Minutes for August 5, 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 M
Gov. Szymczak		x
Gov. Vardaman	x	
Gov. Mills	x	
Gov. Robertson		x R
Gov. Balderston	x CCB	
Gov. Shepardson	x	

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, August 5, 1957. The Board met in the Board Room at 10:30 a.m.

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

Mr. Carpenter, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Riefler, Assistant to the Chairman
Mr. Marget, Director, Division of International Finance
Mr. Masters, Director, Division of Examinations
Mr. Koch, Assistant Director, Division of Research and Statistics
Mr. Solomon, Assistant General Counsel
Mr. Sammons, Chief, Latin American Section, Division of International Finance

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

	Item No.
Letters to the Federal Reserve Banks of Richmond, Chicago, and Dallas, approving extension of the retirement dates of certain specified employees.	1, 2, 3
Letter to the Federal Reserve Bank of St. Louis approving salaries for two officers at rates fixed by the Board of Directors.	4

Item No.

Letter to Fidelity-Philadelphia Trust Company, Philadelphia, Pennsylvania, approving the establishment of a branch in the Bala-Cynwyd Shopping Center, Montgomery County, Pennsylvania, and an additional investment in bank premises attributable to establishment of the branch. (For transmittal through the Federal Reserve Bank of Philadelphia) 5

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:

Boston	July 29
New York	August 1
Philadelphia	August 1

The telegrams were approved unanimously.

Vault facilities at Salt Lake City (Item No. 6). On July 12, 1957, the Board approved a change of plans for the new Salt Lake City Branch building to provide for extra piling to permit construction of additional vault facilities, either in connection with the original construction or at a later date. This action was taken with the understanding that before proceeding with the construction of the additional vault, the San Francisco Reserve Bank would submit the matter to the Board in accordance with the usual procedure.

In a telegram dated July 31, 1957, Reserve Bank President Mangels submitted cost estimates for two alternatives; namely, a supplemental vault to be built in the sub-basement in space designed for storage, or the conversion of the two-level vault into a three-level vault by excavating deeper and adding another level below the two originally planned. The second alternative, while providing a vault about twice as large as the other (1,926 square feet against 921) would cost about three times as much (an estimated $235,602 against an estimated $78,050). In a memorandum dated August 1, 1957, prepared on the basis of information received in the telegram from the San Francisco Bank and conversation with President Mangels, Mr. Leonard reported that in Mr. Mangels' view the question whether there should be additional vault facilities at Salt Lake City was basically one for the Board to decide in the light of the System's planning for the storage of emergency supplies of currency, since the vault as originally planned appeared adequate for the needs of the Branch. However, if it should be decided to provide additional vault capacity, Mr. Mangels believed it would be preferable to build the larger vault. Mr. Leonard's memorandum also stated that, from an architect's point of view, Mr. Persina, Consulting Architect to the Board, favored the three-level vault proposal and considered it a desirable way to provide vault space, if such space was needed. Submitted with the memorandum, copies of which had been sent to the members of the Board, was a draft of telegram to the Federal Reserve Bank of San Francisco which would authorize expenditures incident to the estimated construction cost of the three-level vault.

There had also been sent to the members of the Board copies of a supplemental memorandum, dated August 2, 1957, in which Mr. Leonard reported that in a telephone conversation Mr. Swan, First Vice President of the San Francisco Bank, had provided a revised cost estimate for the larger alternative proposal of about $30,000 less than originally estimated. The revised estimate, according to Mr. Swan, had resulted from further discussion between the architect and the general contractor and appeared to be much more definite.

In a discussion of the matter Governor Mills suggested that, on the basis of experience in the construction of Federal Reserve Bank and branch buildings, it seemed prudent to provide ample space, for the alternative was apt to be the necessity to resort to some makeshift expansion project. Accordingly, it seemed to him that the larger alternative proposal was appropriate and the cost justified.

In response to a question by Governor Shepardson, Mr. Carpenter stated that the downward revision in the cost estimate reported by Mr. Swan was attributable solely to further study of the alternative vault proposal and not to any change in the original specifications.

Agreement having been expressed by the other members of the Board with the point of view stated by Governor Mills, unanimous approval was given to a telegram to the Federal Reserve Bank of San Francisco in the form attached hereto as Item No. 6.

Gold loan to Chile (Item No. 7). There had been sent to the members of the Board copies of a memorandum from Mr. Marget dated August 1, 1957, and other pertinent documents relating to a request by the Federal Reserve Bank of New York for the Board's approval of a proposed loan or loans to Banco Central de Chile on gold collateral. The arrangement, which had been approved by the Reserve Bank's Board of Directors, would provide for (a) a loan of up to $5 million, to be drawn on or before September 30, 1957, in multiples of $1 million in the form of ninety-day loans, subject to ninety-day renewal, with no commitment charge, and (b) a standby arrangement, valid until January 31, 1958, under which a total of $10 million in ninety-day loans might be drawn, with no provision for renewal and with a commitment charge of 1/4 of one per cent on the unused part of the commitment. As pointed out in a memorandum from Mr. Marget to Chairman Martin dated July 30, 1957, which also had been distributed to the other members of the Board, the accommodation would fall under the "exceptional" category in the Statement of Policy on Gold Loans adopted by the Board on December 6, 1955, since it would be intended to "support implementation of a program intended to eliminate major balance of payments difficulties arising from internal financial or monetary disturbances or from basic maladjustments in the economy". Mr. Marget's memorandum of August 1 recommended approval of the proposed arrangements on the terms suggested by the New York Reserve Bank and there was submitted with the memorandum a draft of telegram to the Bank which would grant such approval.

In commenting on the subject, Mr. Marget emphasized that an over-all stabilization program had been formulated and was being pursued by the Chilean authorities, but that there had been developments adverse to that program, including particularly the substantial drop in world copper prices. Turning to the position of United States agencies, he said that the Department of State and the Export-Import Bank had exhibited a stern attitude toward the Chilean situation, as had the International Monetary Fund, in developing programs of assistance to that country. In the circumstances, he had contacted all three organizations to ascertain whether the proposed gold loan arrangement would be inconsistent with their efforts and had been assured that it would not. The attitude of the State Department, he said, was such as to minimize the possibility that the Department would later support any attempt on the part of the Chileans to renew the proposed gold loans.

Governor Mills then stated reasons in opposition to the recommendation that the gold loan accommodation be granted. His appraisal of the Chilean financial outlook led him to feel that a fundamental disequilibrium in the balance of payments might be involved, rather than a severe strain of a temporary nature which might reasonably be expected to be corrected within a relatively short period. On that basis, he felt that a gold loan, although safe from the standpoint of the collateral behind it, would be contrary to sound lending principles because it seemed likely that repayment would have to depend on sale of the collateral rather than on a self-liquidating process and improvement in the borrowing country's economic condition. It is a maxim of sound banking, he pointed out, to avoid making a loan, irrespective of the collateral offered, if there is a prospect of forced liquidation and loss of good will on the part of the borrower.

In this case, Governor Mills said, the proposed loan seemed to him to contravene the philosophy underlying the Statement of Gold Loan Policy, for it was basic to that philosophy that in the event of a fundamental national disequilibrium the country in question would sell its gold to meet the situation rather than borrow against the gold. According to his understanding, the Chileans had embarked in 1955 upon a comprehensive corrective financial program and had made a genuine and determined effort to improve the position of the country. These efforts, however, had not prevented a continuation of Governmental deficit financing, continued depreciation of the Chilean peso, or a very distinct rise in the cost of living. The greatest difficulty that he saw in the recommendation to grant a gold loan to Banco Central de Chile at this time was that such action would very definitely set a precedent of coming to the rescue of a foreign nation, and this might well encourage similar applications by other distressed countries. In other words, it would indicate a position and policy on the part of the Federal Reserve System that gold loans were primarily political rather than central bank transactions. Due to the political overtones, he said, it was his opinion that the proposed loan should be made by some political source of credit rather than through the Federal Reserve System.

Mr. Marget responded that he welcomed Governor Mills' remarks in the sense that he himself had felt strongly that the policy surrounding the extension of loans on gold should be in the direction of making such loans entirely consistent with good monetary policy elsewhere. He pointed out, however, that as opposed to certain cases where gold loans had been made recently, a well defined stabilization program had been instituted in Chile and had been carried through actively by the Chilean authorities for some time. While he did not want to picture the Chilean situation as better than it actually was, he felt that on the whole the stabilization program had been a sound one, particularly since it had previously appeared that the country was headed for hyperinflation. At the moment, he said, the International Monetary Fund was engaged in, so to speak, "bucking up" the Chilean authorities, and all interested agencies of the United States Government were supporting that attitude. He suggested that the judgment of the Board on the proposed gold loan accomodation must be made against the background of the stabilization effort and the question whether the granting of the accomodation would interfere with that effort.

Governor Mills then stated that in the case of the Turkish loan in 1956 the Board was properly influenced to some extent by considerations of national security, but that in this case those considerations were not in the picture. He recalled that in reviewing the purposes of gold loans at the time of the discussions which preceded adoption of the Statement on Gold Loan Policy, the participants in those discussions seemed to have in mind that where a situation was clearly one involving fundamental difficulties, the prospective borrower should sell gold in the first instance or arrange for a loan from sources other than the Federal Reserve. Against this background, he said, it was disappointing to him to note the statement on the part of Banco Central that at the end of a year the sale of gold would be considered if it had not been possible to otherwise repay the loan or, in lieu thereof, that accommodation would be sought from private banking institutions. He was also disappointed to observe that some of the proceeds of the loan were apparently going to be used to continue the financing of housing projects in Chile. He gathered that, as in other countries, this situation probably reflected an ambitious program on the part of the government for the financing of housing.

Mr. Marget agreed that if one were to look at the partial use of the proceeds by the Chileans, the matter would look questionable, for one would normally expect the dollar proceeds of a gold loan to be used entirely for anti-inflationary purposes. Nevertheless, he felt that one must look at the loan more from the standpoint of the over-all financial program. With regard to the possibility of the Chileans going into the private market for funds or selling their gold, he said that he had raised the same question himself on previous occasions. However, in neither of those instances had the applicant country initiated or conceived a stabilization program, and he felt that this factor must be taken into consideration. Also, the question of timing seemed to deserve attention in the Chilean situation. There had been a substantial drop in the price of copper, which previously had provided the barrier behind which the implementation of the stabilization program was possible. In the circumstances, the Chileans had gone to the Monetary Fund and the Export-Import Bank. The funds anticipated from those sources were not yet available, however, and the proceeds of the gold loan would take care of the most pressing needs. Mr. Marget went on to say that this was one of few cases to date where the borrower had explicitly stated that it would sell gold, if necessary, to repay the loan. In the circumstances, he felt that the Chileans would hardly be in a position to claim bad faith if the necessity to sell gold developed.

Governor Balderston then reported the views of Chairman Martin on the matter, stating that the Chairman said he had pondered the application at some length but felt on balance that the loan should be approved. As for himself, Governor Balderston said that although he had a good deal of sympathy with the points raised by Governor Mills, he was rather impressed with the fact that Chile appeared to be making a sincere and perhaps constructive effort to get its house in order. On that basis, he would favor approving the loan.

Governor Vardaman asked Mr. Marget whether his last statement should be taken to infer that the Chileans might repay the gold loan out of the proceeds of loans from the Monetary Fund or the Export-Import Bank.

In response, Mr. Marget pointed out that it is difficult to put a tag on a dollar. Nevertheless, he said, it was true that in the period ahead the Chileans were expecting to get $12.5 million from the Fund and an equal amount from the Export-Import Bank. In response to another question by Governor Vardaman, Mr. Marget indicated that if the Chileans were unable to obtain accommodation in the form of a loan on gold at this time, it seemed likely that the alternative would be to sell some of their gold.

Governor Vardaman then stated that in the circumstances surrounding the Chilean application he felt that the Federal Reserve had little alternative and was almost "honor bound" to grant the requested accommodation rather than force the Chileans to sell their gold when, as he understood it, they were making an effort to improve their situation. In other words, he did not see what grounds the Board would have for refusing to approve the proposal. He felt that it was not possible to judge such an application in the light of the standards employed for the extension of bank credit. If the record showed that the loans were fully collateraled, that the State Department approved the granting of the accommodation, and that the Chilean authorities were making, at least to outward appearances, an effort to "get along", he thought that the application should be approved. Adding to the picture, he said, was the emergency situation relating to the drop in world copper prices. While he had great sympathy with the standards Governor Mills would like to apply to gold loans, he did not believe it possible for the members of the Board to sit as "cold-blooded bankers" and judge these applications.

After Governor Shepardson had indicated that he would favor approval of the application, Governor Mills requested that he be recorded as voting "no". He said that he would like again to call attention to the probable precedent which was being set and which would involve difficulty in denying similar requests by central banks in other distressed nations. He also called attention again to the fact that if in the future it should become necessary, in the light of this reasoning, to take favorable action with respect to other loans of this kind, it should be borne in mind that the System would be lending high-powered Federal Reserve dollars and that the amounts of such loans could very well reach very substantial figures.

Governor Vardaman said he agreed with the apprehensions expressed by Governor Mills and that he had serious doubts about the propriety of the System being called upon to make loans of this kind. In recognition, however, of an existing situation he would make the requested loan in this case regardless of precedent. While he regretted the injection of high-powered Federal Reserve dollars into such situations, he did not know what else the Board could do. If the feeling was strong enough, he felt that the Board could only go to the Congress with a recommendation that something else be set up to deal with this kind of problem.

In response to a question whether it could be said in certain other cases involving possible gold loan requests that the countries had set up a systematic program in an effort to improve their situation, Governor Mills said he had little doubt but that any central bank approaching the Federal Reserve for a gold loan would state that its country was making very genuine efforts to correct the difficulties in which it was embroiled.

At the conclusion of the discussion, approval was given to the telegram to the Federal Reserve Bank of New York of which a copy is attached to these minutes as Item No. 7. On this action Governor Mills voted "no" for the reasons which he had stated.

Messrs. Marget and Sammons then withdrew from the meeting and Miss Stockwell, Economist, Division of Research and Statistics, entered the room.

<u>Study of small business financing</u>. On May 9, 1957, the Board requested the staff to explore the feasibility of a survey of small business financing problems. The initial report of the group organized pursuant to this request, known as the <u>Ad Hoc</u> System Research Subcommittee on Small Business Financing, was submitted under date of July 31, 1957. In this report, copies of which had been distributed to the members of the Board, the Subcommittee cited as the two main objectives of such a survey: (1) to compile quantitative and qualitative information on the cost and availability of credit and capital to small businesses and the effects of credit and monetary policies on the financing of businesses of various sizes; and (2) to develop basic data on small businesses that would help to fill a long-standing gap in knowledge of their financial practices and problems, and that would also be useful to such statistical compilations as those on savings and the flow of funds. While the Subcommittee considered the small business financing problem an unusually difficult one on which to collect meaningful data, it had concluded that a research project in this field to achieve the above objectives would be feasible. It was suggested, however, that a large expenditure in terms of time and money would be necessary.

The approach to such a study contemplated by the Subcommittee would include (1) a review and analysis of existing material and data on the financing of small businesses, (2) a study of the lending operations and policies of the principal types of suppliers of funds to small businesses, and (3) a study of the financial structure and financing experience of businesses of various sizes, based on interviews with businessmen themselves. While it was felt that the first two parts of the research project could probably be completed by the spring of 1958, the Subcommittee was of the opinion that the proposed business survey could not be completed before the end of 1958. It was also believed that this part of the project would undoubtedly involve an expenditure of at least several hundred thousand dollars over and above the expense attributable to time of System personnel. A firmer cost estimate of a full-scale survey was stated to be dependent on further preliminary work, including determination of the appropriate universe of businesses to be studied, development of a feasible sampling plan, and testing of procedures by an exploratory field survey. According to the Subcommittee, these preliminary steps could probably be completed by the end of the current year at a relatively small cost.

Submitted with the report were more detailed explanations of the three parts of the proposed project which had been compiled by working groups of the Subcommittee.

In response to a request by Governor Vardaman for further information concerning the cost of such a project, Mr. Koch stated that, as indicated in the memorandum, it was almost impossible to be very specific at this time. He felt that the first two parts of the project perhaps could be completed by March 1, 1958, and that their cost would be modest, but that to contribute materially to this problem it would be necessary to go to the small businessman himself. That would be a large and difficult project. It could not be completed, in his opinion, in less than perhaps 18 months and it would appear to involve an expenditure of at least $300 to $400 thousand. Mr. Koch said that he had talked about this with Mr. Young via transatlantic telephone and it was their feeling that an expenditure of something in that neighborhood could produce meaningful information. In other quarters, however, the estimate was higher, and to really get a judgment on that matter it would be necessary to work out an interview sample and make a pilot field survey. Those preliminary steps could probably be accomplished within a period of about six months at a cost of from $10 to $20 thousand. In reply to a question by Governor Balderston, Mr. Koch said he had in mind that this work could be undertaken along with the first two parts of the survey project outlined in the memorandum and that it should be possible to complete all of this work in about six months.

Governor Vardaman then inquired whether the report of the Subcommittee did not contemplate going forward with the full three-part study, and Mr. Koch replied that it was the definite and unanimous feeling that if any study was to be made the whole job should be undertaken.

Governor Vardaman suggested that this be made entirely clear to the Federal Reserve Banks in asking their comments. On the other hand, he did not feel that the letter to the Banks should intimate that a request had been received from the Senate Banking and Currency Committee or from other Congressional groups, for he regarded the requests of Senator Fulbright and Congressman Patman as requests from individual members of the Congress.

Governor Vardaman then said that, as he had stated before, he was opposed to the Board undertaking a project of this kind. He thought the Board had in effect solicited the assignment in correspondence with the Banking and Currency Committee, and he did not feel that the Board was the proper organization to make such an investigation. In the circumstances, he could not go along with launching a project which might cost as much as $500 thousand and extend over a period as long as two years in the absence of a more formal request from the Congress or a statement or resolution that the Board was undertaking the project on its own volition. In his view, he said, such a study should be made under the supervision of the Council of Economic Advisers or the Department of Commerce rather than under the supervision of the Board, because he thought the Board would be accused of presenting the bankers' viewpoint. To summarize, he would like to be recorded as looking with disfavor on the whole scheme, he felt that the Congressional committees had been encouraged to ask the Board to make the survey, and he did not think the Board should undertake to study a problem which lapped over into the social side of Government.

In response to a question as to how the Board would answer possible criticism that it was not keeping itself informed, Governor Vardaman said the Board had always maintained that it was keeping itself informed. He reiterated that he considered this a social problem, or a broad economic problem, that the Federal Reserve Banks were regarded as the representatives of commercial banking in Government, and that he did not think they should engage in a study of this kind. He did not think the System should be called upon and, unless required, he thought that the Board should refuse to make the investigation. In this connection, he recalled that there was pending in the Congress at least one bill that would call for a study of small business financing by the Small Business Administration.

Governor Mills stated that he thought the Board was in effect "out in midstream" and that, therefore, it should undertake the study. He said that frankly he had little enthusiasm for the project and that he was further dismayed by the heavy expense that would be incurred. He then referred to his deep concern about the Board's budgetary procedures and the scope of the Board's expenditures.

Governor Shepardson said he thought there was a real need for the information that would be obtained, particularly by the third part of the proposed survey. He pointed out that data on what was being done for small business admittedly offered little or no information on matters such as turndowns and refusals; that is, what was not being done. While this would be valuable information, he was concerned about the costliness of the proposed survey and about going ahead with the project in the absence of authoritative requests of the kind that were made in the case of the consumer instalment credit study. As Governor Mills had pointed out, the Board seemed to be in midstream and it was a difficult situation. He was hopeful that a more authoritative request could be received, but it was not clear at present whether Senator Fulbright would be able to get action by the Banking and Currency Committee requesting the study. He was not entirely sure, however, that the Board would be undertaking on its own volition an expenditure that could properly be questioned, and he did not quite agree with Governor Vardaman as to the need for the Board to be concerned whether some other agency of the Government made the study. It was a subject with which the Board was directly concerned and a study which he felt that the Board could appropriately make. His principal concern, therefore, was in incurring a large expenditure without more justification.

Governor Vardaman said he wished to make it clear that he thought the study was essential and that there was a very serious gap in the existing credit structure. In his opinion an important sector of the business economy was suffering for want of credit facilities. He further thought that the Board should be interested in and connected with any such study, and if there should be a formal resolution by the Banking and Currency Committee requesting the Board to head up a study, with the cooperation of other interested agencies of the Government, he would go along. On the other hand, he would prefer that such an investigation be headed by the Secretary of Commerce because of the nonbanking facets of the problem. In response to a question, he said that he did not think the Board's approach would be any more objective than that of any other agency. He felt that in the eyes of politicians and the general public any report by the Federal Reserve would be regarded as a bankers' report. He did not think that the Federal Reserve, in making the study, would be any more free from political influence than any other agency.

In further discussion, Mr. Koch said he was concerned about the fact that the Congress wanted the results of a study by the first of next March, for he was convinced that no very good answer could be given by that time. The Subcommittee, he said, felt very definitely that a survey of borrowers was needed, and obviously this could not be made available by the time mentioned. Therefore, there would be only a partial report, at best, and it appeared that some members of the Banking and Currency Committee were anxious to proceed with legislation at the next session of the Congress.

Governor Vardaman then suggested that the report of the Subcommittee be made available to the members of the Banking and Currency Committee so that the problem confronting the Board might be clear.

Governors Shepardson and Balderston also indicated concern about the points brought out by Mr. Koch, the latter stating that to present the fraction of the report that could be ready by the first of March would involve the risk of presenting something that might be totally inadequate and even misleading. He felt that the matter should be clarified before the Board went into the project and that the Committee should understand that the most significant part of the study could not be made available by the date mentioned. Therefore, he considered Governor Vardaman's suggestion a good one.

After further discussion, Governor Balderston said that the situation in summary appeared to be about as follows. The Board had asked the staff to plan how a study might be conducted. The staff had now come back and said that two parts of the study probably could be completed by the date mentioned by Senator Fulbright, but that the most important part could not be completed by that date. This part, the study of potential borrowers, would be an expensive study. Obviously, some members of the Banking and Currency Committee would like to have legislation passed next year, and this legislation might be of a type which the Board would heartily disapprove. Senator Fulbright's problem was the very difficult one of trying to get some legislation prepared that would be constructive, or that at least would be less undesirable than some proposals which had been made.

Governor Balderston then asked whether the next step would appear to be for the Chairman to acquaint Senator Fulbright with the results of the Subcommittee's work.

After some discussion, it was agreed that this would seem appropriate. Governor Vardaman suggested also that a letter be drafted which might be sent to Senator Fulbright, as Chairman of the Banking and Currency Committee.

Pursuant to this suggestion, Governor Balderston requested Messrs. Carpenter and Koch to prepare a draft of such a letter for the Board's consideration. The decision to proceed in this way contemplated that no letter would be sent at this time to the Presidents of the Federal Reserve Banks requesting their comments on the proposed study.

Luncheons in connection with Fund and Bank annual meetings. Governor Shepardson referred to a memorandum addressed to him under date of August 1, 1957, by Mr. Fauver, Assistant Secretary, raising for consideration whether the Board, in accordance with its usual practice, desired to hold luncheons in its dining rooms for central bankers attending this year's annual meetings of the International Monetary Fund and the International Bank for Reconstruction and Development, to be held in Washington in late September.

Pursuant to Governor Shepardson's recommendation, it was agreed unanimously that luncheons should be given again this year, probably on September 24 and 26, and that the Board would absorb the cost for members of the staff invited to attend.

The meeting then adjourned.

Secretary's Notes: On August 2, 1957, Governor Shepardson, acting on behalf of the Board, approved a memorandum of the same date from Governor Balderston recommending that the appointments of Messrs. Leslie R. Rounds, Chester Morrill, and George B. Vest as Consultants to the Board be extended through August 16, 1957, on the same contractual basis as originally approved by the Board.

Pursuant to the recommendation contained in a memorandum from Governor Vardaman dated July 30, 1957, Governor Shepardson also approved on behalf of the Board on August 2, 1957, an increase in the basic salary of Iola B. Morgan, Secretary in Governor Vardaman's office, from $4,350 to $4,620 per annum, effective August 11, 1957.

On August 5, 1957, Governor Shepardson approved on behalf of the Board the following items:

Memorandum dated July 31, 1957, from Mr. Johnson, Director, Division of Personnel Administration, recommending the appointment of Anne T. Roberson as Clerk-Stenographer in that Division, with basic annual salary at the rate of $3,670, effective the date she assumes her duties.

Letter to the Federal Reserve Bank of Boston, a copy of which is attached hereto as Item No. 8, approving the designation of Richard Joseph Matulis as special assistant examiner.

Letter to the Federal Reserve Bank of Atlanta, a copy of which is attached hereto as Item No. 9, approving the appointment of Ronald Charles McCracken as assistant examiner.

S. R. Carpenter
Secretary

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

Item No. 1
8/5/57

ADDRESS OFFICIAL CORRESPONDENCE TO THE BOARD

August 5, 1957

Mr. Hugh Leach,
President,
Federal Reserve Bank
of Richmond,
Richmond 13, Virginia.

Dear Mr. Leach:

In view of the circumstances outlined in your letter of July 25, 1957, to the Board concerning the extension of retirement date for your employee Mrs. Ellen R. Chapman, the Board of Governors approves the retention in service and payment of salary to her through August 31, 1957.

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. 2
8/5/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 5, 1957

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

Dear Mr. Allen:

In view of the circumstances outlined in Mr. Bloomfield's letter of July 22 and Mr. Harris' wire of July 26, 1957, concerning the extension of retirement dates for three of the employees of the Detroit Branch, the Board of Governors approves the retention in service and the payment of salary to the following persons through October 15, 1957:

Ralph Sheldon
John T. Neale
Clarence Brinker

It is understood that if the benefits from the changes in the Retirement System become effective prior to October 15, 1957, these retentions will extend only to such prior date.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.

cc: Mr. R. W. Bloomfield,
Assistant Vice President,
Detroit Branch.

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

Item No. 3
8/5/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 5, 1957

Mr. Harry A. Shuford, Vice President,
Federal Reserve Bank of Dallas,
Dallas 2, Texas.

Dear Mr. Shuford:

In view of the circumstances outlined in your letter of July 25, 1957, to Mr. E. J. Johnson concerning the extension of the retirement date for your employee Mrs. Julia E. Brewton, the Board of Governors approves the retention in service and payment of salary to her through August 31, 1957.

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. 4
8/5/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 5, 1957

CONFIDENTIAL (FR)

Mr. Pierre B. McBride, Chairman,
Federal Reserve Bank of St. Louis,
St. Louis 2, Missouri.

Dear Mr. McBride:

The Board approves the payment of salaries to the following officers of the Federal Reserve Bank of St. Louis for the period September 1 through December 31, 1957, at the rates set forth, which are the rates fixed by your board of directors as reported in Mr. Johns' letter of July 11:

Name	Title	Annual Salary
Wilbur H. Isbell	Assistant Chief Examiner	$10,000
E. Francis DeVos	Cashier, Memphis Branch	10,600

The Board also approves the designation of Mr. Isbell as a Federal Reserve Examiner for the Federal Reserve Bank of St. Louis, effective September 1, 1957.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.

cc: Mr. Johns

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

Item No. 5
8/5/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 5, 1957

Board of Directors,
Fidelity-Philadelphia Trust Company,
Philadelphia, Pennsylvania.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Philadelphia, the Board of Governors of the Federal Reserve System approves the establishment of a branch in the Bala-Cynwyd Shopping Center, Lower Merion Township, Montgomery County, Pennsylvania, provided the branch is established within six months from the date of this letter, and the approval of the State authorities is in effect as of the date of the establishment of the branch.

In connection with the establishment of the branch, the Board of Governors also approves, as required under the provisions of section 24A of the Federal Reserve Act, an additional investment of $80,000 in bank premises.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.

TELEGRAM
BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 6
8/5/57

August 5, 1957

Mangels - San Francisco

Board approves change of plans for new Salt Lake City building to add a third level to the vaults, as outlined in your telegram of July 31, at an estimated cost of approximately $205,600 as subsequently reported by Mr. Swan.

Accordingly, Board increases authorized expenditures for the building program from approximately $2,607,000 as stated in Board's telegram of June 25 to approximately $2,813,000.

(Signed) S. R. Carpenter
CARPENTER.

OFFICIAL BUSINESS
GOVERNMENT RATES
CHARGE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

TELEGRAM
BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
LEASED WIRE SERVICE
WASHINGTON

Item No. 7
8/5/57

August 5, 1957

EXTER - NEW YORK

Your wire August 1.

1. Board approves granting of loan or loans on gold by your Bank to Banco Central de Chile of up to $5,000,000 on the following terms and conditions:

A. Such loan or loans to be made up to 98 per cent of the value of gold bars set aside in your vaults under pledge to you;

B. Such loan or loans to run for three months with option to repay before maturity and to be renewable for a further period of three months;

C. Each such loan or loans to bear interest from the date they are made until paid at the discount rate of your Bank in effect on the date on which such loan or loans are made;

D. Any such loan or loans to be requested and made on or before September 30, 1957;

E. Each such loan to be requested or repaid in round amounts of $1,000,000 or multiples thereof.

2. Board also approves the granting of a loan commitment (standby) whereby Banco Central de Chile will be entitled to request and receive from your Bank a loan or loans against gold up to a total of $10,000,000 of loans made, on the same terms and conditions as noted in 1. above with the following exceptions: Provision B. not to include any renewals, the date in Provision D. to read January 31, 1958, and Provision E. to be

TELEGRAM
BOARD OF GOVERNORS
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FEDERAL RESERVE SYSTEM
LEASED WIRE SERVICE
WASHINGTON

EXTER - NEW YORK - PAGE 2

added to provide for 1/4 of 1 per cent commitment charge on that part of the commitment which is not used.

It is understood that the usual participation will be offered to the other Federal Reserve Banks.

(Signed) S. R. Carpenter
CARPENTER

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

Item No. 8
8/5/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 5, 1957

Mr. Benjamin F. Groot, Vice President,
Federal Reserve Bank of Boston,
Boston 6, Massachusetts.

Dear Mr. Groot:

In accordance with the request contained in your letter of August 1, 1957, the Board approves the designation of Mr. Richard Joseph Matulis as a Special Assistant Examiner for the Federal Reserve Bank of Boston.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.

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

Item No. 9
8/5/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 5, 1957

Mr. J. E. Denmark, Vice President,
Federal Reserve Bank of Atlanta,
Atlanta 3, Georgia.

Dear Mr. Denmark:

In accordance with the request contained in your letter of July 31, 1957, the Board approves the appointment of Mr. Ronald Charles McCracken as an assistant examiner for the Federal Reserve Bank of Atlanta, effective August 12, 1957.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.