-17, 1957, that the Board pay the cost (not to exceed \$8 per person) of a dinner to be given in connection with the Conference at the George Mason Hotel in Alexandria, Virginia, and that the persons listed in an attachment to the memorandum be invited to the dinner.



Secretary

Item No. 1
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March 6, 1957

CONFIDENTIAL (FR)

Mr. Alfred Hayes, President,
Federal Reserve Bank of New York,
New York 45, New York.

Dear Mr. Hayes:

The Board of Governors approves the payment of salary to Mr. John F. Pierce as an officer of the Federal Reserve Bank of New York with the title of Chief Examiner, for the period February 7, 1957, through December 31, 1957, at the rate of \$11,500 per annum, which is the rate fixed by the Board of Directors as reported in your letter of February 8, 1957.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.

Item No. 2
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March 6, 1957

AIR MAIL

Dr. Javier Marquez, Director,
Centro de Estudios Monetarios Latinoamericanos,
Edificio Guardiola, Madero 2-Desp. 501,
Mexico 1, D. F.

Dear Javier:

It has been suggested that arrangements might be made whereby selected Federal Reserve System personnel would participate as students in the annual training sessions held in Mexico City. It would help the Board of Governors, in their consideration of this suggestion, to have answers to the following questions:

1. Which central banks have sent students to the Center since its inauguration? (If possible, data by years, showing number of students from each central bank.)
2. What financial arrangements have these central banks made with the Center?
3. What would the position of the Center be with respect to accepting Federal Reserve System personnel as students?
4. Assuming a decision to encourage attendance by Federal Reserve System personnel, how many students from the System could normally be accepted in any one year?

You will understand, of course, that this inquiry is, at the present time, purely exploratory. Any information you could provide in this connection, however, would be most welcome.

Cordially yours,

(Signed) Arthur W. Marget

Arthur W. Marget,
Director,
Division of International Finance.

Item No. 3
3/6/57

March 6, 1957

EXTER - NEW YORK

Your wire February 21. Board approves the opening and maintenance of an account on your books in the name of Nepal Rastra Bank (of Nepal), subject to the usual terms and conditions upon which your Bank maintains accounts for foreign central banks and governments.

It is understood that you will in due course offer participation in this account to other Federal Reserve Banks.

(Signed) S. R. CARPENTER

CARPENTER

Item No. 4
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March 6, 1957

Board of Directors,
The First National Bank of Jackson,
Jackson, Ohio.

Gentlemen:

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 Ohio, the exercise of all such rights to be subject to the provisions of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System.

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

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Assistant Secretary.

Item No. 5
3/6/57

March 6, 1957

Board of Directors,
Bank of the Commonwealth,
Detroit 31, Michigan.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Chicago, the Board of Governors of the Federal Reserve System approves the establishment of a branch by Bank of the Commonwealth at 14401 West Seven Mile Road in Detroit, Michigan, provided the branch is established within one year from the date of this letter, and that approval of State authorities is effective as of the date the branch is established.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Assistant Secretary.

Item No. 6
3/6/57

March 6, 1957

Board of Directors,
Ann Arbor Bank,
Ann Arbor, Michigan.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Chicago, the Board of Governors of the Federal Reserve System approves the establishment of a branch by Ann Arbor Bank at the intersection of Broadway and Plymouth Road cutoff in Ann Arbor, Michigan, provided the branch is established within one year from the date of this letter, and that approval of the State authorities is effective as of the date the branch is established.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Assistant Secretary.

Item No. 7
3/6/57

March 6, 1957

Mr. H. G. McConnell, Vice President,
Federal Reserve Bank of Minneapolis,
Minneapolis 2, Minnesota.

Dear Mr. McConnell:

This refers to your letter of February 15, 1957, and its enclosures, concerning whether a deposit evidenced by a form of "Savings Certificate" being used by the Midland National Bank of Minneapolis, Minnesota, may be classified as a savings deposit under Regulation Q.

The certificate, which "is not assignable or transferable", recites that the bank has received a "savings deposit" payable to a named depositor in a certain amount which may be withdrawn "only by the depositor" at any time upon surrender of the certificate, but that "the bank at its option may require written notice of intended withdrawal 60 days before the withdrawal is made". The certificate form also recites that interest at a certain rate per annum will be paid on the deposit semi-annually from the date of the certificate, except that no interest will be paid if the deposit is withdrawn during the first six months; that if the deposit is withdrawn between semi-annual interest dates, interest from the last such date to the time of withdrawal will be paid only if the depositor has given 60 days' written notice of intended withdrawal; and that after six months from date of the certificate the bank may change the rate or terminate the accrual of interest by giving 60 days' written notice to the depositor.

Assuming that the form of certificate in question is used only for deposits of persons or organizations specified in section 1(e) of the regulation as being eligible to have "savings deposits", the Board is of the view that a deposit evidenced by such a certificate may properly be classified as a "savings deposit" under the May 16, 1955 amendment to section 1(e) of the regulation and, therefore, could bear interest at a rate not in excess of 3 per cent per annum. This appears to conform with your views; and it is to be noted that the form of certificate in question is similar to the "Savings Deposit Receipt" covered by the Board's interpretation published at 1955 Federal Reserve Bulletin 1125.

Mr. H. G. McConnell

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Since your inquiry concerning the certificate appears to have been prompted by the letter to the Comptroller of the Currency from the Chief National Bank Examiner for your district, a copy of which you enclosed, a copy of this reply is being furnished to the Office of the Comptroller of the Currency.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.

Item No. 8
3/6/57

March 6, 1957

Mr. E. R. Millard, Vice President,
Federal Reserve Bank of San Francisco,
San Francisco 20, California.

Dear Mr. Millard:

This refers to your letter dated November 29, 1956, with respect to the status of Marine Bancorporation, Seattle, Washington, as a bank holding company.

From the information supplied in Marine Bancorporation's registration statement, the Board understands that as of May 9, 1956, that corporation owned 99,080 of the 100,000 outstanding shares of stock of The National Bank of Commerce of Seattle, Seattle, Washington, and 532 shares of the 1,000 shares of outstanding stock of The First National Bank of Mount Vernon, Mount Vernon, Washington, but did not own or control as much as 5 per cent of the voting shares of any other bank or of a bank holding company; and that The First National Bank of Mount Vernon was liquidated effective July 13, 1956, and its business was taken over and is now operated as the Mount Vernon Branch of The National Bank of Commerce of Seattle.

In the circumstances, it is understood that Marine Bancorporation now owns 25 per cent or more of the voting shares of only one bank, The National Bank of Commerce of Seattle, Seattle, Washington; that it does not own, control, or hold with power to vote 25 per cent or more of the voting shares of any other bank or of any bank holding company, or control in any manner the election of the majority of directors of any other bank; and that trustees do not hold 25 per cent or more of the voting shares of any bank or any bank holding company for the benefit of the shareholders of Marine Bancorporation.

On the basis of the facts above stated, it is the Board's opinion that Marine Bancorporation is not a bank holding company as that term is defined in section 2(a) of the Bank Holding Company Act. It will be appreciated if you will inform Marine Bancorporation to that effect. It should be mentioned, of course, that although administration of the Act is vested in the Board, its enforcement as a

Mr. E. R. Millard

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criminal statute falls within the jurisdiction of the Department of Justice, and conceivably the Board's interpretation might not be followed by that Department if it should have occasion to consider the matter.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Assistant Secretary.

Item No. 9

3/6/57

March 6, 1957

The Honorable William L. Dawson, Chairman,
House Committee on Government Operations,
1501 House Office Building,
Washington 25, D. C.

Dear Mr. Chairman:

This is in reply to your letter of February 15, 1957, which asked whether any new policies or procedures had been put into effect since the Board's letter of April 21, 1955, to carry out recommendations on Lending Agencies submitted to Congress by the Hoover Commission in March 1955.

As indicated in the Board's previous letter, the Hoover Commission report on Lending Agencies made no specific recommendations regarding the Federal Reserve System. You will recall, however, a discussion in the Board's earlier letter concerning loans to industrial and commercial enterprises under the authority of section 13b of the Federal Reserve Act. Your Committee may be interested in knowing that the Committee print of the bill to revise the banking laws (The Financial Institutions Act of 1957) now being considered by the Senate Banking and Currency Committee would have the effect of repealing present authority of the Reserve Banks under section 13b of the Federal Reserve Act to make working capital loans and commitments to business enterprises. The repeal of this authority, which has been utilized very little in recent years, would be in accord with the position previously taken by the Board in this matter.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.

Item No. 10
3/6/57

March 6, 1957

Mr. R. B. Wiltse, Vice President,
Federal Reserve Bank of New York,
New York 45, New York.

Dear Mr. Wiltse:

Reference is made to your letter of February 15, 1957, enclosing an application by Marine Midland Corporation, Buffalo, New York, for a voting permit limited to the sole purpose of permitting Marine Midland Corporation to vote the shares which it owns or controls of The Lake Shore National Bank of Dunkirk, Dunkirk, New York, at meetings of the stockholders of that bank called for the purpose of authorizing the merger of The Lake Shore National Bank of Dunkirk into the Chautauqua National Bank of Jamestown, Jamestown, New York.

As you know, section 9 of the Bank Holding Company Act of 1956 provides that any party aggrieved by an order of the Board under that Act may obtain a review of such order in the appropriate court by filing within 60 days after the entry of the Board's order a petition praying that the order of the Board be set aside. The Board is of the opinion that it should defer action on the application for a limited voting permit until after the expiration of the 60-day period provided for by section 9 of the Act. In the event a petition for court review is not filed, the Board knows of no reason to preclude favorable action on the application after such 60-day period has expired.

It has been noted that the resolution contained in Exhibit C of the application, authorizing certain officers of the corporation to apply for a voting permit, was adopted by the Executive Committee of the Board of Directors on August 1, 1956, in connection with a voting permit application covering stock of The First National Bank of Herkimer, Herkimer, New York. In order to eliminate any possible question concerning the authority of the corporation's officers, please obtain assurances from the applicant that there will be furnished as soon as practicable two certified copies of a resolution of Marine Midland's Board of Directors or Executive Committee ratifying all actions taken in applying for the permit to vote the stock of The Lake Shore National Bank of Dunkirk.

It will be appreciated if you will advise Marine Midland Corporation of the substance of this letter.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.

Item No. 11
3/6/57

March 6, 1957

By Messenger

Mr. Roger W. Jones,
Assistant Director
for Legislative Reference,
Bureau of the Budget,
Room 259, Executive Office Building,
Washington, D. C.

Dear Mr. Jones:

This refers to Mr. Hughes' letter of February 28, 1957, requesting the Board's views on a draft bill submitted by the Treasury Department "To implement further the Act of July 15, 1946, by approving the signature by the Secretary of the Treasury of an agreement amending the Anglo-American Financial Agreement of December 6, 1945."

Please be advised that the Board of Governors has no objection to the proposed legislation.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.

Item No. 12
3/6/57

March 6, 1957

Mr. Carl E. Allen, Jr., President,
Federal Reserve Bank of Chicago,
Chicago 90, Illinois.

Dear Mr. Allen:

Governor Shepardson has reported to the Board on his recent discussions with you regarding the desirability of a branch of the Reserve Bank at Des Moines, Iowa.

The Board understands that you have this matter in mind and that you plan to study the various factors involved in the problem. We hope this can be done in the next six months and that we may have the benefit of your views by September 1.

Sincerely,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.