

Minutes for September 6, 1957

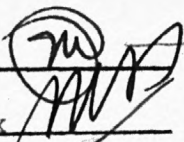

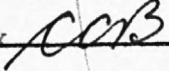

To: Members of the Board

From: Office of the Secretary

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

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

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

	A	B
Chm. Martin		x _____
Gov. Szymczak	x _____	_____
Gov. Vardaman	x _____	_____
Gov. Mills		_____
Gov. Robertson	x _____	_____
Gov. Balderston	x 	_____
Gov. Shepardson	_____	x 

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, September 6, 1957. The Board met in the Board Room at 10:00 a.m.

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

Mr. Carpenter, Secretary  
Mr. Sherman, Assistant Secretary  
Mr. Kenyon, Assistant Secretary  
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. Hexter, Assistant General Counsel  
Mr. Davis, Assistant Counsel

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

	<u>Item No.</u>
Letter to The First National City Bank of New York approving a proposed temporary relocation of its Tokyo branch. (For transmittal through the Federal Reserve Bank of New York)	1
Letter to The First National City Bank of New York approving the temporary relocation of its Caguas, Puerto Rico, branch. (For transmittal through the Federal Reserve Bank of New York)	2
Letter to the Federal Reserve Bank of Cleveland extending the time within which The Cleveland Trust Company, Cleveland, Ohio may establish a branch in Shaker Heights, Ohio.	3

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	<u>Item No.</u>
Letter to the Comptroller of the Currency regarding a proposal to consolidate The First National Bank of Herkimer, Herkimer, New York, and The Middleville National Bank, Middleville, New York.	4
Letter to the Federal Deposit Insurance Corporation regarding the application of South Main State Bank, Houston, Texas, for continuation of deposit insurance after withdrawal from membership in the Federal Reserve System.	5
Letters to the Chairman of the Presidents' Conference and the President of the Federal Reserve Bank of Chicago regarding the safekeeping of securities owned by States and municipalities.	6,7

Salary structure for officers at Boston Reserve Bank (Item No. 8). There had been circulated to the members of the Board a file relating to a request from the Federal Reserve Bank of Boston for approval of an upward revision in the Bank's salary structure applicable to officers other than the President and the First Vice President. The recommendation of the Division of Personnel Administration was favorable.

Governor Vardaman stated that he would be willing to go along with the proposed salary structure on the basis that such action would be in line with approval over the past several months of similar salary structure revisions for other Federal Reserve Banks. He continued to feel, however, that the pattern of officers' salary administration at the Reserve Banks was bad and that the salaries had gotten out of line with services rendered.

These comments by Governor Vardaman led to a general discussion of the reasons for and principles underlying the officers' salary

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administration plans at the Federal Reserve Banks which were approved by the Board in 1953, and also of the procedures followed in reviewing increases in officers' salaries during the ensuing years. This discussion suggested that current procedures might permit an unduly large proportion of the salaries of individual officers to move toward the upper extremes of the respective salary groups, and the view was expressed that it would be desirable for the Board to study to what extent such a trend might have progressed in order that any understandings that seemed necessary could be reached with the Reserve Banks. For the purpose of review by the Board, it was suggested that the Division of Personnel Administration submit a tabulation showing, for individual officers, comparative salaries in 1950, in 1955, and at the present time, together with the maximum salary which could be paid to each officer under the applicable existing salary structure. Governor Robertson suggested additionally that the material submitted to the Board set forth comparative salaries for the Presidents and First Vice Presidents, who are excluded from the officers' salary structures, as well as recommended salary increases for Reserve Bank officers that had been turned down by the Board during the period referred to by Governor Vardaman. Governor Balderston proposed attaching copies of any letters from the Board to the Reserve Banks regarding salary administration practices as to which the Board had raised a question.

At the conclusion of the discussion, it was agreed that the Division of Personnel Administration would submit information of the



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kind mentioned as promptly as possible. With this understanding, the recommended revision of the officers' salary structure at the Federal Reserve Bank of Boston was approved unanimously. A copy of the letter sent to the Bank pursuant to this action is attached to these minutes as Item No. 8.

Discount rates. Telegrams to the following Federal Reserve Banks approving the establishment without change on the dates indicated of the rates of discount and purchase in their existing schedules were approved unanimously:

Minneapolis	September 3
New York	September 5
Philadelphia	September 5
Cleveland	September 5
Chicago	September 5
Kansas City	September 5
Dallas	September 5

Recruitment of staff for field examining force. Governor Robertson referred to difficulties encountered in recruiting and maintaining a staff of appropriate calibre on the field examining force of the Division of Examinations and suggested that there be submitted for consideration at the next meeting of the Presidents' Conference a proposal under which persons would be selected for employment by the respective Banks and then assigned to the Board's staff for a period of perhaps three years, following which the employee, if he so desired, would have the privilege of going back to the Reserve Bank by which he had been employed. This would be with the understanding, of course, that the Board would pay the employee's salary during the period that he was assigned to its staff. A plan of this kind, Governor Robertson

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said, would allow the Reserve Banks to select persons they considered desirable and, by holding out to applicants an opportunity to leave travel status after a stated period, might increase the availability of stronger candidates for the examining staff.

Governor Vardaman suggested a possible variation pursuant to which the respective Reserve Banks would assign regularly to the Board's field staff an agreed upon number of men from their own staffs for a minimum period of perhaps two years, with the understanding that the persons assigned would have had at least one year of service at the Bank. The principal reasons for his alternative suggestion were that he doubted whether the Reserve Banks should be obliged to hold positions for persons whose performance they had not had an opportunity to observe and that he felt such a procedure would do more to insure the quality of personnel assigned to the Board's field staff.

Governor Balderston discussed the progress of the fellowship program which the Board had approved for trial at the Federal Reserve Bank of Chicago and noted that, in giving its approval, the Board had mentioned the desirability of utilizing the program for the selection and development of personnel in various categories. He suggested that it might be possible to work out a plan under which persons selected under a program of this kind could be assigned to the Board's field staff as a part of their training.

At the conclusion of further discussion concerning the problem of staffing the examining force, it was understood that the Division

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of Personnel Administration would submit a memorandum on this subject which the Board could consider sending to the Presidents' Conference for study and discussion at the next meeting of the Conference.

Questions presented by Hamilton National Associates under the Bank Holding Company Act (Item No. 9). As discussed in a memorandum from Mr. Davis dated August 30, 1957, copies of which had been sent to the members of the Board, Hamilton National Associates, Inc., of Chattanooga, Tennessee, had asked through the Federal Reserve Bank of Atlanta (1) whether a bank holding company might, without the Board's approval, receive bank stock dividends or participate in stock splits, and (2) whether such a company might exercise, without the Board's approval, rights to purchase its proportional part of new stock issued by banks in which the holding company already owns stock. For reasons developed in the memorandum, the opinion was expressed that receipt of bank stock through a stock dividend or stock split, assuming no change in the class of stock, would not require the Board's prior approval, but that a purchase of bank stock through the exercise of rights would seem to require prior approval, except where the exceptions set forth in section 3(a) of the Bank Holding Company Act are applicable. There was submitted with the memorandum a draft of letter to the Federal Reserve Bank of Atlanta which would take such a position, and it was suggested that the Board's interpretation be published in the Federal Reserve Bulletin.

In commenting in support of the views expressed in the

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memorandum from Mr. Davis, Mr. Hackley referred first to the question of stock dividends or stock splits and said that, although some argument might be made that such transactions required Board approval because there was no specific exclusion in the Act, any construction other than that made in the memorandum would appear to do violence to the purposes and intent of the statute. As to the exercise of rights, however, the situation was quite different because in that case the stockholder's voluntary action could result in an increase in the holding company's proportional interest in the bank. In some cases involving a stock dividend, there might be nothing that the stockholder could do to prevent declaration of the dividend, and even if the Board's prior approval were required, the factors pertinent to stock acquisition that the Board is required by the Act to consider would not have applicability. As to the exercise of rights, the Board had already taken the position in another situation that the exercise of rights to acquire stock of a nonbanking company would be an acquisition of additional ownership, and he felt that the same principle should be applied in the case of stock of a bank. Mr. Hackley concluded by saying that he thought the position taken in the memorandum was a reasonable and proper construction of the statute. While it was possible, of course, that the Department of Justice would take a different view, he felt that the possibility was very remote, and he could see nothing in this position which would give rise to any question.

There followed a discussion of certain questions raised by



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Governor Mills which were intended to clarify the fact that the requirement of prior approval for the exercise of rights in bank stock was not meant to suggest that in most cases the requested approval would not be granted. It was pointed out that submission for prior approval seemed mandatory under the language of the statute because the holding company would voluntarily pay additional funds for the extra shares and would "acquire" the additional stock even under a narrow meaning of that term. During the discussion, a distinction was drawn between the question now before the Board and the proposed acquisition of shares of Continental Gin Co. by Trust Company of Georgia and Trust Company of Georgia Associates. As mentioned previously, the Board had held in that case that the exercise of rights by a bank holding company to purchase additional shares in a nonbanking company would represent an acquisition of additional ownership. However, since a nonbanking subsidiary was involved, the acquisition would be subject to the prohibitions of section 4(a) of the Bank Holding Company Act.

Governor Mills suggested that this distinction be made clear in any published interpretation relating to the current questions.

Governor Robertson agreed with the interpretations made by the Legal Division, but questioned the adequacy of a published interpretation and suggested the possibility of an amendment to the Board's Regulation Y, Bank Holding Companies, at an appropriate time.

Governor Robertson also questioned whether it was necessary, in each letter of interpretation under the Bank Holding Company Act, to

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conclude with the statement that the Board's interpretation might not be followed by the Department of Justice if it should have occasion to consider the matter.

Agreement was expressed by the Legal Division that the inclusion of the paragraph did not seem necessary in this particular case, and also that it might not be necessary to bring the situation to the attention of a bank holding company after responding to the particular company's initial request for an interpretation under the Act. On the other hand, it was felt that the warning language might have some value in correspondence on controversial questions or in corresponding with a smaller bank holding company whose knowledge of the situation seemed more doubtful.

During the discussion, Governor Robertson suggested the possibility of sending to the Department of Justice copies of letters from the Board in response to requests for interpretations under the Bank Holding Company Act. However, after comments had been made adverse to such a procedure, he withdrew his suggestion.

In a further comment on the question relating to the exercise of rights, Mr. Hexter pointed out that where a bank holding company would, after the proposed acquisition of shares, own more than five per cent of the bank's outstanding voting stock but where the holding company does not own or control a majority of the voting shares, the provisions of the Bank Holding Company Act would in some cases prohibit the exercise of rights covering shares in a bank located in another State, and the Board therefore would be precluded from taking favorable action.

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Thereupon, unanimous approval was given to a letter to the Federal Reserve Bank of Atlanta in the form attached as Item No. 9, with the understanding that the interpretation contained therein would be sent to all Federal Reserve Banks in edited form and would be published in the Federal Reserve Bulletin.

At this point all members of the staff except the Secretary withdrew from the meeting.

Governor Balderston referred to a memorandum dated September 5, 1957, from Mr. Young, Director of the Division of Research and Statistics, in which the latter stated that the annual meetings of the American Statistical Association will be held in Atlantic City on September 10-13, 1957, and it was proposed that in recognition of the active interest of members of the Division's staff in such professional association activities and in view of the benefits of staff participation, authorization be given to Messrs. Frank R. Garfield, Kenneth B. Williams, Louis Weiner, Charles Yager, Clayton Gehman, Milton Moss, Arthur L. Broida, and Edward R. Fry to attend the meetings at Board expense and that Miss Wilellyn Morelle be authorized to attend on an official-leave basis but at her own expense.

Mr. Young's proposal was approved unanimously.

Mr. Johnson came back into the meeting and, at Governor Balderston's request, commented on the recommendation of the Interdepartmental Lithographic Wage Board to its member agencies that there be a further increase in the existing pay schedule for printing grade positions. Mr.

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Johnson recommended (1) that the Supervisor of the Duplicating and Mail Section of the Division of Administrative Services be placed in an appropriate Wage Board grade as a substitute for the previous policy of compensating this position at a flat rate of \$200 per annum above the maximum annual rate for the highest graded Wage Board position under his supervision, and (2) that in accordance with the existing policy of the Board, approval be given to the new printing grade pay schedule recommended by the Interdepartmental Lithographic Wage Board and to increases averaging approximately 4 per cent in the salaries of 16 employees as shown below, effective September 8, 1957:

<u>Name and title</u>	<u>Annual Salary Rate</u>	
	<u>From</u>	<u>To</u>
Franklin Taylor, Supervisor	\$6,357	\$6,469
Thomas V. Kopfman, Assistant Supervisor	5,866	6,074
Frank W. Constable, Photographer (Offset)	5,720	5,949
Bruce L. Moffett, Operator (Offset Press)	5,720	5,949
Joseph W. Wright, Photographer (Offset)	5,720	5,949
J. Robert Surguy, Clerk (Composition)	5,720	5,949
Nelson S. Dyson, Bindery Worker	5,304	5,512
Claiborne Johnson, Operator (Offset Press)	5,450	5,658
Ralph A. Sherrod, Photographer (Offset)	4,805	4,971
Bricen Barnes, Bindery Helper and Operator (Mimeo)	4,035	4,222
Benjamin D. Berry, Foreman Operator (Mimeo)	4,035	4,222
Herbert W. Bundy, Operator (Duplicating Devices)	3,827	3,994
Levernon Wood, Operator (Duplicating Devices)	3,827	3,994
Edward L. Hargett, Operator (Mimeograph)	3,598	3,786
Daniel F. Lane, Operator (Mimeograph)	3,598	3,786
Edward Cross, Multilith Offset Press Operator	3,453	3,619



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The recommendations were considered in the light of the reasons for the Board's existing policy with respect to Wage Board determinations and the various questions raised by such a policy.

At the conclusion of the discussion, Mr. Johnson's recommendations were approved unanimously. A copy of the revised printing grade pay schedule is attached hereto as Item No. 10.

The meeting then adjourned.

Secretary's Notes: Governor Balderston, acting in the absence of Governor Shepardson, today approved on behalf of the Board a letter to the Federal Reserve Bank of New York approving the appointment of Ronald E. Long, George F. Rice, and John L. Young as assistant examiners. A copy of the letter is attached hereto as Item No. 11.

Pursuant to recommendations contained in memoranda from appropriate individuals concerned, Governor Balderston also approved on behalf of the Board today the following items affecting the Board's staff:

Salary increases, effective September 8, 1957

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Research and Statistics</u>			
Shirley A. Barham, Clerk-Stenographer		\$3,415	\$3,500
Alfred P. Johnson, Economist		6,605	6,820
Edward D. Kalachek, Economist		5,980	6,115
Joanne Lutz, Clerk-Typist		3,175	3,260
Stanley J. Sigel, Economist		10,535	10,750
William J. Smith, Jr., Economist		5,980	6,390
Joan R. Winter, Clerk		3,755	3,840

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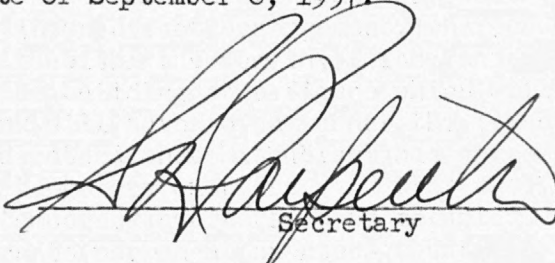
Salary increases, effective September 8, 1957 (continued)

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Examinations</u>			
John P. Donovan, Assistant Federal Reserve Examiner		\$5,440	\$5,575
Andrew N. Thompson, Supervisory Review Examiner		11,395	11,610
<u>Administrative Services</u>			
William E. Hardy, Messenger		3,285	3,370
Manros A. Nickens, Messenger		2,860	2,945
Charles R. Norris, Head Messenger		3,855	4,010

Acceptance of resignation

Emogene F. Frymier, Clerk-Typist, Division of Examinations, effective October 4, 1957.

On August 12, 1957, the Board approved a letter to the Chairmen of all Federal Reserve Banks, with copies to the Presidents, concerning the participation of branch directors in the discussion of policy matters, with the understanding that the letter would be sent in the month of September. The letter, of which a copy was included with the minutes of August 12, was sent under date of September 6, 1957.

  
Secretary

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

Item No. 1  
9/6/57

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

September 6, 1957



Mr. George S. Moore, Executive Vice President,  
The First National City Bank of New York,  
55 Wall Street,  
New York 15, New York.

Dear Mr. Moore:

Reference is made to your letter of August 13, 1957, transmitted through the Federal Reserve Bank of New York, regarding the removal of your Tokyo, Japan, Branch from No. 4, 2-chome, Otemachi, Chiyoda-ku, Tokyo to temporary quarters at No. 10, 3-chome, Marunouchi, Chiyoda-ku, Tokyo, approximately 1300 yards from your existing location.

You state that your bank owns the building in which the Tokyo Branch operates, but the land is owned by and leased from Mitsubishi Estate Company Limited, that Mitsubishi is desirous of erecting a modern office building on the site which also includes adjoining property owned by it, and that Mitsubishi has requested your bank to sell to Mitsubishi your existing building in order that Mitsubishi may demolish it and erect a large office building, part of which will be space for your Tokyo Branch. When completed your portion of the building will be sold back to you for a like amount, together with a lease for 99 years on the land.

It is understood that negotiations are under way which, your bank expects, will result in an offset arrangement, whereunder your bank will lease back to Mitsubishi the fourth, fifth, and sixth floors of your space in the building at a figure which will be equal to the rental your bank will have to pay under the lease on the land. It is further understood that Mitsubishi has agreed to provide, at no cost to you, temporary quarters, and that the tentative schedule is for the temporary quarters to be occupied on October 10, 1957, with return to permanent quarters about December 1958. You state that this is a very advantageous move for your bank as you will secure much better quarters at no cost to you.

Mr. George S. Moore

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On the basis of the information furnished, the Board of Governors approves the removal to temporary quarters. Please advise the Board in writing, through the Federal Reserve Bank of New York, when banking operations are commenced at the temporary location and when resumed at the regular location at No. 4, 2-chome, Otemachi, Chiyoda-ku, Tokyo. It is understood, of course, that the locations approved will not be changed without the prior approval of the Board of Governors.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Assistant Secretary.



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

Item No. 2  
9/6/57

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

September 6, 1957

Mr. George S. Moore, Executive Vice President,  
The First National City Bank of New York,  
55 Wall Street,  
New York 15, New York.

Dear Mr. Moore:

Reference is made to your letter of August 13, 1957, transmitted through the Federal Reserve Bank of New York and received by the Board of Governors on August 20, advising that the premises occupied by your Caguas, Puerto Rico, branch require alteration and that on August 17 it would be necessary for the branch to move and occupy temporary quarters in space vacated by Banco de Ponce at Munoz Street corner of Ruiz Belvis Street.

It is understood that the temporary quarters are about two blocks away from the existing branch location at 65 Betances Street, Caguas; that the cost of alteration in the existing premises will amount to approximately \$14,000; and that it will take about two months to complete, after which the branch will return to its former quarters. It is noted that, as there are no usable vault facilities in the temporary location, all cash and books of record will be moved from the branch premises vault to the temporary location every morning and returned each evening under the custody of armed guards.

On the basis of the information furnished, the Board of Governors approves the removal to temporary quarters. Please advise the Board in writing, through the Federal Reserve Bank of New York, when banking operations are resumed at the regular location at 65 Betances Street. It is understood, of course, that the locations approved will not be changed without the prior approval of the Board of Governors.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Assistant Secretary.



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

Item No. 3  
9/6/57

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

September 6, 1957

Mr. Paul C. Stetzelberger,  
Vice President,  
Federal Reserve Bank of Cleveland,  
Cleveland 1, Ohio.

Dear Mr. Stetzelberger:

In view of the information submitted in your letter of August 20, 1957, and the Reserve Bank's favorable recommendation, the Board of Governors further extends until December 9, 1957, the time within which The Cleveland Trust Company, Cleveland, Ohio, may establish a branch at the northwest corner of Warrensville Center and Farnsleigh Roads, Shaker Heights, Ohio, under the authorization contained in its letter of April 24, 1956.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Assistant Secretary.

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

Item No. 4  
9/6/57

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

September 6, 1957



Comptroller of the Currency,  
Treasury Department,  
Washington 25, D. C.

Attention Mr. L. A. Jennings,  
Deputy Comptroller of the Currency.

Dear Sir:

The proposal to consolidate The First National Bank of Herkimer, Herkimer, New York, and The Middleville National Bank, Middleville, New York, under the charter and title of the former, to which reference is made in your letter of August 14, 1957, does not appear to come within the purview of the Bank Holding Company Act of 1956. However, the enclosed information may be helpful in your consideration of the matter.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Assistant Secretary.

Enclosures

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

Item No. 5  
9/6/57

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

September 6, 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 22, 1957,  
concerning the application of South Main State Bank, Houston,  
Texas, for continuance of deposit insurance after withdrawal  
from membership in the Federal Reserve System.

Although no formal demand for additional capital has  
been presented, efforts have been made for more than four years,  
through conferences and correspondence, to convince the directors  
of the need for additional capital. No other corrective programs  
have been urged upon the bank or agreed to by it which the Board  
of Governors believes should be incorporated as conditions to the  
continuance of deposit insurance.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Assistant Secretary.



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

Item No. 6  
9/6/57

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

September 6, 1957



Mr. H. G. Leedy, Chairman,  
Conference of Presidents,  
c/o Federal Reserve Bank of Kansas City,  
Kansas City 6, Missouri.

Dear Mr. Leedy:

Enclosed is a copy of the Board's reply of this date to a letter from the Federal Reserve Bank of Chicago regarding the safekeeping of certain securities owned by an instrumentality of a State government. The Board feels that consideration of this matter suggests the desirability of a System review of the general conditions under which Federal Reserve Banks should provide safekeeping facilities for securities of any kind owned by States and municipalities.

It will be appreciated if you will have this topic placed on the agenda for consideration by the Conference of Presidents.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,  
Secretary.

Enclosure

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

Item No. 7  
9/6/57

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

September 6, 1957

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

Dear Mr. Allen:

Reference is made to Assistant Vice President Carroll's letter of August 12 regarding the propriety of your Bank continuing to hold in safekeeping bonds of the International Bank for Reconstruction and Development which are owned by the State Annuity and Investment Board of the State of Wisconsin.

Although the United States Government has, as you know, a substantial participation in the activities and direction of the International Bank, securities issued by the Bank are not obligations of the United States Government and therefore would not qualify as securities which Federal Reserve Banks may hold in safekeeping for States and municipalities, as authorized by the Board's letter of April 2, 1943, (FRLS 3061.2).

As was set forth in that letter the use of Reserve Bank facilities for the safekeeping of Government securities owned by State and local governments was largely a war-time measure designed to encourage participation in Treasury financing. Actually, the practices with respect to the permissible provisions of the Board's letter have varied with the local situations at the individual Reserve Banks. In the light of changed circumstances since the matter was last considered, the Board feels that the question raised by your Bank suggests the desirability of a System review of the conditions under which Federal Reserve Banks should provide safekeeping facilities for securities of any kind owned by States and municipalities.

Since this is a matter of policy which affects all Federal Reserve Banks the Board has referred it to Mr. Leedy, Chairman of the Conference of Presidents, with the request that he place it on the agenda for consideration by the Conference.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,  
Secretary.

cc: Mr. H. G. Leedy

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

Item No. 8  
9/6/57

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

September 6, 1957



CONFIDENTIAL (FR)

Mr. Robert C. Sprague, Chairman,  
Federal Reserve Bank of Boston,  
Boston 6, Massachusetts.

Dear Mr. Sprague:

The Board of Governors has approved effective immediately the adjustments proposed in Mr. Erickson's letter of August 28, 1957, for the minimums and maximums of the salary structure of the Officers' Salary Administration Plan of the Federal Reserve Bank of Boston as follows:

<u>Group</u>	<u>Minimum</u>	<u>Maximum</u>
A	\$16,000	\$22,500
B	13,000	19,000
C	11,000	16,000
D	9,000	13,500

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. 9  
9/6/57

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

September 6, 1957

Mr. Malcolm Bryan, President,  
Federal Reserve Bank of Atlanta,  
Atlanta 3, Georgia.

Dear Mr. Bryan:

This refers to Mr. Denmark's letter of July 8, 1957, with enclosures, relating to questions raised by Hamilton National Associates, Inc., Chattanooga, Tennessee, a bank holding company. The letter presents, in effect, questions under the Bank Holding Company Act as to (1) whether a bank holding company may receive bank stock dividends or participate in bank stock splits without the Board's prior approval, and (2) whether such a company may exercise, without the Board's prior approval, rights to subscribe to new stock issued by banks in which the holding company already owns stock.

Neither a stock dividend nor a stock split results in any change in a stockholder's proportional interest in the issuing company or any increase in the assets of that company. Such a transaction would have no effect upon the extent of a holding company's control of the bank involved; and none of the five factors required by the Act to be considered by the Board in approving a stock acquisition would seem to have any application. In view of the objectives and purposes of the Act, the word "acquire" would not seem reasonably to include transactions of this kind.

On the other hand, the exercise by a bank holding company of the right to subscribe to an issue of additional stock of a bank could result in an increase in the holding company's proportional interest in the bank. The holding company would voluntarily pay additional funds for the extra shares and would "acquire" the additional stock even under a narrow meaning of that term. Moreover, the exercise of such rights would cause the assets of the issuing company to be increased and in a sense, therefore, the "size or extent" of the bank holding company system would be expanded.



Mr. Malcolm Bryan

In the circumstances, it is the Board's opinion that (1) receipt of bank stock by means of a stock dividend or stock split, assuming no change in the class of stock, does not require the Board's prior approval under the Act, but that (2) purchase of bank stock by a bank holding company through the exercise of rights does require the Board's prior approval, unless one of the exceptions set forth in section 3(a) is applicable.

The Board recognizes that certain additional questions relating to the application of section 3(d) and section 11 of the Act are suggested by Mr. Denmark's letter and its enclosures, but feels that the facts presented are insufficient for the Board to give its views at this time, particularly since no direct application for its approval has been made.

It will be appreciated if you will advise Hamilton National Associates, Inc., of the Board's views as expressed in this letter.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,  
Secretary.

PRINTING GRADE BASIC PAY SCHEDULE \*Item No. 10  
9/6/57

Note: This schedule applies to those positions in the Duplicating and Mail Section that perform the following kinds of lithographic work: Offset Printing, Offset Photography, Offset Composition, Photostat Operation, Mimeograph Operation, bindery Operation, and to the immediate supervisor of those positions.

<u>Printing Grade</u>	<u>Step 1</u>	<u>Step 2</u>	<u>Step 3</u>
1	\$2,454	\$2,579	\$2,704
2	2,642	2,787	2,933
3	2,850	2,995	3,141
4	3,037	3,203	3,370
5	3,245	3,411	3,578
6	3,411	3,598	3,786
7	3,619	3,806	3,994
8	3,806	4,014	4,222
9	4,014	4,222	4,430
10	4,202	4,430	4,659
11	4,410	4,638	4,867
12	4,597	4,846	5,096
13	4,784	5,034	5,283
14	4,971	5,242	5,512
15	5,179	5,450	5,720
16	5,366	5,658	5,949
17	5,574	5,866	6,157
18	5,762	6,074	6,386
19	5,949	6,261	6,573
20	6,136	6,469	6,802

(This schedule supersedes the pay scale effective September 23, 1956)

\* Incumbents of positions subject to this pay schedule are eligible for progress step increases within particular salary ranges on the following basis:

For advancement to Step 2, after 26 weeks (6 months) satisfactory service in Step 1.

For advancement to Step 3, after 78 weeks (18 months) satisfactory service in Step 2.

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

Item No. 11  
9/6/57

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

September 6, 1957

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

Dear Mr. Kimball:

In accordance with the request contained in your letter of August 30, 1957, the Board approves the appointment of Ronald E. Long, George F. Rice and John L. Young as assistant examiners for the Federal Reserve Bank of New York. Please advise as to the dates upon which these appointments are made effective and as to the salary rate of Mr. Young.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Assistant Secretary.