

Minutes for August 6, 1957

To: Members of the Board

From: Office of the Secretary

Attached is a copy of the minutes of the Board of Governors of the Federal Reserve System on the above date.

It is not proposed to include a statement with respect to any of the entries in this set of minutes in the record of policy actions required to be maintained pursuant to section 10 of the Federal Reserve Act.

Should you have any question with regard to the minutes, it will be appreciated if you will advise the Secretary's Office. Otherwise, if you were present at the meeting, please initial in column A below to indicate that you approve the minutes. If you were not present, please initial in column B below to indicate that you have seen the minutes.

	A	B
Chm. Martin	_____	x <u>RM</u>
Gov. Szymczak	_____	x <u>[Signature]</u>
Gov. Vardaman	x <u>0</u>	_____
Gov. Mills	x <u>[Signature]</u>	_____
Gov. Robertson	_____	x <u>[Signature]</u>
Gov. Balderston	x <u>CCB</u>	_____
Gov. Shepardson	x <u>[Signature]</u>	_____

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, August 6, 1957. The Board met in the Board Room at 10:15 a.m.

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

Mr. Carpenter, Secretary  
Mr. Kenyon, Assistant Secretary  
Mr. Masters, Director, Division of Examinations  
Mr. Conkling, Assistant Director, Division of Bank Operations  
Mr. Solomon, Assistant General Counsel  
Mr. Hooff, Assistant Counsel

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 Mogadore Savings Bank, Mogadore, Ohio, approving the establishment of a branch in Tallmadge, Ohio. (For transmittal through the Federal Reserve Bank of Cleveland)	1
Letter to the Federal Reserve Bank of St. Louis approving an additional investment in bank premises by Vandalia State Bank, Vandalia, Missouri.	2
Letter to Central Savings Bank and Trust Company, Monroe, Louisiana, approving the establishment of two in-town branches. (For transmittal through the Federal Reserve Bank of Dallas)	3
Letter to California Bank, Los Angeles, California, approving the establishment of a branch in East El Monte, Los Angeles County. (For transmittal through the Federal Reserve Bank of San Francisco)	4

8/6/57

-2-

Item No.

Letter to the Presidents of all Federal Reserve Banks except New York and Chicago requesting that certain preliminary estimates of required reserves, reserve balances, and borrowings be telegraphed to the Federal Reserve Bank of New York daily. (With copies to the Federal Reserve Banks of New York and Chicago for their information)

5

In response to questions raised by Governor Mills preceding approval of the aforementioned Item No. 5, Mr. Conkling described the plan for expediting transmission to the New York Reserve Bank of preliminary data for certain larger banks, discussed the value to the management of the System Open Market Account in having these data as promptly as possible, and emphasized that this procedure would involve no change in the current procedure for compiling and distributing the confidential daily summary. While it was recognized that the new plan would involve a certain additional amount of work for the Federal Reserve Banks, the value to the New York Reserve Bank of having these preliminary data each morning apparently would be worth the effort involved. In this connection, he said that the experience of the Chicago Bank in furnishing estimates on a trial basis for the three items concerned indicated that the preliminary figures from a relatively small number of larger banks were highly indicative of the actual changes in the respective items.

Mr. Conkling then withdrew from the meeting.

8/6/57

-3-

Approval by the Board of the establishment of branches by State member banks (Items 6 and 7). In a letter (attached as Item No. 6) written to Governor Balderston on July 24, 1957, following a conversation with the Governor the previous Friday, Mr. Ben C. Corlett, Vice President of the State Bank Division of the American Bankers Association, discussed a possible amendment to the Federal Reserve Act which would relieve State member banks from obtaining the Board's approval for the establishment of branches. The incoming letter, and a draft of reply which would set forth the present and potential benefits of the existing arrangement, had been distributed to the members of the Board prior to this meeting. The suggested reply would indicate that the Board, in recognition of its responsibilities in the field of bank supervision and their relationship to the public interest, was compelled to conclude that it could not appropriately support a legislative recommendation of the nature presented in Mr. Corlett's letter.

At this meeting Governor Balderston reported receipt of a copy of a letter which Chairman Cook of the Federal Deposit Insurance Corporation intended to send to Mr. Corlett on the same subject after receiving a copy of the Board's reply.

Governor Mills then read a draft of alternative letter which might be sent by the Board. While the alternative draft would take the same basic position as the original draft, its shorter length

8/6/57

-4-

reflected the thought of Governor Mills that in a reply of this kind there was much to be said for being direct and to the point. In submitting the alternative draft, he said that he would be entirely agreeable to any changes in the interest of technical accuracy or improved grammatical style, since the draft had been written rather hurriedly and he had not had an opportunity to review it carefully.

Governor Balderston stated that he had asked the staff, in preparing the original draft, to develop all of the reasons that might be given in support of the existing statutory provisions and to couch the letter in as diplomatic a tone as possible. These instructions, he said, had contributed to the length of the draft and he was now inclined to favor a shorter response.

Preference also was expressed by the other members of the Board for a letter along the lines suggested by Governor Mills, and Mr. Masters noted that the alternative draft seemed to cover all of the important points that were incorporated by the staff in the original draft. The only major question that was raised concerned whether to use a paragraph from the original draft in which it was brought out that if the Federal Reserve Act were amended to eliminate the requirement for Board approval of branches of State member banks, such banks would then be in the same position in this respect as insured nonmember banks. The paragraph in question would go on to state that if, as was understood

8/6/57

-5-

to be the case, the Federal Deposit Insurance Corporation considered that its responsibility as insurer of bank deposits called for exercise by it of control over the establishment of branches by insured banks, in all cases where such control was not exercised by a coordinate Federal bank supervisory agency, the proposed amendment of the Federal Reserve Act might not result in any practical change from the existing situation. After consideration of this point, it was decided not to include the paragraph on the theory that the situation would be evident from views expressed to the representatives of the American Bankers Association by the Federal Deposit Insurance Corporation.

Unanimous approval then was given to the letter attached as Item No. 7.

The meeting then adjourned.

Secretary's Note: Pursuant to recommendations contained in memoranda from appropriate individuals concerned, Governor Shepardson today approved on behalf of the Board the following actions regarding the Board's staff:

Salary increases, effective August 11, 1957

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Research and Statistics</u>			
Stephen H. Axilrod, Economist		\$7,785	\$8,000
Eleanor S. Frase, Economist		9,205	9,420
Helen R. Grunwell, Chief Draftsman, Publications and Research Service Staff		6,390	6,605
Stephen P. Taylor, Economist		7,785	8,000
Lorman C. Trueblood, Economist		11,180	11,395

8/6/57

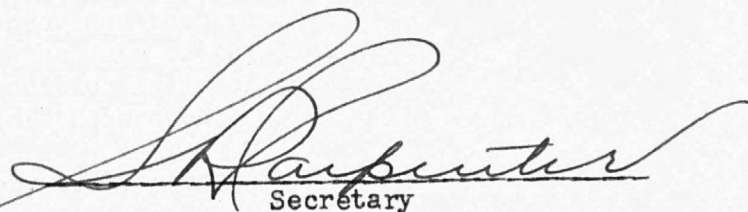
-6-

Salary increases, effective August 11, 1957 (continued)

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>International Finance</u>			
Frederick R. Dahl, Economist		\$6,605	\$6,820
Margaret R. Garber, Economist		5,575	5,710
Katherine P. Hichborn, Secretary		3,940	4,075
<u>Personnel Administration</u>			
Margaret H. Wolverson, Personnel Technician		6,115	6,250

Transfer

Patricia Sampsell, from the position of Clerk-Stenographer in the Division of Personnel Administration to the position of Clerk-Stenographer in the Division of Research and Statistics, with no change in her present basic annual salary at the rate of \$3,500, effective August 4, 1957.

  
Secretary

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

Item No. 1  
8/6/57

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

August 6, 1957

Board of Directors,  
The Mogadore Savings Bank,  
Mogadore, Ohio.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Cleveland, the Board of Governors of the Federal Reserve System approves the establishment of a branch in the vicinity of the intersection of West Avenue with City Circle, Tallmadge, Ohio, by The Mogadore Savings Bank, Mogadore, Ohio, provided the branch is established within one year 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.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,  
Secretary.





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

2200

Item No. 2  
8/6/57

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

August 6, 1957

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

Dear Mr. Kroner:

Reference is made to your letter of July 26, 1957,  
recommending the Board approve, under the provisions of section  
24A of the Federal Reserve Act, an additional investment of  
\$65,000 in bank premises by the Vandalia State Bank, Vandalia,  
Missouri.

After considering the available information, the  
Board of Governors concurs in the Federal Reserve Bank's recom-  
mendation and approves this additional investment of \$65,000 in  
bank premises by the Vandalia State Bank, Vandalia, Missouri.

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. 3  
8/6/57

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

August 6, 1957

Board of Directors,  
Central Savings Bank and Trust Company,  
Monroe, Louisiana.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Dallas, the Board of Governors of the Federal Reserve System approves the establishment of branches by the Central Savings Bank and Trust Company, Monroe, Louisiana, on the southeast corner of the intersection of De Siard Street and Smith Avenue, and on the southwest corner of the intersection of Jackson and Pear Streets in the town of Monroe, Louisiana, provided the branches are established within one year from the date of this letter, and approval of the State authorities is effective as of the date the branches are established.

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  
8/6/57

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

August 6, 1957



Board of Directors,  
California Bank,  
Los Angeles, California.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of San Francisco, the Board of Governors of the Federal Reserve System approves the establishment of a branch by the California Bank, Los Angeles, California, in a shopping center to be constructed in the vicinity of the intersection of Peck Road and Exline Avenue in an unincorporated area known as East El Monte, Los Angeles County, California, provided the branch is established by December 31, 1958, and approval of the State authorities is effective as of the date the branch is established.

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  
8/6/57

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

August 7, 1957.



Dear Sir:

This refers to the Board's letters of March 11, 1949, and April 4, 1955, (December 27, 1954, to San Francisco) requesting daily telegraphic estimates of daily required reserves for reserve city banks (CELL). These estimates have resulted in greatly improved aggregates of required and excess reserves for the Confidential Daily Summary (L.6.1).

However, final tabulations of reserve balances, estimated required and excess reserves, and borrowings are not available for use by the Federal Open Market Committee until about 2:45 p.m., which is too late for effective use in making Open Market transactions on that day.

Late in 1955, the Board's Division of Bank Operations cooperated in an experiment with the Open Market Committee by reporting to it late each afternoon the preliminary figures of required reserves that were received that day and which would be matched against the reserve balances to be reported the next day. This was a fairly satisfactory experiment insofar as forecasting the direction and amount of change of required reserves, but it was of limited value to the Open Market Committee because the data were not related to reserve balances and borrowings.

Still later, as a result of an informal arrangement between the Federal Reserve Banks of Chicago and New York, Chicago began telegraphing New York early each morning the reserve balances, estimated required reserves, and borrowings of the four Chicago banks that account for most of the city's fluctuation in these three items. Similarly, these data for the larger New York City banks are available for the Open Market Committee early in the morning.

The purpose of this letter is to request, at least on an experimental basis, a daily telegram to the New York Federal Reserve Banks showing these three items for a limited number of reserve city

- 2 -

banks that account for a large part of your district's fluctuations in these items. If some of the selected banks are in federal reserve branch cities or zones, separate telegrams may be dispatched from the branches. The telegrams, being preliminary need not await final closing of the books, the making of "as of" adjustments, etc. Reserve Banks or Branches located in time zones more than one hour later than New York should send their telegrams at the close of business, if practicable, as the purpose of this request is to have the New York bank receive all telegrams not later than 10:30 a.m. (EDT) the following morning. Figures for estimated required reserves for reserve city banks (CELL) as of the opening of business are already being reported to the Board by a number of the districts on the same day. The figures on borrowings (BORR) should be available from the discount departments late in the afternoon. Presumably, the item that is last available is the balances of the selected banks' reserve accounts (CAFE). All three items should consistently cover the same banks.

The telegrams should begin on the morning of the second Friday following the date of this letter in the following form:

McWhinney - New York

Preliminary figures for selected banks in millions

CELL \_\_\_\_\_

CAFE \_\_\_\_\_

BORR \_\_\_\_\_

Signed by person to be addressed in  
case of a question

The figures should prove to be a fairly accurate forecast of the direction and amount of change in these three items as tabulated later in the day at the Board's offices.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,  
Secretary

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS EXCEPT NEW YORK AND  
CHICAGO (COPIES TO THEM FOR INFORMATION)

THE  
**AMERICAN BANKERS  
 ASSOCIATION**

Item No. 6  
 8/6/57

12 East 36 Street, New York 16, N.Y.

CHICAGO OFFICE  
 33 SOUTH CLARK STREET, CHICAGO 3, ILL.

WASHINGTON OFFICE  
 730-18 STREET, N. W., WASHINGTON 6, D. C.

July 24, 1957

Mr. C. Canby Balderston  
 Vice Chairman  
 Board of Governors, Federal Reserve System  
 Federal Reserve Building  
 Washington, D.C.

Dear Governor Balderston:

Both Sherman Hazeltine, of Arizona, and myself deeply appreciated the opportunity to talk with you last Friday morning concerning the proposed amendment to the Federal Reserve Act that would relieve State Member Banks of the requirement to obtain the approval of the Federal Reserve Board as well as that of their own State Supervisor when applying for new branch charters.

In keeping with our understanding at that time, I am pleased to submit this letter outlining the proposal as discussed during our conference with you.

For some time the State Bank Supervisors as well as the State Member Banks have been disturbed by the fact that State Member Banks have been required to obtain the approval of both their own State Bank Supervisors and the Federal Reserve Board for new branch charters, while National Banks are required to obtain only the approval of the Comptroller of the Currency. It is the feeling of the State Member Banks that this places them at a distinct competitive disadvantage.

This matter was brought to the attention of the State Bank Division of the American Bankers Association; and at the last meeting of the Executive Committee of the Division held in April, 1957, the following resolution was adopted:

RESOLVED, that the Executive Committee of the State Bank Division urges the American Bankers Association through its Federal Legislative Committee to support any amendment to the Robertson Bill that has as its

STATE BANK DIVISION

PRESIDENT  
 A. S. DAVIS, CHAIRMAN OF BOARD  
 WACHOVIA BANK AND TRUST COMPANY  
 WINSTON-SALEM 11, NORTH CAROLINA

VICE PRESIDENT  
 BEN C. COBBETT, VICE PRESIDENT  
 AMERICAN TRUST COMPANY  
 SAN FRANCISCO 20, CALIFORNIA

CHAIRMAN EXECUTIVE COMMITTEE  
 L. A. WOLLEMBECK, CHAIRMAN OF  
 BOARD AND PRESIDENT  
 BANKERS AND MERCHANTS STATE BANK  
 ILLINOIS, SOUTH DAKOTA

SECRETARY  
 WALTER B. FRENCH, SENIOR DEPUTY MANAGER  
 AMERICAN BANKERS ASSOCIATION  
 12 EAST 36 STREET, NEW YORK 16, N. Y.

Mr. C. Canby Balderston

- 2 -

July 24, 1957

objective the requirement with regard to branches for banks, both national and state, to follow similar procedure. If state bank applications for branches must have the approval of both the State Banking Commissioner and the Board of Governors of the Federal Reserve System, then national banks should also require the approval of the Board of Governors of the Federal Reserve System as well as the Comptroller of the Currency. If national banks are to continue with only the approval of the Comptroller, then state banks should only require the approval of the State Banking Commissioner.

Mr. Hazeltine and myself are members of a sub-committee of the Executive Committee of the State Bank Division which was asked to present this resolution to the Committee on Federal Legislation of the American Bankers Association and request their support of such an amendment if it were introduced into the Congress as an amendment to the Financial Institutions Act of 1957. The resolution was presented to this Committee on Thursday, July 18th, and the Committee suggested that the three Supervisory Agencies be contacted before further steps were taken in the matter; and in keeping with this request we called on you on Friday last.

In tracing the history of Section 9 of the Federal Reserve Act to determine just how and why the Board assumed jurisdiction over applications of State Member Banks to establish a branch, it is interesting to note that some twenty years before Section 9 specifically authorized the Board to pass on applications of State Member Banks to establish branches, it assumed that authority on the grounds that it was necessary to effectuate the general purposes of the Federal Reserve Act. The reason for that assumption of authority, contained in a policy statement issued in 1923, was that unless State Member Banks could be controlled by the Board in branch banking activities, National Member Banks, which were then restricted in branch banking, would be at a competitive disadvantage.

Subsequent legislation has placed State and National Member Banks on a par as far as branch banking is concerned; and therefore, there seems no longer to be any reason for the Board to concern itself with branch banking activities of State Member Banks.

Whether this inequity should be remedied by requiring National Banks to also obtain the approval of the Federal Reserve Board as well as that of the Comptroller of the Currency, or cured by removing the requirement that State Member Banks obtain the approval of the Board, is a question that has been widely discussed.

It would seem that the best way to handle the matter would be to relieve the State Member Banks of this requirement, and I attach hereto an amendment that has been suggested for Section 9 of the Federal Reserve Act that would achieve this latter objective.

Mr. C. Canby Balderston

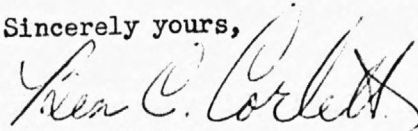
- 3 -

July 24, 1957

We will greatly appreciate your consideration of this matter and hope that some proper amendment may be proposed that will remove the inequity which now exists.

I will be very glad to have you advise me of the reaction of yourself and the Board to this suggestion, and I assure you of our great appreciation of your kind consideration of the proposal.

Sincerely yours,



Ben C. Corlett  
Vice President  
State Bank Division ABA

Enclosure



An Act to amend Section 9 of  
the Federal Reserve Act, as amended

The third paragraph of section 9 of the Federal Reserve Act, as amended (U.S.C., title 12, sec. 321, third paragraph) is amended to read as follows:

"Any such State bank which on February 25, 1927, has established and is operating a branch or branches in conformity with State law, may retain and operate the same while remaining or upon becoming a stockholder of such Federal reserve bank; but no such State bank may retain or acquire stock in a Federal reserve bank except upon relinquishment of any branch or branches established after February 25, 1927, beyond the limits of the city, town, or village in which the parent bank is situated: PROVIDED, HOWEVER, That nothing herein contained shall prevent any State member bank from establishing and operating branches in the United States or any dependency or insular possession thereof or in any foreign country, on the same terms and conditions and subject to the same limitations and restrictions as are applicable to the establishment of branches by national banks except that neither the approval of the Board of Governors of the Federal Reserve System nor of the Comptroller of the Currency need be obtained before any State member bank may hereafter establish any branch and before any State bank hereafter admitted to membership may retain any branch established after February 25, 1927, beyond the limits of the city, town, or village in which the parent bank is situated."

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON

Item No. 7  
8/6/57

OFFICE OF THE VICE CHAIRMAN

August 6, 1957



Mr. Ben C. Corlett, Vice President,  
State Bank Division,  
The American Bankers Association,  
c/o American Trust Company,  
San Francisco 20, California.

Dear Mr. Corlett:

Thank you for your letter of July 24 with further reference to the requirement in the Federal Reserve Act that establishment of branches by member State banks be approved by the Board of Governors, which you and Mr. Hazeltine discussed with me July 19.

As you point out, when a national bank wishes to establish a branch, the only supervisory approval it must obtain is that of the Comptroller of the Currency, whereas a member State bank must obtain the approval of the Board of Governors as well as the approval of its State bank supervisor. Obviously, this involves an additional step in the process of establishing a branch. It is also obvious that where the approval of two supervisory authorities is required, the possibility of disapproval is somewhat greater than where the approval of only one is required.

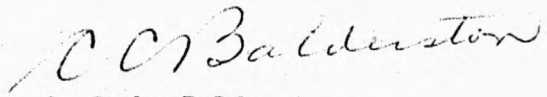
Put briefly, this requirement, in our opinion, is implicit in the statutory responsibility vested in the Board of Governors to supervise and regulate the activities of the member State banks and could not be relinquished without impairing the Board's ability to fulfill its supervisory duties. Inasmuch as the establishment of a branch involves an expansion of banking services that not only has a bearing on the adequacy of the applicant's capital funds to support such an undertaking, but also on its competitive status in the area to which entry is sought, consideration and decision on branch applications clearly falls within the scope of the Board's responsibilities.

Mr. Ben C. Corlett

- 2 -

Your letter has afforded a welcome opportunity for reviewing the problems which were posed, in the light of the mutual objective of the American Bankers Association and the Board of Governors to serve the interests of good banking. It is our mature conclusion that approval by the Board of Governors of branch applications made by member State banks is in the best interests of sound banking and of the general public.

Sincerely yours,



C. Canby Balderston.