



Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, June 7, 1957. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Assistant Secretary  
 Mr. Kenyon, Assistant Secretary  
 Mr. Fauver, Assistant Secretary  
 Mr. Thomas, Economic Adviser to the Board  
 Mr. Young, Director, Division of Research and Statistics  
 Mr. Sloan, Director, Division of Examinations  
 Mr. Johnson, Controller, and Director, Division of Personnel Administration  
 Mr. Hackley, General Counsel  
 Mr. Molony, Special Assistant to the Board  
 Mr. Noyes, Adviser, Division of Research and Statistics  
 Mr. Koch, Assistant Director, Division of Research and Statistics  
 Mr. Goodman, Assistant Director, Division of Examinations  
 Mr. Hexter, Assistant General Counsel

Recognition for services rendered. The Board noted receipt of a resolution adopted by the Board of Directors of the Credit Management Division, National Retail Dry Goods Association, in appreciation of the address made by Governor Mills at the Division's annual conference.

The Board also noted an award made to Mr. Fauver in recognition of civic leadership in the Silver Spring, Maryland, area.

6/7/57

-2-

Items circulated to the Board. 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 Upper Darby National Bank, Upper Darby, Pennsylvania, approving its application for permission to exercise fiduciary powers. (For transmittal through the Federal Reserve Bank of Philadelphia.)	1
Letter to Bank of America, New York, New York, transmitting the report of examination of the bank made as of December 11, 1956. (With copies to the Federal Reserve Banks of New York and San Francisco)	2

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

Atlanta	June 3
New York	June 6
Philadelphia	June 6
Cleveland	June 6
Richmond	June 6
St. Louis	June 6
Kansas City	June 6
Dallas	June 6

The telegrams were approved unanimously.

Securities repurchase agreements and revision of Comptroller's Investment Securities Regulation. In a letter dated May 21, 1957, Deputy Comptroller of the Currency Jennings informed the Board that the Secretary of the Treasury had approved the contemplated issuance by the Comptroller

6/7/57

-3-

of a regulation, as authorized by exception 8 to Section 5200, Revised Statutes, which would permit a national bank or State member bank to make loans up to 100 per cent of its capital and surplus on the security of direct obligations of the United States having maturities not exceeding 18 months. The letter from Mr. Jennings also enclosed a revised draft of the proposed revision of the Comptroller's Investment Securities Regulation.

In a memorandum dated May 24, 1957, which had been circulated to the members of the Board, Mr. Hexter discussed the extent to which the revised draft of the Investment Securities Regulation reflected suggestions made by the Board in its letter of April 19, 1957. The memorandum brought out that no action on the part of the Board was called for unless the Board wished to record its objection to certain features of the proposed Investment Securities Regulation or to comment on the proposed regulation raising the ceiling on repurchase agreements.

Following a discussion, it was agreed unanimously that no comments regarding these matters should be made by the Board to the Comptroller of the Currency.

Appointment of Federal Reserve Agent's representatives at New York Reserve Bank (Item No. 3). In a letter dated March 20, 1957, addressed to the Federal Reserve Agent at the Federal Reserve Bank of New York, the Board discussed the procedures currently in effect at the Bank relating to the designation of personnel to represent the Federal Reserve Agent in connection with the custody of securities held in the System Open Market Account. The Board's letter suggested certain changes

6/7/57

-4-

in such procedures which would be in conformity with principles governing the staffing of the Agent's function as set forth in its letter to all Federal Reserve Banks, also dated March 20, 1957. In a letter of April 23, 1957, President Hayes of the Federal Reserve Bank of New York described the Bank's current procedures in some detail and stated reasons why the Reserve Bank questioned whether they should be changed to the extent indicated by the Board.

Prior to this meeting there had been circulated to the members of the Board a draft of letter to the Federal Reserve Agent at New York, of which a copy would be sent to the President of the Bank, restating substantially the position previously expressed by the Board as to the procedures that the Board felt should be put into effect.

Certain questions were raised concerning whether the proposed letter to Federal Reserve Agent Bierwirth should be sent prior to further investigation, perhaps by the Chief Federal Reserve Examiner as requested by President Hayes, concerning whether the suggested changes in the procedures that had been followed by the Bank for many years would be practicable from the operating standpoint and whether they would accomplish the objectives sought by the Board. Question was also raised as to whether the draft of letter to Mr. Bierwirth would make clear to him the principle on which the Board was basing its request that the Bank modify the procedures that had previously been followed in the arrangements for custody of securities held in the System Open Market Account.

6/7/57

-5-

It was the view of the Board that the principle of separation of responsibilities of the Federal Reserve Agent from those of the Reserve Bank should be upheld to the extent possible within the existing framework surrounding the staffing of the Agent's function and that the procedures proposed by the Board in the draft of letter would tend in that direction. At the same time, there was a feeling that an effort should be made to reconcile the views of the Board and the Reserve Bank through discussion with the Federal Reserve Agent on some appropriate occasion. Accordingly, it was suggested that the proposed letter be approved and sent, and that Vice Chairman Balderston arrange a telephone conversation with Mr. Bierwirth for the purpose of discussing the reasons for the position taken in the letter.

There being agreement with this suggestion, the letter, of which a copy is attached to these minutes as Item No. 3, was approved unanimously.

Messrs. Sloan, Johnson, and Goodman then withdrew from the meeting.

Report on H.R.4136 (Item No. 4). A communication had been received from the Bureau of the Budget requesting the Board's views on an enrolled enactment of H.R.4136, which would extend the life of the Export-Import Bank of Washington to June 30, 1963. The Board had taken a position in favor of legislation to such effect earlier this year, and there had been distributed to the members of the Board a draft of reply to the Budget Bureau which would recommend approval of the enrolled bill.

6/7/57

-6-

Unanimous approval was given to the letter to the Bureau of the Budget, a copy of which is attached hereto as Item No. 4.

Report on bills to amend the Small Business Act of 1953 (Item No. 5). At the meeting of the Board yesterday, agreement was reached on a letter to the Chairman of the Senate Banking and Currency Committee commenting on six bills which would amend the Small Business Act of 1953. Subsequently, however, Governor Balderston had given further consideration to the comment in the letter concerning S.2185, which would authorize the Small Business Administration to make loans to certain local development organizations. As the letter stood, it would include a statement questioning the appropriateness of loans by the Federal Government to such organizations.

At the request of Governor Balderston, Mr. Noyes explained that the Small Business Administration had already made certain small loans to local development organizations out of its available funds, which raised a question whether the Board would want to go as far as to question the appropriateness of such transactions and thus perhaps imply criticism of the Small Business Administration. Also, in the proposed letter the Board had indicated approval of an extension of the Small Business Act of 1953, which might be presumed to include approval of the lending activities thereunder, and in addition the Board's letter would express the view that State development corporations should be encouraged.

In the light of the comments made by Mr. Noyes, consideration was given to alternative language concerning S.2185. After some

6/7/57

-7-

discussion, it was agreed to amend the letter in such a way as to indicate that the Board had reservations about the advisability of using Federal Government funds for the purpose of aiding local development organizations and assumed that the pros and cons of this question would be carefully considered.

Thereupon, unanimous approval was given to a letter to the Chairman of the Senate Banking and Currency Committee in the form attached to these minutes as Item No. 5, with the understanding that copies would be sent to the Bureau of the Budget and to the Treasury Department.

Testimony on S.2160. Pursuant to the understanding at yesterday's meeting, there had been distributed to the members of the Board a revised draft of testimony to be given by Vice Chairman Balderston next Tuesday, June 11, before the Small Business Subcommittee of the Senate Banking and Currency Committee concerning S.2160, cited as the National Investment Company Act of 1957.

In explaining the principal changes from the previous draft, Mr. Young said that the staff had endeavored to make the tone of the testimony more positive and encouraging, while at the same time retaining the Board's fundamental position that the Federal Reserve System should not be called upon to provide capital funds or management supervision for companies established to provide credit to small business. In this connection, attention had been given to various comments by members of the Board at yesterday's meeting, including the suggestion by Governor Vardaman regarding the manner in which information on the problem of small business



6/7/57

-8-

financing might be obtained from the Federal Reserve Banks, the increased financial needs of small businesses referred to by Governor Shepardson, and the point made by Governor Vardaman regarding the inconsistency between the proper functions of commercial banks and their supplying equity capital and long-term credit to small businesses.

The revised draft of testimony was reviewed in detail and a number of suggestions were made for rearrangement of the material, deletion of certain statements, and editorial improvements. Among these was a suggestion by Governor Robertson for the inclusion of positive language to the effect that the Board, if the Congress so desired, would be agreeable to having the Federal Reserve System perform certain examining, depository, and related functions for the proposed national investment companies even though it would be opposed to the use of Federal Reserve funds for the capitalization of such companies. One of the suggestions for rearrangement of the testimony was to make clear that the proposal for a study of small business financing problems should not be regarded as an effort on the part of the Board to delay the consideration of legislation in this area.

With regard to the need for further study, Governor Vardaman again expressed doubt whether a survey by the Board would accomplish any purpose that would be of value with respect to consideration of S.2160 or any similar bills. In the first place, he said, such a study obviously would require a considerable amount of time. Also, if the study were made by the Federal Reserve, the results might be said to

6/7/57

-9-

reflect the bankers' point of view. He suggested that it would be more appropriate for a study of this kind to be made by the Department of Commerce, with the Board offering its facilities to assist the Department.

In response, Mr. Young said it appeared there may have been some misunderstanding concerning the scope of such a survey. The course Governor Vardaman had mentioned at the meeting yesterday, that is, to call upon the knowledge and facilities of the Federal Reserve Banks, probably would produce, for the most part, opinions based on contacts with lenders. The other approach would be to conduct a survey which would involve contacting small businessmen themselves, including those presumably having difficulty in obtaining financing. The mechanics of such a survey would involve troublesome questions, but the strength of the study would be in its coverage of both the sources and users of funds.

Governor Vardaman agreed that in principle such a study and the information already at hand might produce quite accurate results, but he did not think it would be acceptable to the Congress or to the public. As he saw it, the situation was so closely allied with social problems that any such study would have to be made by some other agency to carry proper weight. However, having explained his thoughts on this aspect of the matter, he would be agreeable to whatever statement the Board might decide upon.

6/7/57

-10-

The remaining discussion included suggestions by Governor Robertson in favor of including in the testimony the reasons which would argue against the use of Federal Reserve dollars for a small business financing program. While there was general agreement with the principle underlying Governor Robertson's comments, some doubt was expressed as to the practicality of using this argument. The alternative was suggested of pointing out that the use of Federal Reserve funds would tend to circumvent the budgetary and appropriations mechanism.

At the conclusion of the discussion, it was understood that a further draft of testimony would be prepared for consideration at the meeting next Monday, June 10.

The meeting then adjourned.

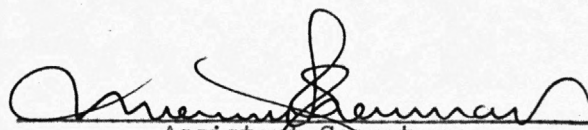
Secretary's Notes: Governor Shepardson today approved on behalf of the Board the letter to the operator of the barber shop in the Federal Reserve Building of which a copy is attached hereto as Item No. 6.

In accordance with the authority given by the Board at the meeting on December 7, 1956, Governor Robertson today approved on behalf of the Board the appointment of Harry J. Meyer, examiner for the Federal Reserve Bank of New York, as a Federal Reserve Examiner for the purpose of examining Morgan & Cie. Incorporated, New York, New York, a corporation operating under agreement with the Board of Governors pursuant

6/7/57

-11-

to the provisions of section 25  
of the Federal Reserve Act, the  
commission to expire three months  
from June 7, 1957.



Assistant Secretary

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON 25, D. C.

Item No. 1  
6/7/57

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

June 7, 1957

Board of Directors,  
Upper Darby National Bank,  
Upper Darby, Pennsylvania.

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 Pennsylvania, 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 Upper Darby National Bank is now authorized to exercise will be forwarded to you in due course.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Assistant Secretary.

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON 25, D. C.

Item No. 2  
6/7/57

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

June 7, 1957



REGISTERED MAIL

Mr. Jesse W. Tapp,  
Chairman of the Board of Directors,  
Bank of America,  
40 Wall Street,  
New York 15, New York.

Dear Mr. Tapp:

There are enclosed two copies of the report of examination of Bank of America, New York, New York, made as of December 11, 1956, by examiners for the Board of Governors of the Federal Reserve System. The second copy of the report is for the information and files of Mr. Henry A. J. Ralph, Vice President and Manager in charge of the Home Office.

It is requested that the Board of Governors be advised within 30 days from the date of this letter regarding the actions taken or contemplated with respect to the various comments, recommendations, and suggestions of the examiner, particularly as set forth in the letter of transmittal, pages 1-3; Examiner's Comments, pages 13-14; Summary of Examiner's Classifications, page 15; and Records, Systems and Controls, page 131. With regard to Past Due Loans and Loans Subject to Classification, pages 38-47, information is requested as to any significant developments since the date of the examination, as well as the current status of such loans.

On pages 49-53, the examiner has listed Nonconforming Loans to domestic borrowers aggregating \$7,364,868. Please advise as to the progress made in bringing each loan into conformity with Regulation K or in eliminating from your portfolio. In this connection, where loans to domestic borrowers are not supported by copies of invoices of sale, shipping documents, or other identifying papers either at the time the loan is made or subsequent thereto, it is suggested that your Bank should have in its possession a letter or memorandum from the borrower (or a memorandum from an informed officer of your Bank) stating the purpose of the loan with information concerning (1) specific goods, with grade and similar information where pertinent, (2) quantity, (3) general source from whence obtained or to be obtained, preferably

Mr. Jesse W. Tapp

- 2 -

seller's name, (4) destination of shipment and name of purchaser or consignee, (5) amount involved, and (6) method of payment.

On page 54, the examiner has discussed the line to Willlys Overland Export Corporation covering pre-export financing of goods for which the export financing is under letters of credit issued or confirmed by other banks or by your Bank for account of the purchasers. With respect to such financing under letters of credit issued or confirmed by other banks, and before considering the question, the Board will appreciate receiving your views as to why such transactions should be regarded as conforming to the provisions of Section 6(c)(6)(i) of Regulation K.

On pages 103-108, the examiner has listed Nonconforming Deposit Accounts aggregating \$50,026,254. It is requested that you inform the Board as to the progress made in terminating these deposit accounts or furnish detailed information justifying your continuance of any such deposit accounts. In this connection, the Board desires to point out that, with respect to your other deposit accounts, particularly deposit accounts of foreign depositors and of Americans resident abroad, the fact that any such deposit accounts were not listed by the examiner as nonconforming should not necessarily be construed as indicating that such accounts would conform to the requirements of Regulation K.

On page 117, it is indicated that the aggregate liabilities of your Bank exceed the limitation prescribed in section 10(b) of Regulation K. Please advise as to your plans to correct this situation.

On page 125, the examiner lists the principal "Due from Bank" accounts maintained by your Paris and Duesseldorf branches. It appears that excessively large balances are maintained with certain foreign banks. In order that further consideration may be given to this matter, it will be appreciated if you will furnish the Board with a list showing, with amounts, each foreign bank which held, according to your records on December 31, 1956 or on May 31, 1957, aggregate deposit balances due to Bank of America and its various branches on a global basis in excess of \$1,900,000 (equivalent) or 10 per cent of your present capital and surplus.

The examiner suggested on page 13 that consideration be given to transferring a greater measure of executive direction to senior management resident in New York. With reference to a comment in the report of examination as of December 30, 1955, that consideration be given to the desirability of stationing the actual executive officers of Bank of America at the Home Office in New York, rather than having the important policy decisions made by such officers in San Francisco, it was stated in Executive Vice President Smith's letter of August 22, 1956, that the suggestions would be given careful consideration. The

Mr. Jesse W. Tapp

- 3 -

Board will be pleased to learn what conclusions your directors have reached in the matter.

Any other comments you may care to make with regard to the operations of the Bank as disclosed by the report of examination will be appreciated.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,  
Secretary.

Enclosures



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON 25, D. C.

Item No. 3  
6/7/57

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

June 7, 1957



Mr. John E. Bierwirth, Chairman of the Board  
and Federal Reserve Agent,  
Federal Reserve Bank of New York,  
New York 45, New York.

Dear Mr. Bierwirth:

Reference is made to Mr. Hayes' letter of April 23, 1957, with regard to the Board's letter of March 20, 1957, addressed to you relative to the designation and appointment of the Federal Reserve Agent's representatives in the Security Custody Department of your Bank who maintain joint custody (with representatives of the Federal Reserve Bank) of securities held in the System Open Market Account.

It was not the purpose of the Board's letter to raise any question as to the legality of the pledge, compliance with the law, or actual dual control of the securities, but rather the policy question as to the procedures that seem desirable in order to maintain appropriate joint control of securities in the System Open Market Account by the Federal Reserve Agent and the Federal Reserve Bank.

Aside from any legal considerations involved, and solely as a matter of policy and principle, the method of appointment of the Agent's representatives in the Security Custody Department under the authorization made by former Federal Reserve Agent Ruml under date of September 17, 1943, does not conform to the Board's views. The Board believes that it is desirable that there be a formal and specific appointment of each of the Agent's representatives, by letter or memorandum signed by the Federal Reserve Agent or, during his absence or disability or a vacancy in that office, by the Assistant Federal Reserve Agent. Furthermore, it is felt that the appointment of each person charged with the responsibility, as representative of the Agent, of maintaining custody for the Agent of securities in the System Open Market Account should be approved by the Board.

In the selection of such individuals, the Board continues to believe that such persons, in conformity with the provisions of the Board's letter S-1624, should be in no way associated with the cash or audit functions or with the vault and securities custody functions for the Federal Reserve Bank.

Mr. John E. Bierwirth

- 2 -

The Board's letter of March 20, 1957, suggested that it would be desirable to restrict the Agent's representatives having joint custody of such securities to persons who have been appointed Assistant Federal Reserve Agent or Alternate Assistant Federal Reserve Agent. However, as a question of title was raised in Mr. Hayes' letter, the Board would not object to such persons being designated as Federal Reserve Agent's Securities Custodian.

The Board realizes that certain changes in the procedures of the Federal Reserve Bank will need to be made in order to conform to these suggestions, but feels that the suggested changes are highly desirable from the policy point of view.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,  
Secretary.

Copy to Mr. Alfred Hayes, President of the Federal Reserve Bank of New York

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON 25, D. C.

Item No. 4  
6/7/57

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

June 7, 1957

Mr. Roger W. Jones,  
Assistant Director  
for Legislative Reference,  
Bureau of the Budget,  
Washington 25, D. C.

Dear Mr. Jones:

This refers to your communication of June 6, 1957, in which you request the views of the Board on an enrolled enactment of H.R. 4136 which would extend the life of the Export-Import Bank of Washington to June 30, 1963.

This is to advise you that the Board of Governors recommends approval of the bill.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Assistant Secretary.

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON

Item No. 5  
6/7/57

OFFICE OF THE VICE CHAIRMAN

June 7, 1957

The Honorable J. W. Fulbright, Chairman,  
Committee on Banking and Currency,  
United States Senate,  
Washington 25, D. C.

Dear Senator Fulbright:

This is in response to your request for the Board's views with respect to six pending bills to amend the Small Business Act of 1953. S.55, S.246, and S.300 would simply repeal section 221 of the Small Business Act of 1953, thereby eliminating the existing termination date of July 31, 1957, and making the Small Business Administration a permanent agency of the Federal Government. S.1762 likewise would make the Small Business Administration permanent and also would amend the Small Business Act in a number of respects, including increases in (a) the maximum dollar amount of an individual loan and (b) the aggregate dollar amount of loans, in which the Small Business Administration could participate. In addition, S.1762 would add to the Small Business Act a new title providing for "Insurance of Loans for Small Business." S.1789 is in some respects similar to S.1762, but it would not change the present maximum limitation on individual loans and would not raise the aggregate limitation to a level as high as would be provided by S.1762. Furthermore, S.1789 does not include any provisions with respect to insurance of loans. S.2185 would authorize the Small Business Administration to make loans to "local private nonprofit organizations . . . formed to assist, develop, and expand the economy of the area."

As a general principle, it is the Board's view that the role of the Federal Government in aiding the financing of small business should be that of encouraging the development of additional private local or regional facilities rather than itself acting as a lender. It should also encourage existing financial institutions to meet the legitimate needs of small business as fully as they can in the light of their responsibilities to their depositors, policy holders, and shareholders.

The Board has been impressed by the difficulty inherent in identifying the exact scope and nature of the small business



The Honorable J. W. Fulbright

-2-

financing problem. While it is not difficult to find specific small businesses that have been unable to obtain the financing they want and believe they deserve, it is hard to determine from these instances whether there are institutional gaps in our financial structure or whether other factors account for the difficulty reported.

In the field of equity or risk capital there are identifiable impediments to the free flow of funds to small business. Legislation to protect small investors from unscrupulous or irresponsible promoters, desirable as it may be in accomplishing that purpose, in some cases tends to make access to the capital markets somewhat more cumbersome and expensive for small businessmen. At the same time the present high rates of Federal income taxation, combined with the ready availability of tax-exempt securities at attractive yields, reduce considerably the incentive for individual investment of equity capital in small businesses.

It is less clear that there are widespread artificial barriers to the availability of loan funds. However, the increased institutionalization of savings and the understandable preference of savings institutions for high-grade marketable investments may have operated, over the years, to reduce the relative availability of funds to small businessmen. Generally, market forces respond to situations of this kind through the development of intermediary institutions that borrow wholesale in the capital markets and then retail to smaller borrowers. This process has been highly developed, for example, in the field of consumer credit.

The establishment of regional privately-owned investment companies with objectives along the lines expressed in S.2160 might contribute to the solution of both the equity and long-term loan problems of small business. Proposals to establish such companies are not contained in the bills to which this letter relates. However, the Board's views regarding such proposals will be presented during the scheduled hearing on S.2160 before the Small Business Subcommittee of your Committee.

In the Board's judgment, efforts should be directed toward identifying the factors that operate to limit the availability of capital or credit to small businesses and determining whether these situations can be remedied within the framework of our present financial structure. In the meantime, extension of the Small Business Act of 1953 appears to the Board to be justified. However, the addition of a loan insurance program as proposed in S.1762 would seem to add little to the accomplishment of the objectives of the Act and the Board does not see any need for an amendment along these

The Honorable J. W. Fulbright

-3-

lines. Likewise, the provision in S.2185 for the Federal Government to make loans to local development organizations raises certain questions. Although the Board is sympathetic to the objectives of such organizations, it has reservations as to the advisability of using Federal Government funds for the purpose of aiding them, and it assumes that the pros and cons of this question will be carefully considered.

Sincerely yours,

(Signed) C. Canby Balderston

C. Canby Balderston.

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON 25, D. C.

Item No. 6  
6/7/57

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

June 7, 1957.

Mr. Willis Boling,  
1020 - 19th Street, N. W.,  
Washington 6, D. C.

Dear Mr. Boling:

In reply to your letter of June 5 requesting permission to discontinue employment of a full time barber, this is to advise you that the terms of your contract with the Board do not require you to have a full time second barber. You have indicated repeatedly that the shop could support two barbers, which now appears to be impracticable, although this seemed to offer the best solution to the problem of manning the shop at all times.

Your contract does, however, require you to have a barber on duty at all times during the regular hours of service. Therefore any failure to provide such service, except when authorized in advance or justified to the satisfaction of the Board's representative, shall cause the contract to be terminated immediately, without regard to the thirty-day notice provided in your contract with the Board of January 6, 1940.

As pointed out in the Board's letter of May 27, the Board still feels that the service of a bootblack should be provided as soon as possible and, in view of the fact that you will be relieved of the additional expense of operating a two-man shop, the Board is of the opinion that the recent 25% increase in prices referred to in its letter of May 3, should materially assist in procuring the services of a bootblack.

The suspension of the 10% concession fee, granted in the Board's letter of May 27, is hereby cancelled effective as of the date your employment of a full time barber is discontinued.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Assistant Secretary.