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.

Chm. Martin
Gov. Szymczak  x
Gov. Vardaman  x
Gov. Mills
Gov. Robertson  x
Gov. Balderston  x
Gov. Shepardson

A   B
Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, September 3, 1957. The Board met in the Board Room at 11:00 a.m.

PRESENT: Mr. Balderston, Vice Chairman
Mr. Szymczak
Mr. Vardaman
Mr. Robertson 1/
Mr. Sherman, Assistant Secretary
Mr. Kenyon, Assistant Secretary
Mr. Young, Director, Division of Research and Statistics
Mr. Marget, Director, Division of International Finance
Mr. Johnson, Controller, and Director, Division of Personnel Administration
Mr. Hackley, General Counsel
Mr. Masters, Director, Division of Examinations
Mr. Molony, Special Assistant to the Board
Mr. Horbett, Associate Director, Division of Bank Operations
Mr. Goodman, Assistant Director, Division of Examinations
Mr. Furth, Chief, International Financial Operations Section, Division of International Finance

Ratification of actions taken by the available members of the Board (Items 1, 2, and 3). In the absence of a quorum, the available members of the Board met on August 23, 27, and 30, 1957, and took certain actions subject to ratification when a quorum was available. Memoranda covering the three meetings are attached hereto as Items 1, 2, and 3.

1/ Withdrew from meeting at point indicated in minutes.
At this meeting the actions which had been taken by the available members of the Board were ratified by unanimous vote.

Revision of salary structures at Richmond and Minneapolis (Items 4, 5, and 6). There had been circulated to the members of the Board memoranda from the Division of Personnel Administration discussing (1) requests from the Federal Reserve Banks of Richmond and Minneapolis for approval of proposed revisions of their salary structures applicable to officers other than the President and First Vice President, and (2) a request from the Federal Reserve Bank of Minneapolis for approval of a proposed revision of its salary structure applicable to non-officer employees at the head office and the Helena Branch. In each instance the recommendation of the Division of Personnel Administration was favorable.

At the request of the Board, Mr. Johnson commented on the Richmond request and pointed out that approval of this proposal and the Minneapolis request would leave only three Reserve Banks with the officers' salary structures originally established in 1953. In addition, one of the remaining Banks (Boston) had submitted a request for revision of its officers' salary structure which would come before the Board shortly.

Governor Balderston noted that when the first such request was received several months ago, the Board was somewhat concerned about a possible lack of consistency among the Federal Reserve Banks but was hesitant to take the initiative in suggesting consideration of revised structures by the other Banks. In view of subsequent developments, he pointed out, a consistent pattern throughout the System was now assured.
Governor Vardaman then raised a question as to whether the salaries of officers at the Federal Reserve Banks, including the Presidents and the First Vice Presidents, were getting out of line from the standpoint of services rendered. He suggested that the scope of discretionary responsibilities was limited and that a large part of the officers' duties consisted of routine administrative functions. In further comments, he spoke of a tendency for salaries to become standardized throughout the System rather than to reflect individual ability and said that he would favor an analytical study of the whole problem of the salaries of Reserve Bank officers, including Presidents. With respect to the proposed officer salary structures at Richmond and Minneapolis, he said that he would be willing to approve them, although reluctantly because such approval would be in accord with what had been done for other Federal Reserve Banks.

Governor Robertson indicated that he was inclined to agree with most of what Governor Vardaman had said regarding the general problem of Reserve Bank officer compensation. With respect to the Richmond and Minneapolis requests, he observed that the proposed salary structure revisions related to positions "below the top" and that they were in line with structures approved by the Board recently for other Banks. Therefore, he would favor their approval.

Governor Szymczak suggested that the questions raised by Governor Vardaman were of such a nature that they should be discussed when all
of the members of the Board were present in order to see whether the Board wanted to reconsider the entire problem of officers' salaries. As to the requests currently before the Board, he saw no alternative to approving them.

At the conclusion of the discussion, unanimous approval was given to the letters to the Federal Reserve Banks of Richmond and Minneapolis of which copies are attached hereto as Items 4, 5, and 6.

Mr. Johnson then withdrew from the meeting and Miss Durkan, Technical Assistant, Division of Bank Operations entered the room.

Purchase of property at San Francisco (Item No. 7). There had been circulated to the members of the Board a memorandum dated August 20, 1957, from Mr. Farrell, Assistant Director, Division of Bank Operations, discussing a request from the Federal Reserve Bank of San Francisco for authorization to purchase, at a price of approximately $400,000, certain property across Battery Street from the rear of the head office building known as the Eastman Kodak property. This building would be used for the storage of supplies and old records in lieu of constructing a building on other property owned by the Reserve Bank.

Agreement having been expressed that the requested authorization should be given, the Board approved unanimously the telegram to the Federal Reserve Bank of San Francisco of which a copy is attached as Item No. 7.
Chicago building program. On July 18, 1957, the Board authorized the Federal Reserve Bank of Chicago to call for bids for the proposed addition to and alterations of its head office building. Pursuant to this authorization, the Reserve Bank's directors obtained bids from five contractors for general construction and from 54 other contractors for various segments of the mechanical work and demolition. Following receipt of bids of the five general contractors, the Bank requested and received revised bids from the two lowest original bidders. In addition, the Bank entered into negotiations with the separate contractors for mechanical work and was continuing these negotiations. Following consideration of the bids by the Bank's Building Committee and the Board of Directors, the Reserve Bank requested in a letter dated August 23, 1957, that the Board of Governors approve acceptance of the low bids received in each category, subject to such further downward revisions as could be negotiated before the actual awarding of the contracts. The low bids were in the aggregate amount of $16,622,285, including architects' fees and a contingency allowance of $650,000. This total figure excluded an estimated cost of $2 million representing additional alterations to the present head office building for which plans had not yet been completed.

In a memorandum dated August 28, 1957, which had been distributed to the members of the Board, the Division of Bank Operations pointed out...
that on the basis of the low bids received, the estimated cost of the program was 12 per cent higher than the estimate made by the Bank in June 1957. Question had been raised with the Chicago Bank as to reasons for this increase of approximately $1,800,000, and First Vice President Harris indicated in a telegram dated August 29, 1957, that the difference was attributable in part to much higher prices on structural steel and an addition to the contingency fund to provide for escalation of field labor. He also stated that the estimates were based on present prices, that the construction program would take at least three years, and that the bidders therefore had provided for self-protection through calculated escalation for shop labor and increased costs of material and equipment. He said that the Building Committee and the Board of Directors had given detailed attention to this matter and had concluded that the difference was reasonable because of the unusual circumstances involved.

After Mr. Horbett had reviewed the principal points developed in the memorandum from the Division of Bank Operations, Miss Durkan presented statistics on the cost per square foot for several recent branch building projects which involved additions to existing premises. These statistics indicated that, taking into account interim increases in building costs, the cost of the Chicago project did not appear to be unreasonably out of line.
In response to a question by Governor Balderston, Miss Durkan said she did not recall other instances where revision of original bids had been sought. Customarily, she said, the bids had been about the same as the estimates made by the Reserve Bank before the bids were asked or frequently lower.

Governor Balderston commented that the procedure of seeking revised bids might not be conducive to good bidding if the Reserve Banks followed such a practice and the fact became known.

On this point Mr. Horbett said that in effect the Chicago Bank had rejected the bids of all five general contractors and had then asked the two lowest bidders to submit new bids.

Governor Vardaman questioned such a procedure from the standpoint of making a defensible record and said that it was his understanding that Federal Government agencies are required to obtain at least three bids on such projects. He then suggested that if the Reserve Bank were to wait until after the first of next year, a complete revision of the price estimates was not outside the realm of possibility, for it might develop that the Bank was proposing to award the contracts at the very peak of prices. Therefore, he felt that the timing was subject to at least serious question. He then asked what the penalty would be if the Reserve Bank waited after the first of the year.

Mr. Horbett responded that the Reserve Bank was understood to be anxious to award the contracts because the general contractor who
submitted the low bid had also bid on other major jobs and would like to be advised concerning the Reserve Bank matter as soon as possible. Also, he said, it appeared to be the Reserve Bank's view that deferral of the program might result in even higher bids.

Governor Vardaman suggested that this was a matter of speculation. He again said that he saw no reason why the Reserve Bank had failed to seek revised bids from at least three of the five general contractors who had bid originally, particularly since the next to highest original bid was less than 10 per cent higher than the next to lowest original bid. Although he had complete confidence in the integrity of the Board of Directors, he felt strongly that this procedure did not contribute to a good record.

Governor Robertson stated that, like Governor Vardaman, he saw little real justification in not asking for revised bids from each of the five contractors who had bid originally, notwithstanding the fact that the two contractors from whom revised bids were obtained were the lowest bidders in the first instance. With regard to the element of timing, it seemed to him that the Board, if it acted favorably on the Chicago request, might be authorizing this building project at the worst possible time. Since the System's current policy was designed to hold off some of the business in the country, including this sort of thing, he felt that it would be very difficult to explain why this particular time had been chosen to authorize a contract of such size; he felt that the only offsetting factor would be an urgent need, if it was present, to proceed with the project. The real question, he
said, was the one that the Board had debated for a long time, that is whether the facilities at Chicago were so hard pressed that something should be done as quickly as possible. In these circumstances, he suggested that before the Board acted, the Chairman, President, and Chairman of the Building Committee of the Reserve Bank be asked to come to Washington and discuss the matter with the Board.

Following additional discussion of various aspects of the proposed building program, during which question was raised by Governor Vardaman as to whether it was good practice to contract for the entire program at one time, Governor Robertson again expressed the view that by and large the construction of buildings by the Federal Reserve System should be undertaken in bad times rather than good, and the building programs should be used as a "cushion", except where the need was such that an exception should be made.

Governor Szymczak then referred to the Board's action of July 18, 1957, in authorizing the Chicago Reserve Bank to call for bids and inquired whether it would be consistent for the Board now to withhold authorization to go forward with the construction. He pointed out that the project had been pending for a long time and that it was planned when the inflationary situation was not as acute as at present. Now, he said, the matter had developed to a point where the bids were in and the contractors were waiting to go to work. If the program were to be deferred further, the contractors might decide that they wanted to protect themselves to an even greater extent. In these
circumstances, he said, it would be his preference to approve acceptance of the low bids. However, since two Board members had expressed concern about the record and whether it could be defended, he felt that it was necessary to go back to the Reserve Bank. He agreed that it was difficult to explain why the Bank had requested revised bids from only two of the five general contractors who originally submitted bids.

The suggestion then was made that Vice Chairman Balderston get in touch with representatives of the Reserve Bank in order to arrange a meeting such as suggested by Governor Robertson, and at the conclusion of the discussion it was understood that Governor Balderston would endeavor to make arrangements of this kind.

Mr. Horbett and Miss Durkan then withdrew from the meeting.

Operations of Bank of America. There had been distributed to the members of the Board copies of a memorandum from the Division of Examinations dated August 26, 1957, concerning the reply from the Executive Vice President of Bank of America, New York, New York, to the Board's letter of June 7, 1957, which transmitted the report of examination of Bank of America made as of December 11, 1956. The memorandum pointed out that the letter from Bank of America reflected extreme reluctance to conform to the spirit and letter of the revised Regulation K, Corporations Doing Foreign Banking or Other Foreign Financing Under the Federal Reserve Act. In view of the long record of resistance to suggestions from the Board and its examiners
regarding the type of business conducted in New York by Bank of America, the view was expressed that the most effective results might be obtained by requesting that representatives authorized to commit the bank come to Washington and meet with representatives of the Board at an early date for discussion of matters criticized in the report of examination, in an effort to agree on corrections that the bank would make so as to conform to Regulation K. Submitted with the memorandum was a draft of a possible letter to Bank of America which would discuss various criticized matters and would contain the suggestion that such a conference be held. Question was raised, however, whether the letter should be sent at this time.

The memorandum also referred to the fact that a formal application from Bank of America for permission to acquire the shares of Banca d'America e d'Italia was received yesterday, and it was pointed out that the contract for purchase of the shares would expire on September 16, 1957. The opinion was expressed that Bank of America should not be authorized to acquire these shares until after a clear understanding had been obtained that the bank would be operated in conformity with Regulation K.

Following preliminary comments by Mr. Masters supporting the suggestion that a conference be held with representatives of Bank of America, Governor Szymczak inquired to what extent the difficulties encountered in connection with examinations of the Edge Act corporation were due to the fact that policy decisions are made to a large extent at the offices of the parent bank in San Francisco rather than at the offices of Bank of America in New York.
Mr. Goodman responded in terms that the major need was to obtain an agreement from responsible parties that they were going to operate Bank of America in conformity with Regulation K, as interpreted by the Board and its staff, rather than according to the interpretations made by Bank of America and its parent institution.

After Governor Vardaman had expressed doubt whether such an agreement could be obtained, Governor Szymczak referred again to the evidence that policy was actually made by the parent institution in San Francisco and asked whether the same problem was not present in the case of other Edge Act corporations, the difference being that in other cases the parent institution was located in the same city and perhaps even in the same building.

In response, Mr. Goodman confirmed that the examiners, in conducting examinations of Bank of America, had encountered difficulty because the persons who made the policy decisions were not on the premises. After pointing out that thus far the Board's representatives had never gone to the West Coast for discussion with the policy-making parties, he said that at this point it seemed very important for the staff to know how the Board felt about the problems which had been developed by examinations of the Edge Act corporation.

Governor Szymczak commented that he would not like to see the Board get into the position of making an issue of the fact that policy decisions were made by the parent institution, merely because the parent institution was located in San Francisco, if in fact it could be said that the same thing was true in the case of other Edge Act corporations.
Discussion then turned to the proposed purchase of the stock of Banca d'America e d'Italia, and Mr. Goodman said that he felt the Board should not give its approval to the transaction until it was convinced that Bank of America was really going to be operated according to Regulation K. In this connection, he noted that, although the latest examination of Bank of America was made as of a date about one month before the revised Regulation K went into effect, the Board had already adopted the revised Regulation and copies of it had been distributed. In view of the expiration on September 16 of the contract to purchase shares of the Italian bank, he considered it urgent that any meeting with representatives of Bank of America be held in the near future. He added that additional material was needed to analyze the application to acquire shares of the Italian bank but that the staff had withheld requesting the additional information until the whole matter of the operations of Bank of America could be presented to the Board for consideration.

Governor Robertson said that he did not think the Board was ever going to get complete conformity with Regulation K and that he doubted seriously whether this could be obtained through any meeting in Washington with directors or officers of Bank of America. It was his conclusion that the Board should write a stern letter to Bank of America, with copies to the Chairman of the Board and the President of the parent institution, Bank of America National Trust and Savings Association, along the lines that the Board was going to expect compliance
with Regulation K, that it did not think there had been compliance, that the revision of Regulation K may have been such as to preclude complete compliance, but that in the absence of amendment of the Regulation the Board would insist on compliance. The letter would also state that if the bank had doubts as to the correct interpretation of the Regulation, representatives at the Board would be glad to sit down and discuss them. Regarding the Italian transaction, he said that although any necessary information should be obtained, it was his feeling that in effect the Board had already given approval to the acquisition. Personally, he was not sure that this was the right decision and he thought that more information should have been available. Nevertheless, he felt quite sure that the Board would approve the application, and if so he thought that the Board should again state that it would expect compliance with Regulation K.

Governor Szymczak indicated that his views on procedure were substantially the same as those of Governor Robertson. He, too, felt that any additional information about the proposed Italian acquisition that was thought to be needed should be obtained quickly by the staff so that final action could be taken by the Board before the expiration of the existing contract. With regard to the operations of Bank of America as disclosed by the last examination, he said that he would favor a letter such as Governor Robertson had suggested and that he
would be inclined to handle the problem separately from the matter of the Italian acquisition.

Governor Vardaman questioned the need for getting any substantial amount of additional information about the Italian acquisition and expressed the view, as he had when the matter was before the Board previously, that it would not be possible for the Board to supervise the detailed operations of the Italian bank. In any event, he felt that the Division of Examinations should go no further than to secure such additional information as it considered absolutely essential.

Governor Balderston agreed with Governor Robertson that the principles involved in the Italian acquisition had already been decided by the Board several months ago, even though technically the record up to this point indicated only that the Board would make a final decision when all of the pertinent information became available.

At the conclusion of the discussion, it was agreed that the Division of Examinations should obtain promptly all further information that it considered necessary in connection with the proposed purchase of the Italian bank, with a view to presenting the matter to the Board for final action at the earliest possible date. With regard to the draft of letter to Bank of America concerning the most recent examination of the bank, it was agreed that it would be revised in the light of Governor Robertson's suggestions and that the matter then would be given further consideration by the Board.
Governor Robertson then withdrew from the meeting along with Messrs. Marget and Furth.

Request for comment on proposed State legislation. The Board had received from the Bureau of the Budget a request for comment with respect to a legislative proposal which would require designation of the simple interest rate equivalent to the interest rate provided for in loan agreements or the finance charge provided for in agreements for the sale of goods on credit. A proposed reply had been distributed to the members of the Board which would state that, while the Board was not in a position to express an informed opinion as to the desirability or need for legislation of this kind in the various States, the Board saw no objection to submission of the proposed legislation to State legislatures for their consideration in accordance with the established procedure.

In a discussion of the proposal, Mr. Young said that it appeared to be in the direction of good business practice to provide full information on the interest rates involved in time financing. In view of the amount of information available at the Board regarding charges and practices in this field, he suggested eliminating the clause in the reply which would suggest that the Board was not in a position to express an informed opinion as to the desirability or need for legislation of this kind.
Mr. Hackley said he would have no objection, his only thought in drafting the letter having been that the remainder of the sentence might imply more of an endorsement of the suggested legislation than the Board would wish to give.

Governor Vardaman stated that although he agreed in principle with the proposal, he felt that he would have to oppose any endorsement of the specific legislative suggestion because the interpretations which might be placed upon the language could open the door to numerous practical difficulties. He called attention to the section of the suggested legislation which would state that intentional failure, directly or indirectly, on the part of the lender or vendor to comply with the requirements would cause a forfeiture of the entire interest or finance charge otherwise due. The legislation, he noted, would also provide that where the lender or vendor was engaged in the business of lending money or selling goods on credit, failure to comply with the requirements would be deemed to be intentional.

Mr. Hackley agreed that any such legislation would be subject to the difficulties involved in its interpretation by lawyers. In all fairness, however, he felt that the essential purpose of this proposed legislation was merely to require the furnishing of information about the simple rate of interest provided for in loan agreements and similar documents.
At the conclusion of the discussion, it was agreed that the staff would submit a revised draft of letter to the Budget Bureau which would take into account the comments made by Governor Vardaman.

The meeting then adjourned.

Secretary's Notes:

The Federal Reserve Banks of New York and Cleveland having advised on August 22, 1957, that their directors, at meetings held on that day, had established, subject to review and determination by the Board of Governors, a rate of 3-1/2 per cent on discounts for and advances to member banks under sections 13 and 13a of the Federal Reserve Act, along with appropriate subsidiary rates of discount and purchase, the Secretary sent to those Banks, pursuant to the authority given by the Board on August 12, 1957, telegrams in the form attached as Items 8 and 9, respectively.

Pursuant to recommendations contained in memoranda from appropriate individuals concerned, Governor Balderston, acting in the absence of Governor Shepardson, approved on behalf of the Board on the dates indicated the following items affecting the Board's staff:

August 21

Appointment

Nina L. Marcey as Cafeteria Helper in the Division of Administrative Services, on a part-time (half-day) basis, with basic annual salary at the rate of $1,413, effective the date she assumes her duties.

Acceptance of resignation

Edna L. Benjamin, Cafeteria Helper, Division of Administrative Services, effective August 21, 1957.
August 22

Appointment

Susan O. Hoffman as Clerk in the Division of Research and Statistics, with basic annual salary at the rate of $3,415, effective the date she assumes her duties.

Salary increases, effective August 25, 1957

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<tr>
<th>Name and title</th>
<th>Division</th>
<th>Basic annual salary</th>
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<tr>
<td>Betty P. Long, Records Clerk</td>
<td>Office of the Secretary</td>
<td>$3,415 - $3,500</td>
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<td>Margaret J. Molster, Senior Records Clerk</td>
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<td>Donald C. Miller, Chief, Government</td>
<td>Finance Section</td>
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<td>William J. Smith, Jr., Economist</td>
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<td>Virginia Johns, Clerk-Stenographer</td>
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<td>3,840 - 3,925</td>
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<td>Theodore A. Veenstra, Jr.,</td>
<td>Bank Operations</td>
<td>6,390 - 6,605</td>
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<td>Technical Assistant</td>
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<tr>
<td>R. W. Cooke, Senior Federal Reserve Examiner</td>
<td>Examinations</td>
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<tr>
<td>W. D. Dougal, Senior Federal Reserve Examiner</td>
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<td>Elmer W. Lyster, Federal Reserve Examiner</td>
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<td>6,605 - 6,820</td>
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<td>Lloyd M. Schaeffer, Senior Federal Reserve Examiner</td>
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<td>Lyle B. St. John, Assistant Federal Reserve Examiner</td>
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<tr>
<td>Juanita S. Carpenter, Secretary</td>
<td>Administrative Services</td>
<td>4,075 - 4,210</td>
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<tr>
<td>Claiborne Johnson, Operator, Offset Press</td>
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Acceptance of resignation

Catharine A. Fornof, Secretary, Defense Planning, effective September 20, 1957.
August 23

Appointment

Sylvia D. Louderback as Clerk-Stenographer, Division of Personnel Administration, with basic annual salary at the rate of $3,500, effective the date she assumes her duties.

Salary increases, effective August 25, 1957

<table>
<thead>
<tr>
<th>Name and title</th>
<th>Division</th>
<th>Basic annual salary</th>
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<td>Caroline H. Cagle, Economist</td>
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<td>Marie Butler Leven, Economist (Editorial)</td>
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<td>M. Elva Morse, Statistical Assistant 1/</td>
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<td>Bank Operations</td>
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<tr>
<td>Mary P. Barlow, Statistical Clerk 2/</td>
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August 28

Appointment

Dorothy Ann Mankey as Clerk in the Division of International Finance, with basic annual salary at the rate of $3,175, effective the date she assumes her duties.

August 29

Acceptance of resignation

Mona E. Dingle, Economist, Division of Research and Statistics, effective September 21, 1957.

September 3

Salary increase, effective September 8, 1957

Elsie Q. Davis, Clerk, Division of Research and Statistics, from $3,685 to $3,840 per annum.

1/ Change in title from Clerk to Statistical Assistant.
2/ Change in title from Clerk to Statistical Clerk.
Governor Balderston, acting in the absence of Governor Shepardson, approved on behalf of the Board on the dates indicated the following letters and telegrams to Federal Reserve Banks, of which copies are attached hereto under the item numbers indicated:

August 21

Telegram to the Federal Reserve Bank of Boston approving the designation of William C. Baldwin as special assistant examiner.

Letter to the Federal Reserve Bank of New York approving the appointment of Lester P. Philp, Jr., as assistant examiner.

Telegram to the Federal Reserve Bank of Minneapolis approving the appointment of James Francis Corcoran as assistant examiner.

August 22

Letter to the Federal Reserve Bank of Dallas approving the appointment of Jesse D. Sanders as assistant examiner.

August 28

Letter to the Federal Reserve Bank of Philadelphia approving the appointment of John F. Manning as assistant examiner.

On August 21, 1957, Governor Balderston, acting in the absence of Governor Shepardson, approved on behalf of the Board the letter to National Surety Corporation, Washington, D. C., of which a copy is attached hereto as Item No. 15.

Pursuant to the procedure authorized by the Board on December 7, 1956, Governor Robertson approved on behalf of the Board
on August 21, 1957, the appointment of the following persons as Federal Reserve Examiners for the purpose of an examination of First of Boston International Corporation, New York, New York:

Federal Reserve Bank of New York

Donald F. Gaffney Assistant Examiner
William D. Kendrick Examiner
Harry J. Meyer Examiner
Jerome B. Nelson Assistant Examiner
Robert Richie Assistant Examiner
John G. Russell Assistant Examiner
William R. Skinner Examiner
Warren C. Straub Assistant Examiner

Federal Reserve Bank of Boston

Archie C. Smiles Examiner

[Signature]
Assistant Secretary
Memorandum of a meeting of the available members of the Board of Governors of the Federal Reserve System which was held in the Board Room on Friday, August 23, 1957, at 2:00 p.m.

PRESENT: Mr. Balderston, Vice Chairman
Mr. Vardaman
Mr. Robertson
Mr. Carpenter, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Thurston, Assistant to the Board
Mr. Riefler, Assistant to the Board
Mr. Young, Director, Division of Research and Statistics
Mr. Marget, Director, Division of International Finance
Mr. Hackley, General Counsel
Mr. Hostrup, Assistant Director, Division of Examinations
Mr. Wait, Review Examiner, Division of Examinations

Items circulated to the Board. Pursuant to a suggestion by the Vice Chairman, the following items, which had been circulated to the available members of the Board and copies of which are attached hereto under the respective item numbers indicated, were approved unanimously by the members of the Board present, subject to ratification of the action at such time as a quorum of the Board was available:

Letter to the Federal Reserve Bank of Dallas approving the appointment of Harvey A. Yancey as Federal Reserve Agent's Representative at the Houston Branch.

Item No. M-1
Letter to The First National City Bank of New York regarding a change in the name of a branch in Havana, Cuba. (For transmittal through the Federal Reserve Bank of New York)

Letter to Manufacturers and Traders Trust Company, Buffalo, New York, approving the establishment of a branch in Fredonia, New York, incident to the proposed merger of Citizens Trust Company of Fredonia into the applicant bank. (For transmittal through the Federal Reserve Bank of New York)

Letter to Bank of Passaic and Trust Company, Clifton, New Jersey, approving the establishment of a branch at 615 Main Avenue, Passaic, New Jersey, in connection with the removal of the bank's head office to Clifton. (For transmittal through the Federal Reserve Bank of New York)

Letter to the Federal Reserve Bank of Cleveland concurring in the Bank's view that a proposed change by Bank of Commerce, Lexington, Kentucky, in the location of its Lafayette Branch would constitute the mere relocation of an existing branch.

Letter to the Federal Reserve Bank of Chicago concerning the applicability of section 10(a) of Regulation F in certain circumstances.


Letter to the Federal Reserve Bank of San Francisco regarding whether a certain trust fund of Union Bank & Trust Co. of Los Angeles could be considered a common trust fund operated in conformity with section 17 of Regulation F.
Letter to the Federal Reserve Bank of San Francisco commenting, in the light of section 12 of Regulation F, on a method of filing bearer coupon bonds proposed to be instituted by a national bank.

Letter to Congressman Celler regarding a possible amendment to Regulation U which would permit 75 per cent of the current market value of stock to be loaned by banks for the purpose of purchasing stock pursuant to "restricted stock options."

Letter to the Federal Deposit Insurance Corporation concerning the application of Saline Savings Bank, Saline, Michigan, for continuance of deposit insurance after withdrawal from membership in the Federal Reserve System.

With respect to the foregoing Item No. M-11, Governor Balderston said that he continued to favor the principle of encouraging company executives to invest in the companies they manage. Since, however, the reply to Congressman Celler reflected the position heretofore adopted by the Board after full discussion of similar suggestions, he was agreeable to sending the letter, particularly because it appeared that an amendment to Regulation U of the kind contemplated might be subject to abuse and he had no alternative suggestion to offer at the moment. Governor Vardaman indicated that his views were similar to those of Governor Balderston.
Mr. Wait withdrew from the meeting at this point.

Letters from Congressman Patman. In a letter addressed to Chairman Martin under date of August 22, 1957, Congressman Patman referred to a portion of the Chairman's recent testimony before the House Banking and Currency Committee concerning the Financial Institutions Act and raised a question about the status of officers and employees of the Federal Reserve System, other than members of the Board, as "public officials of the United States Government". A proposed reply, drafted by Mr. Hackley, had been distributed to the available members of the Board.

Following a discussion during which somewhat differing approaches to the phraseology of the reply to Mr. Patman were suggested by Governor Vardaman and Governor Robertson, it was understood that a revised draft of letter would be prepared by the staff and submitted for consideration by the available members of the Board.

In another letter, dated August 21, 1957, Mr. Patman referred to the reports of examination of the Federal Reserve Banks and the reports of audit of the System Open Market Account for the years 1952 through 1956 which had previously been sent to the House Banking and Currency Committee and stated that he would appreciate it if the Board would supply, under the same arrangements, reports of examination of the Federal Reserve Bank of New York and reports of audit of the System Open Market Account going back to the year 1935.
Mr. Hostrup stated that under the existing records disposal schedule, reports of examination of the Federal Reserve Banks are kept at the Board's offices only in microfilm form after a ten-year period, and that examination reports of the New York Bank therefore could be furnished in the original form only as far back as 1947 unless it should be possible to obtain copies from the Reserve Bank. As to the audits of the Open Market Account, he noted that it was not until 1939 that the Federal Open Market Committee adopted a resolution requesting the Board's field examining staff to audit the Account each year.

After a discussion of alternative possibilities, unanimous agreement was expressed with a suggestion that the available reports of examination and audit be transmitted early next week, with a statement that it was hoped the available examination reports of the New York Bank would be adequate for the purpose because the earlier reports were on microfilm and the cost and time involved in making facsimile prints from the microfilm would be substantial.

In his letter Mr. Patman also asked for an indication as to when four items of information that he had requested earlier would become available to him. Among the items mentioned was a record of transactions in the System Open Market Account since the Treasury-Federal Reserve accord in 1951.

In reviewing the matter Mr. Riefler stated that after the meeting of the Federal Open Market Committee on August 20, 1957, at
which the requests from Mr. Patman for various open market data were discussed, two of the Reserve Bank Presidents expressed to him the view that upon further reflection they thought it would be advisable to furnish the names of dealers with whom the Open Market Account had conducted specific transactions. He also said that the photostating of the records covering transactions in the Account since 1951 would take about three weeks, if done at the New York Bank in the regular course of business. It was his view that transactions in the Account for 1957 should not be furnished.

At this point Governor Balderston talked by the loudspeaker telephone with Governor Szymczak, who was on vacation. Governor Szymczak expressed the view that the names should be furnished, that the transmittal letter should call attention to the confidential character of the information on open market transactions, that data on transactions in the Account for 1957 should not be given, and that it would not be necessary to request permission of those who transacted business with the Account before furnishing the information, although they might be told that the data had been requested and was being furnished.

Governor Balderston then talked by the loudspeaker telephone with Chairman Martin, who was also on vacation. Chairman Martin interposed no objection to revealing names in connection with specific transactions with the Account if that were the judgment of those Board members who were present.
The members of the Board present then expressed agreement with the views stated by the Chairman and Governor Szymczak, Governor Vardaman indicating that he would agree to furnish the names of the dealers only reluctantly and because he felt that failure to include the names might lead to more embarrassment than if they were supplied. Accordingly, it was understood that Mr. Riefler would get in touch with all of the other available members of the Federal Open Market Committee who were present at the meeting of the Committee on August 20, 1957, to secure their views on supplying the names.

As to the timing of furnishing the data, agreement was expressed that the reply to Mr. Patman's letter of August 21, 1957, should state that about four weeks might be required to prepare the record of open market transactions and make it available. Mr. Patman also would be advised that about the same length of time would be required to furnish certain information originally requested in a letter of August 16, 1957, relating to expenses of the Federal Reserve Banks and branches in 1956. It was believed that the other items of information mentioned by Mr. Patman in his August 21 letter could be assembled within the next few days. Accordingly, it was understood that a draft of letter to Mr. Patman would be prepared in accordance with the above discussion for consideration next week.

As these procedural understandings were being reached, Mr. Molony, Special Assistant to the Board, entered the room and reported
8/23/57

a telephone inquiry from a staff member of the House Banking and Currency Committee regarding the probable availability of the various items of information mentioned in Mr. Patman's two most recent letters.

**Gold loan to Bolivia (Item No. M-13).** In a memorandum dated August 22, 1957, copies of which had been sent to the available members of the Board, Mr. Marget discussed a request from the Federal Reserve Bank of New York for approval of a proposed gold loan to Bolivia in the amount of $1,000,000. This loan, like the recent loan to Chile, would have to be regarded as coming under the "exceptional" category in the 1955 Statement of Policy on Gold Loans. Mr. Marget's recommendation was favorable because he considered the Bolivian stabilization effort a very real one and because he had been assured that the granting of a gold loan would not be regarded as weakening the stabilization assistance programs of the two agencies directly concerned; namely, the International Monetary Fund and the State Department. He called attention also to the fact that Banco Central de Bolivia had explicitly stated its willingness to sell the gold collateral at the end of a three-month period if other resources were not available to discharge the loan obligation.

In the course of the telephone conversations with Chairman Martin and Governor Szymczak, mentioned earlier in this memorandum, their views on the proposed loan were requested and each of them stated that he would favor approval.
Accordingly, the granting of the proposed gold loan to Bolivia was approved unanimously by the available members of the Board, subject to ratification of the action at such time as a quorum of the Board was available. The telegram sent to the Federal Reserve Bank of New York pursuant to this decision was in the form attached hereto as Item No. M-13.

Discount rates. Subject to ratification of the action when a quorum was available, unanimous approval was given to telegrams to the Federal Reserve Banks of Philadelphia, Chicago, Minneapolis, Kansas City, and Dallas approving the establishment without change by those Bank on August 22, 1957, of the rates of discount and purchase in their existing schedules.

The meeting then adjourned.

[Signature]
Secretary
August 23, 1957

Mr. Robert J. Smith,
Federal Reserve Agent,
Federal Reserve Bank of Dallas,
Dallas 2, Texas.

Dear Mr. Smith:

In accordance with the request contained in your letter of August 8, 1957, the Board of Governors approves the appointment of Mr. Harvey A. Yancey as a Federal Reserve Agent's Representative at the Houston Branch to succeed Mr. William C. Hartung.

This approval is given with the understanding that Mr. Yancey will be solely responsible to the Federal Reserve Agent and the Board of Governors for the proper performance of his duties, except that, during the absence or disability of the Federal Reserve Agent or a vacancy in that office, his responsibility will be to the Assistant Federal Reserve Agent and the Board of Governors.

When not engaged in the performance of his duties as Federal Reserve Agent's Representative Mr. Yancey may, with the approval of the Federal Reserve Agent and the Vice President in charge of the Houston Branch, perform such work for the Branch as will not be inconsistent with his duties as Federal Reserve Agent's Representative.

It will be appreciated if Mr. Yancey is fully informed of the importance of his responsibilities as a member of the staff of the Federal Reserve Agent and the need for maintenance of independence from the operations of the Bank in the discharge of these responsibilities.

It is noted from your letter that Mr. Yancey will execute the usual oath of office, which will be forwarded to the Board with advice of the effective date of his appointment.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.
Mr. G. L. Childs, Assistant Vice President,
The First National City Bank of New York,
55 Wall Street,

Dear Mr. Childs:

This will acknowledge your letter of August 9, 1957, transmitted through the Federal Reserve Bank of New York, indicating that your bank desires to change the name of its "Rancho Boyeros" Branch to "Avenida Rancho Boyeros" Branch. This branch was opened for business on June 17, 1957, at Avenida Rancho Boyeros esquina San Francisco in Havana, Cuba, as authorized in the Board's letters of May 24, 1956, and April 4, 1957.

The particular designation given to a branch by your bank is not a matter requiring the approval of the Board of Governors, but your courtesy in informing the Board of this change in name is appreciated.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.
Board of Directors,
Manufacturers and Traders Trust Company,
Buffalo, New York.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of New York, the Board of Governors of the Federal Reserve System approves the establishment of a branch at 1 East Main Street, Fredonia, New York, by Manufacturers and Traders Trust Company, Buffalo, New York, incident to the proposed merger of Citizens Trust Company of Fredonia, New York, with and into Manufacturers and Traders Trust Company, provided (a) the merger is effected substantially in accordance with the plan of merger dated July 3, 1957, submitted through the Federal Reserve Bank of New York, and (b) the merger and establishment of the branch is accomplished within six months from the date of this letter.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.
Board of Directors,  
Bank of Passaic and Trust Company,  
Clifton, New Jersey.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of New York, the Board of Governors of the Federal Reserve System approves the establishment of a branch by Bank of Passaic and Trust Company, Clifton, New Jersey, at 615 Main Avenue, Passaic, New Jersey, in connection with the removal of its head office from that address to its branch office at 505 Allwood Road, Clifton, New Jersey.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,  
Secretary.
Mr. Paul C. Stetzelberger,
Vice President,
Federal Reserve Bank of Cleveland,
Cleveland 1, Ohio.

Dear Mr. Stetzelberger:

Reference is made to your letter of August 13, 1957, with regard to the request of Bank of Commerce, Lexington, Kentucky, for permission to move its Lafayette Branch from 1974 Harrodsburg Road to 1975 Harrodsburg Road, the new location being directly across the street from the present location.

It would appear that the proposal constitutes a mere relocation of an existing branch in the immediate neighborhood without affecting the nature of its business or the customers served, and, therefore, we concur in your view that the approval of the Board of Governors is not necessary.

Very truly yours,

(Signed) S. R. Carpenter

S. H. Carpenter,
Secretary.
Mr. W. R. Diercks, Vice President,
Federal Reserve Bank of Chicago,
Chicago 90, Illinois.

Dear Mr. Diercks:

This refers to your letter dated July 23, 1957, with which you enclosed copy of an inquiry dated July 12, 1957, by American Fletcher National Bank and Trust Company, Indianapolis, Indiana, concerning the applicability of section 10(a) of Regulation F in certain circumstances. The inquiring bank questioned whether this section, or any other provision of the Regulation, requires the trust investment committee of a national bank to approve the investment of funds

1. where in an agency agreement the principal reserves to himself the right to direct investments of funds transferred to the bank as agent and accepts the bank's promise to abide by such directions; and

2. where the will, deed or other instrument creating the trust authorizes an individual to direct the investment of trust funds in the hands of the trustee bank.

It is noted that in your interpretation approval by the trust investment committee is at least desirable in the first instance and essential in the second. In the opinion of the inquiring bank, no approval is required in either instance.

The provisions of section 10(a) and the language appearing in section 6(c) which states in part: "All investments of trust funds by the trust department of every such national bank shall be made, retained or disposed of only with the approval of the trust investment committee ..." are intended to apply to investment transactions of all fiduciary appointments which repose in the national bank the discretionary responsibility and authority for the acquisition, retention or disposition of
investments. In the instances cited by American Fletcher National Bank and Trust Company, it would appear that the instruments creating the trust or agency relationships do not, under any circumstances, repose in the national bank as trustee or agent authority to take discretionary investment actions; rather, it is assumed from the facts as presented that authority to direct investments is lodged elsewhere than in the bank and that those vested with this discretionary authority actually exercise it and do not delegate it to the bank in its fiduciary or agency capacity. On these assumptions, and in such circumstances, formal approval by the trust investment committee of the directed investment transactions is not necessary. In this regard, it should be observed that section 10(b), dealing with specific investments directed by court order, requires only that such investments be subject to the "supervision of the trust investment committee."

Nevertheless, under any fiduciary or agency appointment where the national bank has no discretionary investment authority, sound principles of trust administration would seem to require that information concerning directed investment transactions be reported to the trust investment committee and a record thereof noted in its minutes.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.
Mr. George E. Kroner,
Vice President,
Federal Reserve Bank of St. Louis,
St. Louis 2, Missouri.

Dear Mr. Kroner:

Reference is made to your letter of August 9, 1957, recommending that the Board approve, under the provisions of Section 24A of the Federal Reserve Act, an investment by Citizens Bank of Pacific, Pacific, Missouri, in bank premises in excess of the capital stock of the bank.

After consideration of all available information, the Board of Governors concurs in the Reserve Bank's recommendation and approves an investment of $29,000 which was used to purchase three improved lots on which the bank proposes to construct new quarters.

Very truly yours,

(Signed) S. R. Carpenter

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

Dear Mr. Millard:

Reference is made to your letter of August 9, 1957, submitting the request of the Twin Falls Bank & Trust Company, Twin Falls, Idaho, for approval, under the provisions of Section 24A of the Federal Reserve Act, of an investment in bank premises in excess of the capital stock of the bank.

After consideration of all available information, the Board of Governors concurs in your recommendation and approves the additional investment of not to exceed $295,000 in banking premises by Twin Falls Bank & Trust Company, Twin Falls, Idaho, for the purpose of remodeling its bank quarters, which amount includes $186,434.81 expended between November 13, 1955 and May 13, 1957.

It is noted that a reduction of $125,000 in the bank's investment in bank premises has been or will be taken through charge-offs prior to completion of the remodeling program.

Very truly yours,

(Signed) S. R. Carpenter

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

Dear Mr. Millard:

This refers to your letter dated June 18, 1957, in which you requested a determination by the Board whether "Common Trust Fund No. 1 of Union Bank & Trust Co. of Los Angeles" could be considered to be a Common Trust Fund operated in conformity with section 17 of Regulation F.

From information submitted, it appears that the Fund is established and maintained exclusively for the collective investment and reinvestment of moneys contributed thereto by the subject bank in its capacity as trustee for such doctors affiliated with the Southern California Permanente Medical Group from time to time as shall have created inter vivos trusts with the subject bank for such purpose. The participating doctors, as trustors, each executes a specially prepared and printed form of revocable trust agreement creating a trust with subject bank as trustee. All moneys deposited with the trustee are to be invested exclusively in Common Trust Fund No. 1, and all net income from investments is to be reinvested in the Fund. Upon termination of a participating trust, principal is payable in accordance with the distributive provisions optional with the trustor and incorporated in the trust instrument. On examination date, April 2, 1957, the Fund had a book value of $52,093, with 80 participating accounts, for an average investment of $651 per account.

Although investment management of the Fund rests entirely with the bank as trustee, the plan of operation provides for an advisory committee, composed of five doctors who have established participating trusts, which will consult with and advise the trustee with respect to investments of the Fund. Copies of the annual report of the Fund have been distributed to all doctors in the Southern California Permanente Group, whether or not they had established trusts participating in the Fund. The advisory committee agreed to prepare a descriptive brochure which would be sent to each doctor joining the Group advising him of the existence and, presumably, the advantages of the Fund.
In addition, the advisory committee has directed a letter to all doctors in the Group stating, among other things, that (1) the purpose of the Fund is to give the associated doctors a trust program based upon monthly increments and quarterly investments; (2) as a suggestion, each participant should send in a year's supply of predated checks; (3) each participant may send in additional moneys at any time; (4) for a participant to benefit from the Fund, it is advisable that he leave his funds in the trust for several years; and (5) any doctor who wishes to participate in the Fund may do so at any time.

Presumably, the trustee bank has no choice but to accept a trust offered by a member of the Group. It thus appears that two important areas of discretion are denied the trustee: the trustee may exercise no discretion in the acceptance of a proffered trust by a member of the Group, and the trustee may invest moneys so made available only in units of participation in Common Trust Fund No. 1.

As pointed out in F.R.L.S. #4103 (1940 Federal Reserve Bulletin 393), in amending Regulation F to permit the operation of Common Trust Funds, the Board intended that a Common Trust Fund should be used merely to aid in the administration of trusts by a trust institution through the commingled investment of funds of various trusts. While the operation of a Common Trust Fund might thus enable a trust institution to accept small trusts which it otherwise would be unwilling to handle, it was contemplated that trust guise or form should not be used to enable a trust institution to operate a Common Trust Fund as an investment trust attracting money seeking investment alone and to embark upon what would be in effect the sale of participations in a Common Trust Fund to the public as investments. It would appear that the latter is precisely what Union Bank & Trust Co. of Los Angeles is doing.

In determining whether a particular trust is created and used for bona fide fiduciary purposes, as required by section 17(a) of the Regulation, it is necessary that the trust investment committee consider not only the terms of the trust instrument, but also other facts and circumstances concerning the creation and use of the trust. The Regulation forbids the investment of funds of a trust in a Common Trust Fund if the trust investment committee has reason to believe that the trust was not created or is not being used for bona fide fiduciary purposes.

From the facts presented, it appears that the principal if not the sole reason for the creation of the trusts participating in the subject commingled Fund is the desire of the doctors who are members of the Group to obtain the benefits of investment management of their pooled funds. Likewise, it appears that there is no reason for the creation of Common Trust Fund No. 1 other than to be used as an investment trust.
Mr. E. R. Millard - 3

to implement this purpose; the fact that participation in the Fund is limited to members of a particular professional group, and is not available to the public in general, is not believed sufficient to alter this view. Therefore, it is the Board's opinion that Common Trust Fund No. 1 of Union Bank & Trust Co. of Los Angeles could not be considered to be one operated in conformity with the Board's Regulation F. Please advise Union Bank & Trust Co. of Los Angeles accordingly.

Since the Fund is considered not to be a Common Trust Fund within the meaning of Regulation F, the prohibitions of sections 17(a) and 17(c)(3) with respect to the use of the annual report as a means of publicizing and advertising the Fund are not applicable. Such publicizing and advertising may be considered, however, as additional evidence that the Fund in question is to be regarded as an investment trust.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.
August 23, 1957

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

Dear Mr. Millard:

This refers to your letter dated July 15, 1957, transmitting a request of The Valley National Bank of Phoenix, Phoenix, Arizona, for a ruling by the Board as to whether a violation of section 12 of Regulation F would result from certain changes contemplated in the method of vault filing bearer coupon bonds belonging to the various trust accounts administered by The Valley National Bank of Phoenix.

The bank states that, under the proposed change, all bearer coupon bonds belonging to each trust would be removed from the various individual account folders where they are presently kept and would be filed by the name of the issuing obligor by interest payment date and in the number order assigned to the various trust accounts. A label securely stapled to each bond would indicate the name and number of the trust account owning the security. The bank anticipates that the proposed change will save considerable time now consumed in the process of locating and clipping coupons from a number of bonds of the same issue presently filed in the various individual account folders.

Based on observations of the present practices employed by banks throughout the country, the proposed change in filing methods would be an unusual administrative procedure. It appears questionable whether the change would work out to the ultimate advantage of the bank, or at least be as time saving as the bank anticipates. Certainly, because of the difficulties which would be encountered in periodically verifying the assets of the individual trust accounts, such a system of filing would impose an additional work load on examinations by supervisory authorities, on examinations by or for the directors, and on internal audits.

Under the provisions of section 11(k) of the Federal Reserve Act, national banks are required by law to segregate all assets held in any fiduciary capacity from the general assets of the bank. This recognizes one of the basic concepts of the fiduciary relationship: that it is the duty of the trustee to keep the trust property separate
from his own property. It has been well established that it is also the
duty of the trustee to keep the trust property separate from property
held upon other trusts. Section 12 of Regulation F reflects the accept-
ance of both these principles as they apply to the exercise of fiduciary
powers by national banks. In consideration of the many different systems
in use by national banks for the protection of trust assets in their cus-
do, section 12 does not prescribe any specific procedure or method
whereby the property of one trust is to be kept separate from the prop-
erty of another, or from the property of the trustee. However, the
language of the section infers that a distinct and physical separation
will be maintained at all times with respect to securities and invest-
ments belonging to the individual trusts, except in those cases where
the funds of the individual trusts may be invested collectively.

While the inquiring national bank bases its argument that a
separation will continue to exist under its proposed filing system on
the premise that the specific label attached to each bond designates
it as owned by an individual trust account, the Board is of the opin-
ion that the possible hazards inherent in merely earmarking bearer
coupon bonds should be avoided, and that the basic concept of the
fiduciary relationship as set forth above will be better served by
a strict adherence to complete separation between the securities
belonging to the various trusts.

The question whether, aside from the provisions of section
12 of Regulation F, the proposed change in filing methods would vio-
late any provisions of State law depends upon factors of which the
Board is not fully advised, and this letter should not be considered
an expression of opinion on this point. Please advise The Valley
National Bank of Phoenix accordingly.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.
The Honorable Emanuel Celler,
Chairman,
Committee on the Judiciary,
House of Representatives,
Washington 25, D. C.

Dear Mr. Celler:

This refers to your letter of August 12, 1957, suggesting that Regulation U, issued by this Board, be amended to permit 75 per cent of the current market value of stock to be loaned by banks for the purpose of purchasing stock pursuant to "restricted stock options".

Such an amendment to Regulation U has been suggested on several occasions in the past from a number of different sources, and has been carefully considered by the Board. As recently as a few months ago, there were several renewals of the suggestion and the Board carefully re-examined the considerations that bear upon this rather difficult question.

As a result of that re-examination, the Board concluded, and is still of the view, that while arguments can be advanced on both sides, it would not be desirable, particularly in view of the present economic climate, to adopt such an amendment to the regulation at this time. The Board recognizes, however, that this is a question which involves a number of closely balanced considerations, and I would like to assure you that the views expressed in your letter have been carefully noted and will be borne in mind in connection with any future consideration or developments with respect to the matter.

Although perhaps not directly in point on the present subject, it may be of interest to note the recent case of Green v. Dietz, decided June 7, 1957, by the United States Court of Appeals in New York. In that case the Securities and Exchange Commission had issued a rule providing in effect that transactions in stock acquired pursuant to an option plan should be exempt from section 16(b) of the Securities Exchange Act. Under section 16(b) profits that insiders make from short-swing trading in stock of their company must be paid
over to the company, and the Court questioned the authority of the SEC to issue the exemption. It was urged in support of the SEC exemption that the tax provisions that apply to the exempted option transactions would discourage short-swing trading by insiders. However, the Court stated that: "The possible inhibiting effects of tax provisions upon the security transactions of insiders is a matter completely apart from that of defining the power of the Securities and Exchange Commission to promulgate a regulation that may permit an abuse sought to be eliminated by section 16(b) ...."

Sincerely yours,

(Signed) C. Canby Balderston

C. Canby Balderston,
Vice Chairman.
August 23, 1957

The Honorable H. E. Cook, Chairman,
Federal Deposit Insurance Corporation,
Washington 25, D. C.

Dear Mr. Cook:

Reference is made to your letter of August 13, 1957, concerning the application of the Saline Savings Bank, Saline, Michigan, for continuance of deposit insurance after withdrawal from membership in the Federal Reserve System.

No corrective programs which the Board of Governors believes should be incorporated as conditions to the continuance of deposit insurance have been urged upon or agreed to by the bank.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.
August 23, 1957

DAVIS - NEW YORK

Your wire August 22. Board approves granting of loan or loans on gold by your Bank to Banco Central de Bolivia of up to $1,000,000 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 mature in three months with option to repay before maturity;

C. Any such loan or loans to be requested and made within thirty days of the date on which the Board approves the granting of such loans;

D. Each such loan to bear interest at the discount rate of your Bank in effect on the date on which such loan is made.

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

(Signed) S. R. Carpenter

CARPENTER
Memorandum of a meeting of the available members of the Board of Governors of the Federal Reserve System which was held in the Board Room on Tuesday, August 27, 1957, at 10:00 a.m.

The respective actions were taken by the available members with the understanding that the actions were subject to ratification at the first meeting of the Board when a quorum was available.

PRESENT: Mr. Balderston, Vice Chairman
Mr. Vardaman
Mr. Robertson

Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Kenyon, Assistant Secretary
Mr. Riefler, Assistant to the Chairman
Mr. Young, Director, Division of Research and Statistics
Mr. Hackley, General Counsel
Mr. Molony, Special Assistant to the Board
Mr. Horbett, Associate Director, Division of Bank Operations
Mr. Hostrup, Assistant Director, Division of Examinations

Requests for information received from Congressman Patman (Items M-14 and M-15). Pursuant to the understanding at the meeting of available members of the Board on August 23, 1957, there had been distributed copies of a revised draft of letter to Congressman Patman regarding the status, as public officials, of officers and employees of the Federal Reserve System other than members of the Board.

The revised draft was reviewed and several changes were agreed upon, reflecting suggestions made by members of the Board and the staff. At the conclusion of the discussion, unanimous approval was given to a letter to Mr. Patman in the form attached hereto as Item No. M-14.
There had also been distributed copies of a draft of a second letter to Mr. Patman which would transmit certain documents and data requested in his two letters dated August 14, 1957, and in his letter of August 21, 1957.

In response to a question by Governor Balderston, who noted that the proposed letter would not refer to information requested by Mr. Patman with respect to open market operations, Mr. Riefler summarized telephone conversations yesterday with a staff member of the House Banking and Currency Committee which indicated that Mr. Patman was aware of the amount of work involved in compiling the open market data, particularly the record of transactions in the System Open Market Account since 1951, and that his most pressing request was for the reports of examination and audit referred to in his letter of August 21, 1957. Mr. Riefler also said that a letter which would transmit some of the open market information had been drafted, but that he would like to clear it with the Federal Reserve Bank of New York, particularly in view of the instruction of the Federal Open Market Committee which was in terms that he and Mr. Rouse, Manager of the Open Market Account, would collaborate in the preparation of the data sought by Mr. Patman. He believed that answers to some of the open market questions could be ready for transmittal before the end of this week.
In further discussion, during which Mr. Cherry, Legislative Counsel, was called into the meeting, question was raised whether the correspondence with Mr. Patman should cite the amount of staff time required to prepare the requested information. Governor Vardaman suggested that although records should be kept on the time spent at the Board and the Reserve Banks, it would not be advisable to set forth these data in connection with furnishing the information.

In additional comments, Governor Vardaman said that he felt the Board should take all the time necessary to compile the requested data, that it should move deliberately, and that it should not make promises as to when the information would be made available. He was of the opinion that the matter should be handled in routine channels and that the work should not be done on an overtime basis.

Question then was raised regarding the procedure followed in transmitting requested documents and information. It was agreed that the procedure should continue to be followed of sending all documents such as examination and audit reports direct to the House Banking and Currency Committee and that copies of all letters to Mr. Patman supplying other items of requested information should be sent to Committee Chairman Spence.

At the conclusion of the discussion, unanimous approval was given to a letter to Congressman Patman in the form attached hereto as Item No. M-15.
Repurchase agreements. Governor Robertson referred to the changes in the Comptroller of the Currency's investment securities regulation, effective August 16, 1957, which gave effect to the decision that repurchase agreements on Government securities would henceforth be regarded as loan transactions subject to paragraph 8 of section 5200, Revised Statutes, rather than transactions subject to the investment securities regulation. He said that Aubrey Lanston, a Government securities dealer, had written to the Comptroller of the Currency in protest, that after checking with a number of sources, including members of the Federal Advisory Council, the Comptroller wrote to Mr. Lanston expressing disagreement with his contentions, and that Mr. Lanston then wrote to Mr. Patman and several other members of the Congress asking for legislation at this session because the ruling was allegedly going to raise the rates on Government securities and bring about certain other developments. Mr. Patman, he said, then wrote to the Comptroller requesting that the effective date of the ruling be deferred pending further hearings on the Financial Institutions Act, because provisions of the Act refer specifically to repurchase agreements.

The Comptroller, therefore, was in a position of having to respond to Mr. Patman and also to other members of the Congress who might inquire concerning the matter. Consequently, Governor Robertson said, he had asked the Federal Reserve Bank of New York to make inquiry
concerning the views of other Government securities dealers and their problems, if any, attributable to the regulation. He had also asked the Board's legal staff to review carefully the representations made by Mr. Lanston. By these means, he hoped that the exact situation could be developed and that the Comptroller could then be given such advice as seemed appropriate in the circumstances.

Governor Robertson indicated that at present he was inclined to feel that Mr. Lanston was "making a mountain out of a molehill". However, if it should develop that the current regulation was making it difficult for the dealers to finance themselves, this would of course be a matter of concern to the System. In that event, the current limitations possibly should be eased, but he continued to feel that the repurchase transactions should properly be regarded as loan rather than investment transactions.

Governor Robertson concluded by saying that no action on the part of the Board was required at this time and that he was making this interim report only in order that the Board might be informed of developments.

Messrs. Sherman, Riefler, Young, Cherry, Molony, and Horbett then withdrew from the meeting.

Application for general voting permit (Item No. M-16).
Reference was made to a memorandum from the Division of Examinations dated August 8, 1957, which had been distributed, concerning the
application of Transamerica Corporation, San Francisco, California, for a general voting permit covering stock owned or controlled in twelve subsidiary member banks, including all of Transamerica's subsidiary member banks for which it had not previously been granted general voting permits except Southern Arizona Bank and Trust Company, Tucson, Arizona. Since Transamerica controls banks in the Ninth, Tenth, Eleventh, and Twelfth Federal Reserve Districts, the Federal Reserve Banks in those Districts had been contacted and each Bank had recommended that the current application be granted. This was also the recommendation of the Division of Examinations after analysis of the application in the light of the factors required by section 5144 of the Revised Statutes to be considered in a case of this kind.

Mr. Hostrup commented that while certain of the member banks had some problems, experience would indicate that Transamerica could be expected to work in the direction of curing those problems and that the probable effect of Transamerica control on the condition of the banks would be beneficial.

Thereupon, the issuance of the requested general voting permit was approved unanimously. A copy of the telegram sent to the Federal Reserve Agent at San Francisco pursuant to this action is attached hereto as Item No. M-16.

Change in name of The Chase Bank (Item No. M-17). On February 21, 1957, the Board granted permission for The Chase Bank to be a
financing corporation, subject to the provisions of Regulation K as revised effective January 15, 1957, with the understanding that the name of the corporation would be changed to "Chase International Investment Corporation". At that time Governor Robertson dissented with respect to the change in name because he considered the proposed new name as being inconsistent with provisions of Regulation K which state that no financing corporation hereafter organized shall have a name which is similar to the name of, or identifies the corporation with, any bank in the United States with which such financing corporation is affiliated. At the February meeting, also, Governor Mills had refrained from participating in the discussion because the question was related to provisions of the revised Regulation K and he had opposed the adoption of the revised Regulation.

In a letter dated August 14, 1957, transmitted through the Federal Reserve Bank of New York, the Cashier of The Chase Bank advised that at a special meeting of stockholders on that date the corporation's articles of association were amended to change the title of the corporation to "Chase International Investment Corporation", and the Board's approval of this amendment was requested. A draft of proposed favorable response had been distributed prior to this meeting.

In the course of discussion, during which Mr. Goodman, Assistant Director, Division of Examinations, was called into the room, Governor Robertson referred to the position which he had taken at the meeting on
February 21, 1957, and stated that he would like to be recorded as favoring the current request solely because it was in line with the action already taken by the Board. In principle, he said, his views continued to be as he had stated previously.

Governor Vardaman said that he would be inclined to favor a change in Regulation K on this point, since he thought more latitude in the use of names should be provided, and that such an amendment to the Regulation should be prepared.

Thereupon, the proposed letter to The Chase Bank was approved unanimously, for transmittal through the Federal Reserve Bank of New York. A copy of the letter is attached hereto as Item No. M-17.

The meeting then adjourned.
The Honorable Wright Patman,
House of Representatives,
Washington 25, D. C.

Dear Mr. Patman:

This is in response to your letter of August 22, regarding the status of officers and employees of the Federal Reserve System, other than the members of the Board, as public officials.

The Federal Reserve Banks are instrumentalities of the Government with public functions. In that sense, the officers and employees of the Federal Reserve Banks are engaged in the performance of public service and hence can be considered to be public officials. However, they are not officers or employees of the United States Government and do not subscribe to the oath of office taken by officers and employees of the Federal Government.

Some of the officers and employees of the Federal Reserve System, other than the Board and its staff, can be considered as public officials of the United States Government. They are the members and alternate members of the Federal Open Market Committee, and the Federal Reserve Agents and Assistant Federal Reserve Agents at the various Federal Reserve Banks.

The Federal Open Market Committee is, of course, a Governmental body created by the Federal Reserve Act. The Reserve Bank Presidents and First Vice Presidents who are members or alternate members of the Committee serve in a dual capacity. As such members they subscribe to the constitutional oath of office prescribed by section 16 of Title 5 of the United States Code. In their capacity as officers of the Reserve Banks, however, they have the different status indicated in the second paragraph of this letter.

The Federal Reserve Agent at each Federal Reserve Bank, who is also Chairman of its Board of Directors, acts in his capacity as Federal Reserve Agent as an agent and representative of the Board of Governors and as such takes the oath of office prescribed by the
above-mentioned provisions of the United States Code. For similar reasons, the Federal Reserve Agent's Assistants likewise subscribe to the statutory oath of office.

I trust that this will supply the information you desire.

Sincerely yours,

C. Canby Balderston,
Vice Chairman.
The Honorable Wright Patman,
House of Representatives,
Washington, D. C.

Dear Mr. Patman:

Pursuant to the request contained in your letter of August 21, 1957, the reports of examination of the Federal Reserve Bank of New York for the years 1947 through 1951 and the reports of audit of the System Open Market Account for the years 1939 through 1950 (the report for 1951 was sent with the letter of August 13, 1957) are being sent today under separate cover to the offices of the Committee on Banking and Currency. These documents are being sent to the Committee with the understanding that they may be made available in confidence to you and your staff, as well as to other Members of Congress and the staff of such Committee. Since these reports are the only copies in our files, it will be appreciated if they are returned to the Board as soon as they have served your purpose.

The reports of examination of the Federal Reserve Bank of New York for the years prior to 1947 are available only in the form of microfilm copies. The year 1939 is the earliest year for which a separate report on the System Open Market Account was prepared. Prior to that time, information regarding the Account was included in the reports of examination of the Federal Reserve Bank of New York.

The information requested in paragraph (3) of your longer letter of August 11 is not yet ready, but it is hoped that it can be forwarded within the next week. The information requested in paragraph numbered (h) in the same letter is attached.

As requested in items (1) and (2) of your other letter of August 11, there are enclosed (1) a copy of the Board's Regulation A, and (2) copies of the Board's letters to the Federal Reserve Banks of October 10, 1949, and January 12, 1950, which contain the current
instructions to the Reserve Banks with respect to the waiver of penalties for deficiencies in reserves of member banks. Except for paragraphs C and D in the attachment to the letter of October 10, 1949, these instructions have not been made public and, therefore, they are being sent with the understanding that they may be made available in confidence to you and your staff, as well as to other Members of Congress and the staff of the House Banking and Currency Committee.

With respect to paragraph numbered (b) in your August 21 letter, which refers to the information requested in your letter of August 16, we have asked the Federal Reserve Banks to submit the items in accordance with the form of statement agreed upon. Because of the amount of work involved, it is probable that it will require about a month to compile the information and hence there will be a delay in the reply to your letter of August 16.

Work on the other matters referred to in your letter of August 21 is going forward.

Sincerely yours,

C. Canby Balderston,
Vice Chairman.

Enclosures
BRAVER - SAN FRANCISCO

A. Transamerica Corporation, San Francisco, California
B. The American National Bank of Denver, Denver, Colorado
   Englewood State Bank, Englewood, Colorado
   The First National Bank in Fort Collins, Fort Collins, Colorado
   Bank of Idaho, Boise, Idaho
   The Conrad National Bank of Kalispell, Kalispell, Montana
   Montana Bank, Great Falls, Montana
   Roswell State Bank, Roswell, New Mexico
   Santa Fe National Bank, Santa Fe, New Mexico
   Walker Bank & Trust Company, Salt Lake City, Utah
   The Casper National Bank, Casper, Wyoming
   The First National Bank of Laramie, Laramie, Wyoming
   The First National Bank of Riverton, Riverton, Wyoming

C. Prior to the issuance of permit, authorized herein, applicant shall execute and deliver to you in duplicate an agreement in form accompanying Board's letter S-964 (F.R.L.S. #7190).

SHERMAN
(Signed) Merritt Sherman
Mr. Mortimer J. Palmer, Cashier,
The Chase Bank,
Pine Street corner of Nassau,

Dear Sir:

This will acknowledge receipt of your letter of August 14, 1957, transmitted through the Federal Reserve Bank of New York, enclosing a certified copy of a resolution adopted at a special meeting of stockholders of your corporation held on August 14, 1957, amending the articles of association to change the title of the corporation from "The Chase Bank" to "Chase International Investment Corporation".

In accordance with your request, and in line with the Board's letter of February 21, 1957, granting permission for The Chase Bank to be a Financing Corporation, subject to the provisions of Regulation K as revised effective January 15, 1957, with the understanding that the name of the corporation would be changed to "Chase International Investment Corporation", the Board of Governors approves the amendment to your articles of association.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.
Memorandum of a meeting of the available members of the Board of Governors of the Federal Reserve System which was held in the Board Room on Friday, August 30, 1957, at 10:00 a.m.

The actions referred to in this memorandum were taken by the available members with the understanding that they were subject to ratification at the first meeting of the Board when a quorum was available.

PRESENT: Mr. Balderston, Vice Chairman
   Mr. Robertson
   Mr. Carpenter, Secretary
   Mr. Sherman, Assistant Secretary
   Mr. Kenyon, Assistant Secretary
   Mr. Marget, Director, Division of International Finance
   Mr. Hackley, General Counsel
   Mr. Horbett, Associate Director, Division of Bank Operations
   Mr. Hostrup, Assistant Director, Division of Examinations
   Mr. Goodman, Assistant Director, Division of Examinations
   Mr. Katz, Chief, British Commonwealth, Scandinavia, and Near East Section, Division of International Finance

The Vice Chairman stated that Governor Vardaman, in a telephone conversation yesterday afternoon, had advised that he would have no objection to approval of any of the items that were listed for consideration at this meeting.

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

Letter to the Federal Reserve Bank of New York interposing no objection to a leave of absence without pay for Merlyn N. Trued in connection with a proposed mission to Viet-Nam.

Item No. M-18
Letter to the Superintendent of Banks for Ecuador advising of the selection of Messrs. Clarke and Ciancimino of the Federal Reserve Bank of New York to render certain requested technical assistance. (With a copy to the Federal Reserve Bank of New York)

Letter to Security Bank and Trust Company, Danville, Virginia, approving the establishment of a branch on Riverside Drive, at an intersection of U. S. Routes 58 and 29, rather than at a location previously approved by the Board. (For transmittal through the Federal Reserve Bank of Richmond)

Letter to Marion National Bank, Marion, South Carolina, granting its application for permission to exercise a specific fiduciary power. (For transmittal through the Federal Reserve Bank of Richmond)

Letter to the Federal Reserve Bank of Chicago extending the time within which Union Bank of Michigan, Grand Rapids, Michigan, may establish an in-town branch.

Letter to City Bank and Trust Company, Jackson, Michigan, approving the establishment of a branch in Vandercook Lake, Michigan. (For transmittal through the Federal Reserve Bank of Chicago)

Letter to Union Bank & Trust Co. of Los Angeles, Los Angeles, California, approving the establishment of four branches incident to a proposed merger with Occidental Savings & Commercial Bank, also of Los Angeles. (For transmittal through the Federal Reserve Bank of San Francisco)

Telegram to the Federal Reserve Bank of New York authorizing the Bank to open and maintain an account in the name of the Bank of Ghana.
Opening of accounts for foreign central banks. With reference to the foregoing action authorizing the opening of an account in the name of the Bank of Ghana, Governor Robertson inquired whether it was regarded as necessary for the Board to grant specific authority to the Federal Reserve Bank of New York in each individual case where it was proposed to open an account for a foreign correspondent.

Mr. Marget responded by referring to the provisions of the Board's Regulation N, as revised effective January 1, 1944, and to a memorandum prepared recently by Mr. Fauver, Assistant Secretary, which traced the reasons for the Board's decision to require approval of the opening of an account in each individual case in lieu of a blanket authorization. After citing instances in the past where the New York Reserve Bank had reached a negative decision in a matter of this kind without checking with the Board, he expressed the view that procedures should continue to require reference of each case to the Board for review and for discussion with other appropriate Governmental agencies if necessary, although he would be inclined to favor a modification of procedural arrangements within the Board's organization which would insure a prompt reply to the New York Bank.

Mr. Carpenter noted that there was some feeling within the staff that if some arrangement could be worked out to assure clearance of any questionable matters, perhaps it would not be necessary to bring each individual case before the Board for action. He also pointed out that...
the subject might not be too important at this time because correspondent relationships with central banks in most foreign countries had already been established.

Messrs. Marget, Goodman, and Katz then withdrew from the meeting.

Letter from Congressman Patman. Governor Balderston called attention to a letter from Congressman Patman dated August 29, 1957, requesting certain information on Federal Reserve Bank and branch expenditures for new buildings, alterations, and modernization for each of the years 1950 through 1956.

Following a discussion, it was understood that the Division of Bank Operations would draft a reply.

During the discussion Mr. Cherry, Legislative Counsel, was called into the meeting and explained, at Governor Robertson’s request, the basis on which it had been agreed at the recent hearings on the Financial Institutions Act that additional information might be requested from the Board by members of the House Banking and Currency Committee.

Discount rates. Telegrams 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 were approved unanimously:
Visit by representatives of Investment Bankers Association.

Governor Balderston reported that at the request of a spokesman for the Investment Bankers Association, arrangements had been made for a group from the Association to meet with available members of the Board or staff from 8:45 to 9:30 a.m. on September 10, 1957, for discussion of current economic developments.

The meeting then adjourned.

[Signature]

Secretary
Mr. Thomas O. Waage, Secretary,
Federal Reserve Bank of New York,
33 Liberty Street,
New York 45, New York.

Dear Mr. Waage:

This letter is in response to your communication of August 12 advising that, in response to a request from Day & Zimmerman, Inc., Philadelphia, a leave of absence without pay has been granted Mr. Merlyn N. Trued, Special Assistant, Foreign Department, to permit him to accept the position of General Economist with a team of specialists organized by them to undertake a survey and report on the economic and industrial development of Viet-Nam.

It is understood that Mr. Trued's leave of absence without pay commences in the latter part of August or early in September for a period of approximately six months (plus travel time) and that the terms of Mr. Trued's services have been worked out by Mr. Trued with Day & Zimmerman, Inc., with the knowledge and consent of the Federal Reserve Bank of New York.

The Board of Governors interposes no objection to the arrangements with respect to Mr. Trued described in your letter.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.
Your reference: No. 298-G

AIR MAIL

Mr. Guillermo Borja Enriquez,
Superintendent of Banks,
Quito, Ecuador.

Dear Mr. Borja:

This letter is in response to your letters of August 6 and 9 to Chairman Martin in which you requested the Federal Reserve System to supply one or two specialists to review and advise on banking regulations in Ecuador in accordance with discussions between Mr. Marget, Director of the Board's Division of International Finance, and Mr. Curran of the Special Economic Mission to Ecuador.

As you were advised in my cable of this date, Mr. John J. Clarke, Assistant General Counsel, assisted by Mr. Matthew R. Ciancimino, who are with the Federal Reserve Bank of New York, have been selected for this assignment.

It is understood that the salaries of Messrs. Clarke and Ciancimino are to be paid by the Federal Reserve Bank of New York and that their travel and local expenses will be paid by the Central Bank of Ecuador. It is suggested that the Central Bank of Ecuador confirm the detailed administrative arrangements directly with the Federal Reserve Bank of New York at their early convenience since the two-man team proposes to leave for Ecuador on September 7.

Sincerely yours,

(Signed) C. Canby Balderston

C. Canby Balderston,
Vice Chairman.
Board of Directors,
Security Bank and Trust Company,
Danville, Virginia.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Richmond, the Board of Governors of the Federal Reserve System approves the establishment of a branch by Security Bank and Trust Company, Danville, Virginia, in a shopping center to be constructed on Riverside Drive at the intersection of U. S. Routes 58 and 29, in Danville, Virginia, instead of on the south side of Riverside Drive (U. S. Route 58), on the east boundary of Neal's warehouse property, provided the branch is established by May 9, 1958, and the approval of the State authorities is in effect as of the date the branch is established.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.
Board of Directors,
Marion National Bank,
Marion, South Carolina.

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 for a $125,000 mortgage bond issue of Manning Street Corporation, Marion, South Carolina, the exercise of such authority 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 certificate covering such authorization is enclosed.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Assistant Secretary.

Enclosure
Mr. W. R. Diercks, Vice President,  
Federal Reserve Bank of Chicago,  
Chicago 90, Illinois.  

Dear Mr. Diercks:  

Reference is made to your letter of August 19, 1957, submitting the request of the Union Bank of Michigan, Grand Rapids, Michigan, for an extension of time within which to establish a branch in the vicinity of the intersection of Michigan Street, N. E. and Fuller Avenue, N. E., Grand Rapids, Michigan.  

In view of the delay encountered in completing construction of the branch building, the Board concurs in your favorable recommendation and extends to September 6, 1957, the time within which the establishment of the branch, as originally approved in the Board's letter of May 25, 1956, may be accomplished, provided 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. M-23
8/30/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 30, 1957

Board of Directors,
City Bank and Trust Company,
Jackson, Michigan.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Chicago, the Board of Governors of the Federal Reserve System approves the establishment of a branch by the City Bank and Trust Company, Jackson, Michigan, at 4608 Francis Street, in the unincorporated village of Vandercook Lake, Michigan, provided the branch is established within nine months from the date of this letter, and approval of the State authorities is in effect as of the date the branch is established.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.
Board of Directors,
Union Bank & Trust Co. of Los Angeles,
Los Angeles, California.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of San Francisco, the Board of Governors approves the establishment by Union Bank & Trust Co. of Los Angeles, Los Angeles, California, of branches at:

12140 Victory Boulevard, Los Angeles (North Hollywood), California,
16926 Saticoy Street, Los Angeles (West Van Nuys), California,
8620 Van Nuys Boulevard, Los Angeles (Panorama City), California, and
in the vicinity of the intersection of Riverside Drive and Lankershim Boulevard in the Toluca Lake Area of Los Angeles (North Hollywood), California,

provided: (a) the merger with Occidental Savings & Commercial Bank, Los Angeles, California, is effected substantially in accordance with the terms of the agreement to merge dated July 15, 1957; (b) shares of stock not taken by dissenting shareholders are disposed of within six months after the date of acquisition; (c) the branches are established within six months from the date of this letter; and (d) formal approval of the State authorities is effective at the time the branches are established.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON

August 30, 1957

SANFORD - NEW YORK

Your wire August 28. Board approves the opening and maintenance of an account on your books in the name of the Bank of Ghana, subject to the usual terms and conditions upon which your Bank maintains accounts for foreign central banks and governments.

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

(Signed) S. R. Carpenter

CARPENTER
Mr. John B. Woodward, Jr., Chairman
Federal Reserve Bank of Richmond,
Richmond 13, Virginia.

Dear Mr. Woodward:

The Board of Governors has approved effective January 1, 1958, the adjustments proposed in your letter of August 12, 1957, for the minimums and maximums of the salary structure of the Officers' Salary Administration Plan of the Federal Reserve Bank of Richmond as follows:

<table>
<thead>
<tr>
<th>Group</th>
<th>Minimum</th>
<th>Maximum</th>
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<tbody>
<tr>
<td>A</td>
<td>$15,000</td>
<td>$22,500</td>
</tr>
<tr>
<td>B</td>
<td>12,500</td>
<td>18,000</td>
</tr>
<tr>
<td>C</td>
<td>10,000</td>
<td>15,000</td>
</tr>
<tr>
<td>D</td>
<td>8,500</td>
<td>12,500</td>
</tr>
</tbody>
</table>

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Assistant Secretary.
CONFIDENTIAL (FR)

Mr. Leslie N. Perrin, Chairman,
Federal Reserve Bank of Minneapolis,
Minneapolis 2, Minnesota.

Dear Mr. Perrin:

The Board of Governors has approved effective immediately the adjustments proposed in Mr. Deming's letter of August 19, 1957, for the minimums and maximums of the salary structure of the Officers' Salary Administration Plan of the Federal Reserve Bank of Minneapolis as follows:

<table>
<thead>
<tr>
<th>Group</th>
<th>Minimum</th>
<th>Maximum</th>
</tr>
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<tbody>
<tr>
<td>A</td>
<td>$15,000</td>
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<tr>
<td>B</td>
<td>12,500</td>
<td>18,000</td>
</tr>
<tr>
<td>C</td>
<td>10,500</td>
<td>14,500</td>
</tr>
<tr>
<td>D</td>
<td>9,000</td>
<td>12,000</td>
</tr>
</tbody>
</table>

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Assistant Secretary.
Mr. Frederick L. Deming, President,
Federal Reserve Bank of Minneapolis,
Minneapolis 2, Minnesota.

Dear Mr. Deming:

In accordance with your letter of August 14, 1957, the Board of Governors approves the following minimum and maximum salaries for the respective grades of the employees' salary structure applicable to the Federal Reserve Bank of Minneapolis and its Helena Branch effective immediately:

<table>
<thead>
<tr>
<th>Grade</th>
<th>Minimum Salary</th>
<th>Maximum Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$2,000</td>
<td>$3,300</td>
</tr>
<tr>
<td>2</td>
<td>2,100</td>
<td>3,300</td>
</tr>
<tr>
<td>3</td>
<td>2,330</td>
<td>3,460</td>
</tr>
<tr>
<td>4</td>
<td>2,580</td>
<td>3,870</td>
</tr>
<tr>
<td>5</td>
<td>2,870</td>
<td>4,360</td>
</tr>
<tr>
<td>6</td>
<td>3,240</td>
<td>4,900</td>
</tr>
<tr>
<td>7</td>
<td>3,630</td>
<td>5,460</td>
</tr>
<tr>
<td>8</td>
<td>4,060</td>
<td>6,090</td>
</tr>
<tr>
<td>9</td>
<td>4,530</td>
<td>6,770</td>
</tr>
<tr>
<td>10</td>
<td>5,030</td>
<td>7,520</td>
</tr>
<tr>
<td>11</td>
<td>5,300</td>
<td>8,350</td>
</tr>
<tr>
<td>12</td>
<td>5,590</td>
<td>9,300</td>
</tr>
<tr>
<td>13</td>
<td>6,200</td>
<td>10,330</td>
</tr>
<tr>
<td>14</td>
<td>6,900</td>
<td>11,430</td>
</tr>
<tr>
<td>15</td>
<td>7,670</td>
<td>12,630</td>
</tr>
<tr>
<td>16</td>
<td>9,370</td>
<td>$ -</td>
</tr>
</tbody>
</table>

The Board approves the payment of salaries to the employees, other than officers, within the limits specified for the grades in which the positions of the respective employees are classified. It is assumed that all employees whose salaries are below the minimum of their grades as a result of the structure increase will be brought within the appropriate range as soon as practicable and not later than December 1, 1957.
The Board understands that salary increases resulting from this adjustment will approximate $6,000 for which no provision has been made in the 1957 budget of the Bank.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Assistant Secretary.
September 3, 1957

Mangels - San Francisco

Reurlet August 14, 1957. Board will interpose no objection to the purchase of the Eastman Kodak Company property at Battery, Halleck and Sacramento Streets at a price approximating $400,000.

(Signed) Merritt Sherman

SHERMAN
Waage - New York

Reurtel today. Board approved, effective August 23, for your Bank (a) rate of 3-1/2 per cent on discounts for and advances to member banks under Sections 13 and 13a, (b) other rates as set forth in your telegram of today, and (c) establishment by your Bank without change of remaining rates in Bank's existing schedule.

(Signed) S. R. Carpenter

CARPENTER

The rates referred to in (b) above were as follows:

On advances to member banks under Section 10(b)--4 per cent;

On advances to individuals, partnerships, and corporations other than member banks under last paragraph of Section 13--4-1/4 per cent;

On advances direct to industrial and commercial businesses under Section 13b, including advances made in participation with financing institutions--a range of 4-1/4 to 6 per cent, provided that no commitment shall be given on a loan on which the borrower is charged more than 6 per cent.
August 22, 1957

Fulton - Cleveland

Reurtel today. Board approved, effective August 23, for your Bank (a) rate of 3-1/2 per cent on discounts for and advances to member banks under Sections 13 and 13a, (b) other rates as set forth in your telegram of today, and (c) establishment by your Bank without change of remaining rates in Bank's existing schedule.

(Signed) S. R. Carpenter

CARPENTER

The rates referred to in (b) above were as follows:

On advances to member banks under Section 10(b)--4 per cent;

On advances to individuals, partnerships, and corporations other than member banks under last paragraph of Section 13--4-1/2 per cent;

On advances direct to industrial and commercial businesses under Section 13b, including advances made in participation with financing institutions--a range of 4 to 6 per cent.
August 21, 1957

KING - BOSTON

Reurteil August 19, 1957, Board approves designation of William C. Baldwin as special assistant examiner for the Federal Reserve Bank of Boston.

(Signed) S. R. Carpenter

CARPENTER
Mr. H. H. Kimball, Vice President,
Federal Reserve Bank of New York,
New York 45, N. Y.

Dear Mr. Kimball:

In accordance with the request contained in your letter of August 15, 1957, the Board approves the appointment of Lester P. Philp, Jr., as an Assistant Examiner for the Federal Reserve Bank of New York.

Please advise as to the date on which the appointment is made effective.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.
August 21, 1957

DEMING - MINNEAPOLIS

Reurlet August 19, 1957, Board approves appointment of James Francis Corcoran as assistant examiner for Federal Reserve Bank of Minneapolis. Please advise date upon which appointment is made effective.

(Signed) S. R. Carpenter

CARPENTER
Mr. L. G. Pondrom, Vice President,
Federal Reserve Bank of Dallas,
Dallas 13, Texas.

Dear Mr. Pondrom:

In accordance with the request contained in your letter of August 19, 1957, the Board approves the appointment of Jesse D. Sanders as an Assistant Examiner for the Federal Reserve Bank of Dallas.

Please advise us as to the date upon which the appointment is made effective.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.
Mr. Z. C. Fenner, Chief Examiner,  
Federal Reserve Bank of Philadelphia,  
Philadelphia 1, Pennsylvania.

Dear Mr. Fenner:

In accordance with the request contained in your letter of August 26, 1957, the Board approves the appointment of John F. Manning as an assistant examiner for the Federal Reserve Bank of Philadelphia. Please advise the Board as to the date on which the appointment is made effective.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Assistant Secretary.
National Surety Corporation,  
412-424 Woodward Building,  
Washington 5, D. C.

Attention Mrs. Finch

Gentlemen:

Please make the following changes in our Name Schedule  
Bond No. 837151, effective immediately:

Delete:  
Josephine E. Lally, Deputy Disbursing Officer  
$25,000

Add:  
Benjamin R. Reading, Accountant  
5,000

Increase:  
Susie T. Oros, Disbursing Assistant  
(formerly Accounting Clerk) from $15,000 to  
25,000

F. Allison Kramer, Accounting Clerk  
from $10,000 to  
15,000

The above changes indicate a net decrease in coverage of  
$5,000, on which premium refund adjustment should be made by check  
payable to the Board.

Please furnish an appropriate rider to be attached to the  
bond, together with the necessary application form to be completed  
by Mr. Reading, who is being covered by bond for the first time.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,  
Secretary.