

Minutes for August 1, 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	_____	<input checked="" type="checkbox"/> <u>MS</u>
Gov. Szymczak	_____	<input checked="" type="checkbox"/> <u>MS</u>
Gov. Vardaman	<input checked="" type="checkbox"/> <u>(C)</u>	_____
Gov. Mills	<input checked="" type="checkbox"/> <u>(S)</u>	_____
Gov. Robertson	_____	<input checked="" type="checkbox"/> <u>R</u>
Gov. Balderston	<input checked="" type="checkbox"/> <u>CB</u>	_____
Gov. Shepardson	<input checked="" type="checkbox"/> <u>MS</u>	_____

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, August 1, 1957. The Board met in the Board Room at 10:00 a.m.

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

Mr. Carpenter, Secretary
Mr. Fauver, Assistant Secretary
Mr. Johnson, Controller, and Director,
Division of Personnel Administration
Mr. Masters, Director, Division of Examinations
Mr. Solomon, Assistant General Counsel
Mr. Sprecher, Assistant Director, Division of
Personnel Administration
Mr. Young, Assistant Counsel

Changes in the Bank Plan of the Retirement System of the Federal Reserve Banks (Items 1, 2, and 3). There had been circulated to the members of the Board prior to the meeting memoranda from the Division of Personnel Administration dated July 22, 30, and 31, 1957, relating to formalizing the changes in the Bank Plan of the Retirement System of the Federal Reserve Banks decided at the Board meeting on June 26, 1957. A special meeting of the Board of Trustees of the Retirement System had been held in Washington on July 29, 1957, at which by resolution, attached as Item No. 3, approval was given to amendments to the rules and regulations of the Retirement System to give effect to the recommendations of the Special Joint Committee together with certain other changes, essentially of a technical nature.

The memoranda of the Division of Personnel Administration proposed a letter to the Presidents of all Federal Reserve Banks

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authorizing them to make a lump sum payment of the amount necessary to liquidate the accrued liabilities of each Bank resulting from the changes in the benefits of the Retirement System. There were also proposed alternative drafts of a letter to the Chairman of the Board of Trustees of the Retirement System informing him that the Board had considered and approved the amendments to the rules and regulations of the Retirement System applicable to the Bank Plan in the form approved by the Board of Trustees. The draft with the memorandum of July 30, 1957, stated that in the event the Chairman of the Board of Trustees should find it necessary to make further changes in the rules and regulations the Board would be glad to consider such amendments and be prepared to act on them promptly. The alternative draft with the memorandum of July 31, 1957, would have given blanket authority to the Chairman of the Board of Trustees, in accordance with the resolution of the Board of Trustees, to make further editorial changes in the rules and regulations to meet the requirements of the Internal Revenue Service. Only if changes of a substantive nature had been necessary in order to obtain a ruling from the Director of Internal Revenue that the Retirement Plan continued to meet the requirements of the Internal Revenue Code would the changes have had to be submitted to the Board for approval.

Governor Vardaman stated that while he had no objections to the proposed letters to the Reserve Banks and the Board of Trustees of the Retirement System, he desired the record to show his continued opposition

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to approval by the Board of the proposed changes for the reasons he had previously outlined during the discussions of this subject. He suggested that a report be submitted to the Board showing the lump sum amount paid to the Retirement System by each of the Reserve Banks which would show whether the payment was in excess of the approved budgets of the Banks. Further, he hoped the annual report of the Board to the Congress would likewise indicate the amount involved in this revision of the retirement program. He stated that he was not implying that there was anything improper in the Board's action but he did feel a strong difference of opinion as to the responsibility and obligation of the Board and the Federal Reserve Banks in the area of retirement benefits.

Governor Shepardson pointed out that the revision in the retirement program had actually been under way before the current year's budgets were prepared. At the time of their preparation, however, there was no way of knowing the exact amount of money involved and therefore the sums could not be included in the 1957 budgets. He expressed the view that the budgets were targets and not appropriation limits, and he felt that it would carry an unfortunate connotation to say that in authorizing these expenditures appropriated amounts had been exceeded.

Governor Mills expressed a preference, with which there was general concurrence, for the letter to the Chairman of the Board of Trustees which would require any further changes in the rules and regulations to be submitted to the Board for approval. It was his belief that the Board

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should not authorize any amendments to the rules and regulations of the Retirement System that it had not seen and approved. He agreed with the idea that the budgets were essentially targets but he expressed disappointment that frequently extra curricular activities had been introduced and approved that were not contemplated at the time of budget consideration, which had the effect of undermining the entire process of budget review. He expressed the hope that the 1958 budgets would be more carefully reviewed and more carefully adhered to, because he felt that this was a weak spot which might expose the System at some point to possible criticism. Governor Vardaman said he shared Governor Mills' view.

Governor Shepardson asked whether the amendments adopted by the Board of Trustees at their special meeting were in exactly the same form as they had been submitted to the Board previously. Mr. Sprecher replied that there had been no change except that it had been agreed that section 12 of the proposed rules and regulations should be included in the printed copies.

In accordance with the view expressed by Governor Mills, unanimous approval was given to letters to the Chairman of the Board of Trustees of the Retirement System and to the Presidents of all Federal Reserve Banks attached as Items 1 and 2. Governor Balderston indicated that the Chairman had told him before leaving for a Congressional hearing that he favored this action. The Secretary stated

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that Governor Szymczak, after having met with the Board of Trustees of the Retirement System at their special meeting, had expressed the view that the amendments should be approved.

Following the discussion of this matter Messrs. Johnson, Sprecher, and Young withdrew from the meeting.

Establishment of a branch by Georgia Railroad Bank & Trust Company, Augusta, Georgia (Item No. 4). The Board then considered a memorandum dated July 29, 1957, from the Division of Examinations, which had been circulated among the members of the Board, with respect to the application of Georgia Railroad Bank & Trust Company, Augusta, Georgia, to establish a branch at the southwest corner of Walton Way at Liberty Street.

Mr. Masters reviewed the circumstances surrounding the application and particularly the strong stand in opposition which had been taken by Mr. Mills B. Lane, President of the Citizens and Southern National Bank of Savannah, Georgia. Mr. Lane alleged that there was no community need for an additional branch in the area. On the other hand, Mr. Masters pointed out that the examiner for the Federal Reserve Bank of Atlanta who investigated the application stated that although there was an apparent lack of community need at the present time he recommended favorable consideration of the application because (a) Georgia Railroad Bank & Trust Company risked the loss of many accounts to competitors unless it provided equal convenience and facilities; and

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(b) the main office of the applicant had reached the state of congestion which could be remedied only at considerable cost. Therefore, it appeared more practical to provide such facilities through the proposed branch.

Governor Vardaman stated he had personally visited in Augusta on March 16, 1957, and was thoroughly familiar with the facts concerning this application. There was no question, he said, that this application should be approved as a service branch.

Governor Balderston stated that he and Chairman Martin, who had seen the file, felt the recommendation of the Reserve Bank in this matter should be supported.

It was pointed out during the discussion that Mr. Lane had requested an opportunity to appear personally before the Board before the application was approved and Governor Balderston said that while it was the general policy of the Board to hear all interested parties on such a matter, it did not appear that any purpose would be served by such a course in this instance. The other members present were in agreement that the information at hand was entirely adequate for a decision and nothing would be gained by hearing from Mr. Lane.

Governor Shepardson also agreed with the recommendation for approval of the branch. He stated that in matters of this kind it has been difficult for him to distinguish questions of need and possible over-banking from the question of permitting banks adequately to meet competitive situations. Governor Vardaman replied that his principal

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guidepost had been whether the situation involved the establishment of a branch bank or a new bank. A branch bank, he said, could be closed or opened without exposing a community to the consequences which would attend the opening or closing of a unit bank. Whenever the board of trustees of a bank are willing, he said, to divert earnings from the stockholders in order to provide increased facilities for the depositors he was unwilling to put himself in the position of questioning their judgment.

There followed a general discussion of the bases for the past actions of the Board in this field and the considerations which should be taken into account in Board action, but no conclusions were reached.

Following the discussion, and after the careful consideration of the contrary views on the record, the Board unanimously approved the letter to Georgia Railroad Bank & Trust Company, Augusta, Georgia, attached to these minutes as Item No. 4.

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 the Federal Reserve Bank of San Francisco approving the extension of retirement dates for certain of its employees.	5
Letter to the Federal Reserve Bank of St. Louis regarding insurance practices of the Pine Lawn Bank & Trust Company, Pine Lawn, Missouri.	6

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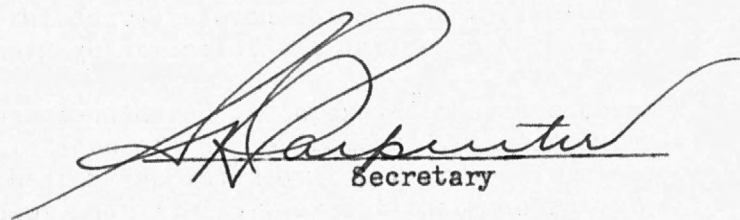
Item No.

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Letter to American Overseas Finance Corporation replying to its request for a certificate evidencing dissolution and termination of that Corporation.

The meeting then adjourned.

Secretary's Note: Governor Shepardson today approved on behalf of the Board a letter to the Federal Reserve Bank of Richmond approving the designation of J. Carl Cook and William H. Gentry, Jr., as special assistant examiners, a copy of which is attached as Item No. 8.



Secretary

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

Item No. 1
8/1/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 1, 1957

Mr. Delos C. Johns, Chairman,
Board of Trustees,
Retirement System of the Federal
Reserve Banks,
Federal Reserve Bank of St. Louis,
St. Louis, Missouri.

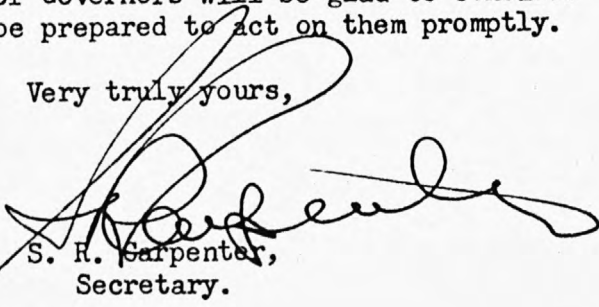
Dear Mr. Johns:

This refers to Mrs. Frank's letter of July 29, 1957, enclosing a certified copy of the resolutions adopted by the Board of Trustees on this date in connection with the amendments to the Rules and Regulations of the Retirement System.

The Board has considered and approved the amendments to the Rules and Regulations of the Retirement System applicable to the Bank plan in the form approved by the Board of Trustees to become effective September 1, 1957, except that the rates of contributions of members who are members on August 31, 1957, shall be continued in effect under the present Rules and Regulations until October 1, 1957.

In the event the Chairman or Vice Chairman of the Board of Trustees should find it necessary or desirable to make further changes in the Rules and Regulations as provided in the third resolution adopted by the Board of Trustees on July 29, 1957, the Board of Governors will be glad to consider such amendments and will be prepared to act on them promptly.

Very truly yours,


S. R. Carpenter,
Secretary.

cc: Mrs. Valerie R. Frank

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

Item No. 2
8/1/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

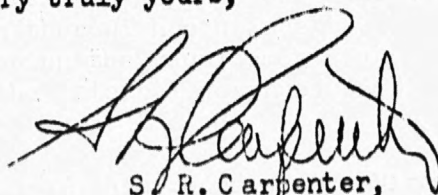
August 1, 1957.

Dear Sir:

For your information, there is enclosed a copy of a letter from the Board of Governors to the Chairman of the Board of Trustees of the Retirement System of the Federal Reserve Banks relative to amendments to the Rules and Regulations of the Retirement System.

Your Bank is hereby authorized to make a lump-sum payment of the amount necessary to liquidate its accrued liabilities resulting from the changes in the benefits of the Retirement System by reason of the amendments to the Rules and Regulations adopted by the Board of Trustees on July 29, 1957.

Very truly yours,


S. R. Carpenter,
Secretary.

TO THE PRESIDENTS OF ALL THE FEDERAL RESERVE BANKS

RETIREMENT SYSTEM OF THE FEDERAL RESERVE BANKS

I, the Secretary of the Retirement System of the Federal Reserve Banks, do hereby certify that the following resolutions were duly adopted by the Board of Trustees of the Retirement System of the Federal Reserve Banks at a special meeting held on July 29, 1957, and that said resolutions are now in full force and effect:

" RESOLVED, That the amendments to the Rules and Regulations of the Retirement System set forth in Exhibit A attached to the notice dated July 12, 1957 from the Chairman of the Retirement Committee to the members of the Board of Trustees and of the Board of Governors be and they hereby are approved; and further

RESOLVED, That if said amendments are approved by the Board of Governors, said amendments shall become effective September 1, 1957 with respect to members who are in active service on or after August 31, 1957, except that the rates of contributions of members who are members on August 31, 1957, shall be continued in effect under the present Rules and Regulations until October 1, 1957; and further

RESOLVED, That the Chairman of this Board or the Vice Chairman of this Board be and each of them hereby is authorized to make such changes in the Rules and Regulations, including the aforesaid amendments thereto, as he may with the advice of counsel deem desirable to secure a ruling from the Director of Internal Revenue that the Rules and Regulations and the trust established in connection therewith continue to qualify as a plan and trust meeting the requirements of Sections 501(a) and 401(a) of the Internal Revenue Code; and further

RESOLVED, That the Chairman of this Board or the Vice Chairman of this Board be, and each of them hereby is, authorized to execute such documents and to take such action as he may deem necessary to carry out the foregoing resolutions and the intent thereof."

I further certify that the attached document entitled Exhibit A is a true copy of the Exhibit A referred to in said resolutions and contains a copy of the amendments to the Rules and Regulations of the Retirement System referred to in said resolutions.

July 29, 1957
Date

Valerie R. Frank
Secretary

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

Item No. 4
8/1/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 1, 1957

Board of Directors,
Georgia Railroad Bank & Trust Company,
Augusta, Georgia.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Atlanta, the Board of Governors of the Federal Reserve System approves the establishment of a branch by the Georgia Railroad Bank & Trust Company, Augusta, Georgia, at the southwest corner of Walton Way at Liberty Street, Augusta, Georgia, provided the branch is established within nine months from the date of this letter and the necessary permit is obtained from the appropriate State authorities prior to the date of its establishment.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.

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

Item No. 5
8/1/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 1, 1957



Mr. H. N. Mangels, President,
Federal Reserve Bank of San Francisco,
San Francisco 20, California.

Dear Mr. Mangels:

In view of the circumstances outlined in your letter of July 24, 1957, to the Board concerning the extension of retirement dates for four of your employees, the Board of Governors approves the retention in service and the payment of salary to the following persons through September 30, 1957:

B. B. Gottie
A. B. Oswald
Nellie P. Sloan
Leone Broderick

It is understood that if the benefits from the proposed changes in the Retirement System become effective prior to October 1, 1957, these retentions will extend only to such prior date.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.

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

Item No. 6
8/1/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 1, 1957

Mr. Geo. E. Kroner, Vice President,
Federal Reserve Bank of St. Louis,
St. Louis 2, Missouri.

Dear Mr. Kroner:

This will acknowledge your letter of July 12, 1957,
and the letter from Mr. Wyrick of July 23 with enclosure
from Mr. James T. Dodds, Jr., Vice President of the Pine
Lawn Bank & Trust Company, Pine Lawn, Missouri.

The actions you have taken to bring about so satis-
factory a conclusion to the insurance practices of the member
bank criticized by the Antitrust Division of the Department of
Justice are greatly appreciated.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.

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

Item No. 7
8/1/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 1, 1957

Mr. A. H. Stok, Vice President,
American Overseas Finance Corporation,
30 Pine Street,
New York 5, New York.

Dear Mr. Stok:

This is in further reference to your letter of June 25, 1957, and the Board's reply of July 19, 1957, concerning progress in the liquidation of American Overseas Finance Corporation and information desired by the Board in that connection.

Your letter related, among other things, to the possibility of your applying to the Board for a certificate evidencing the dissolution and termination of the Corporation.

Section 25(a) of the Federal Reserve Act does not refer to a certificate of the kind mentioned in your letter, and in previous cases of voluntary liquidation under section 25(a) such a certificate has not been issued. When the Board is advised that liquidation of American Overseas Finance Corporation has been completed, such advice will be acknowledged, and it will not be necessary for you to apply to the Board for such a certificate.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.

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

Item No. 8
8/1/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 1, 1957

Mr. N. L. Armistead, Vice President,
Federal Reserve Bank of Richmond,
Richmond 13, Virginia.

Dear Mr. Armistead:

In accordance with the request contained in your letter of July 29, 1957, the Board approves the designation of J. Carl Cook and William H. Gentry, Jr. as special assistant examiners for the Federal Reserve Bank of Richmond to participate in the examinations of State member banks only.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.