

Minutes for September 16, 1957

To: Members of the Board

From: Office of the Secretary

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

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

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

	A	B
Chm. Martin	x <u>M</u>	_____
Gov. Szymczak	x _____	_____
Gov. Vardaman	x _____	_____
Gov. Mills	x _____	_____
Gov. Robertson	x <u>R</u>	_____
Gov. Balderston	x <u>CCB</u>	_____
Gov. Shepardson	_____	x <u>MS</u>

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, September 16, 1957. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman  
 Mr. Balderston, Vice Chairman 1/  
 Mr. Szymczak  
 Mr. Vardaman  
 Mr. Mills  
 Mr. Robertson

Mr. Carpenter, 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. Sprecher, Assistant Director, Division  
 of Personnel Administration  
 Mr. Solomon, Assistant General Counsel  
 Mr. Hostrup, Assistant Director, Division  
 of Examinations

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

	<u>Item No.</u>
Letter to Morgan & Cie. Incorporated, New York, New York, transmitting the report of examination made as of June 10, 1957. (With a copy of the letter and report of examination to the Federal Reserve Bank of New York.)	1
Letter to Congressman Rogers regarding correspondence received from the President of Industrial Savings Bank of Fort Lauderdale, Florida, pertaining to the maximum rate of interest which may be paid by banks on time deposits.	2

1/ Withdrew from meeting at point indicated in minutes.

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Item No.

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Letter to the New York Stock Exchange regarding provisions of the Financial Institutions Act which require the record owner of bank stocks to disclose certain beneficial interests.

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:

Boston	September 9
Atlanta	September 9
San Francisco	September 11
New York	September 12
Cleveland	September 12
Richmond	September 12
St. Louis	September 12
Minneapolis	September 12
Kansas City	September 12
Dallas	September 12

Retirement cases at Federal Reserve Banks (Item No. 4). Pursuant to the understanding at the meeting on September 12, 1957, there had been distributed to the members of the Board copies of a draft of letter to the Chairman of the Presidents' Conference requesting discussion at the next meeting of the Conference concerning the handling of retirement cases under the Bank Plan of the Retirement System of the Federal Reserve Banks in the months prior to the effective date of the increased retirement benefits (September 1, 1957). The letter would also ask that, in the light of that discussion, each Reserve Bank review the cases of retired employees to see what, if any, action should be taken on the basis of the experience at all of the Banks.

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The letter, of which a copy is attached hereto as Item No. 4, was approved unanimously.

Application of Baystate Corporation. There had been distributed to the members of the Board copies of memoranda from the Division of Examinations and the Legal Division relating to an application from Baystate Corporation, Boston, Massachusetts, for prior approval of the acquisition of voting shares of Union Trust Company of Springfield, Springfield, Massachusetts. Chairman Martin suggested, in view of the nature of the questions presented by this application, that the matter be held over for consideration when all of the members of the Board were present, and there was unanimous agreement with this suggestion.

Mr. Hostrup then withdrew from the meeting and Messrs. Sherman and Fauver, Assistant Secretaries, Riefler, Assistant to the Chairman, and Thomas, Economic Adviser to the Board, entered the room.

Plan for orientation of top-level non-career executives (Item No. 5). With a memorandum dated August 7, 1957, Mr. Maxwell M. Rabb, Secretary to the Cabinet, enclosed a statement relating to a program, approved by the President, for the orientation of top-level non-career executives. Each agency was requested to provide an outline of its own plan by September 15, 1957.

Alternative drafts of a reply had been circulated to the members of the Board, including one suggested by Governor Balderston which would spell out in somewhat more detail than the others the procedures followed in orientation of newly-appointed members of the Board and also

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would indicate why the procedures outlined in the statement might be expected to contribute to an even better job of orientation. This draft would state that Governor Shepardson had been designated by the Board to act as liaison officer with the White House in connection with the plan.

Governor Balderston stated that his suggestions reflected concern that the earlier drafts of reply did not do justice to the program for orientation of newly-appointed members of the Board, for he felt that a very substantial amount of help customarily was provided by the Chairman and other members of the Board and by the staff.

Governor Robertson, who had expressed preference for the original draft when the file was in circulation, said it was his impression that the latest draft went a little too far in suggesting the degree of improvement that the new plan might bring about so far as the Board was concerned. He also raised a question whether the statement of the plan furnished by Mr. Rabb would permit designation of a member of the Board other than the Chairman as liaison officer with the White House in connection with the plan, but withdrew his question on this point after the pertinent paragraph of the plan had been reviewed. He then said that although he continued to prefer somewhat the original draft, for the reason that he had mentioned, he did not regard the point as being of any great importance.

Accordingly, the letter to Mr. Rabb, of which a copy is attached as Item No. 5, was approved unanimously.

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Messrs. Johnson and Sprecher then withdrew from the meeting and Mr. Hexter, Assistant General Counsel, entered the room.

Status of Amalgamated Clothing Workers of America under the Bank Holding Company Act (Item No. 6). There had been circulated to the members of the Board a memorandum from Mr. Hexter dated August 9, 1957, together with a memorandum from Mr. Rolph of the Legal Division dated June 21, 1957, discussing the question whether the Amalgamated Clothing Workers of America, an unincorporated labor union, should be regarded as a bank holding company within the meaning of the Bank Holding Company Act. The union's own counsel had expressed the opinion that it should not be so regarded, and accordingly the organization had not registered as a bank holding company. The staff of the Federal Reserve Bank of New York agreed with this conclusion.

In his memorandum, Mr. Hexter expressed the view that a definite conclusion could not be reached on the basis of information now available to the Board. Since it appeared that the terms of the trust agreements under which trustees hold stock of banks in New York and Chicago on behalf of the labor organization's national office and its "Chicago Joint Board" might be of importance in determining the matter, there was submitted a draft of letter to the New York Reserve Bank requesting it to obtain copies of those instruments and related documents for the Board.

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Following a statement by Mr. Hexter in which he expressed the opinion that the matter should not be dropped without further review and that examination of the trust instruments and related documents might be of considerable help, the letter to the New York Reserve Bank was approved unanimously. A copy is attached hereto as Item No. 6.

Messrs. Riefler, Thomas, Masters, Solomon, and Hexter then withdrew and Messrs. Leonard, Director, and Farrell, Assistant Director, Division of Bank Operations, joined the meeting.

Reserve Bank and branch directors. With reference to appointments of directors at the Federal Reserve Banks and branches for terms beginning January 1, 1958, Chairman Martin suggested that the matter be considered by the Board in the first two weeks of November and that in the meantime all of the members of the Board be giving consideration to possible appointees. His suggestion was in lieu of making assignments to individual Board members to consider the filling of impending vacancies on the boards of directors of particular Banks and branches. It also contemplated that Mr. Fauver would assemble as much data as possible for the Board's use.

There was unanimous agreement with the procedure proposed by Chairman Martin. In this connection, the Chairman suggested that he be authorized to discuss with Mr. John A. Hannah the question of his

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accepting reappointment as a director of the Detroit Branch of the Federal Reserve Bank of Chicago for the three-year term beginning January 1, 1958, because there appeared to be some doubt about Mr. Hannah's availability and it seemed advisable to settle the matter as promptly as possible.

The Chairman was authorized to discuss the matter with Mr. Hannah, and the discussion then turned to the question of filling the vacancy on the Board of Directors of the Los Angeles Branch of the Federal Reserve Bank of San Francisco created by the resignation of Mr. Edward Carter. Biographical data on several persons suggested for appointment had been distributed to the Board by Mr. Fauver.

Following discussion, it was agreed unanimously to request the Chairman of the San Francisco Reserve Bank to ascertain and advise whether Mr. Robert J. Cannon, President of Cannon Electric Company, Los Angeles, California, would accept appointment, if tendered, for the unexpired portion of the term ending December 31, 1957, with the understanding that if Mr. Cannon would accept, the appointment would be made. It was further agreed that if Mr. Cannon was not available the same inquiry would be made and action taken with respect to Mr. Charles B. Thornton, Chairman of the Board of Litton Industries, Beverly Hills, California; and that if Mr. Thornton



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was not available, similar inquiry would be made and action taken with respect to Mr. J. L. Atwood, President of North American Aviation, Inc., Los Angeles, California. In this connection, it was understood that as a first step Chairman Martin would discuss the suggested appointments with Chairman Brawner.

With regard to the current vacancy on the Board of Directors of the Federal Reserve Bank of Dallas occasioned by the death of Mr. Henry Drought, Chairman Martin reported that names of possible appointees were to be submitted by Reserve Bank Chairman Smith and by Mr. D. A. Hulcy, a Class B Director of the Dallas Bank. With regard to the vacancy on the Board of Directors of the Memphis Branch, Federal Reserve Bank of St. Louis, occasioned by the recent death of Mr. Henry Banks, it was understood that Chairman Martin would discuss the matter with Reserve Bank Chairman McBride.

Mr. Fauver then withdrew from the meeting.

Reserve Bank membership dues and contributions (Item No. 7).

In a letter from the Board dated May 3, 1957, the Presidents' Conference was requested to suggest a statement of policy with respect to expenditures for membership dues that could be adopted by the boards of directors of the Federal Reserve Banks and approved by the Board of Governors. Such a statement was submitted at the joint meeting of the Board and the Presidents on June 18, 1957. In a memorandum from the Division of Bank Operations dated August 15, 1957, copies of which

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had been distributed to the members of the Board, it was pointed out that the guides suggested by the Presidents would give more latitude to the Banks than was suggested in the Board's letter of December 21, 1956, particularly with respect to individual memberships in professional associations and memberships in social, college, service, and luncheon clubs and similar organizations. The memorandum also brought out that neither the guides originally proposed by the Board nor those proposed by the Presidents made any mention of "contributions". The desirability of a uniform reporting procedure was suggested and revisions in the manner of presenting "membership dues and contributions" in the Reserve Bank budgets were presented for consideration.

Following comments on the matter by Mr. Farrell, during which he referred to the degree of latitude that would be afforded under the proposed statement of policy and the questions raised by Reserve Bank "contributions", as exemplified by the practice of the Chicago Bank to make gifts to various persons outside the Bank as Christmas remembrances, Chairman Martin expressed the view that these matters should be discussed with the Presidents at the time of the forthcoming meeting of the Presidents' Conference. He said that it was his personal opinion that the time had come when, with some reasonable flexibility, clear-cut principles must be established. If the

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expenditures were questionable on the part of a public organization, he felt that they must not be incurred by a Reserve Bank regardless of the attitude of the Bank's directors. In this connection, he pointed out that the memberships in question do not actually represent an important prerogative of office. It would be much better, he thought, to give way on a lot of other things than on this type of expenditure, because the advantage to the System was so slight.

Governor Szymczak agreed that the Board should take a clear-cut position, for otherwise each Bank would tend to make its own decisions. He felt that discussion with the Presidents should be on exactly the basis outlined by Chairman Martin.

Governor Mills said he could not conceive that any handicap to the Reserve Banks would result from following principles such as suggested by the Chairman. He agreed fully with what the Chairman had said and pointed out that this was a sensitive area where expenditures could easily result in problems for the System unless checked at the Board level.

Further discussion concerned the practice of the Chicago Bank in making gifts for services rendered by persons outside the Bank. Mr. Farrell brought out the difficulty in appraising the problem in the absence of uniform reporting procedures, and there was general agreement that adequate information should be available.

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It was then suggested that Reserve Bank contributions be included among the problems in this area to be discussed with the Presidents, for it was recognized that the Presidents were anxious to be in a position to justify the expenditures of their respective Banks.

Thereupon, it was agreed unanimously that a letter should be sent to the Chairman of the Presidents' Conference requesting that Reserve Bank expenditures for membership dues be placed on the agenda for discussion with the Board at the time of the next meeting of the Presidents' Conference. A copy of the letter sent pursuant to this action is attached as Item No. 7.

During the foregoing discussion, Governor Balderston withdrew from the meeting to extend a welcome to students from the Center for Latin American Monetary Studies visiting the Board this week.

Review of Reserve Bank budget experience for 1956. Under date of May 13, 1957, there had been distributed to the members of the Board an analysis of the 1956 budget experience of the Federal Reserve Banks.

At the request of the Board, Mr. Farrell commented on this analysis. He pointed out that gross expenses of the Reserve Banks in 1956 were only 2.2 per cent above the 1956 combined budgets and that about \$1.7 million of the \$3 million excess represented assessment for Board expenses and the cost of Federal Reserve currency. In summary, he felt that the results were such as to indicate a satisfactory job on the part of the Reserve Banks in preparing their budgets and operating under them.

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Following a discussion, the report on the 1956 budget experience of the Federal Reserve Banks was accepted by the Board.

The meeting then adjourned.

Secretary's Notes: Pursuant to the recommendation contained in a memorandum from Mr. Young, Director, Division of Research and Statistics, Governor Szymczak, acting in the absence of Governor Shepardson, approved on behalf of the Board on September 13, 1957, acceptance of the resignation of Robert R. Moss, Economist in the Division of Research and Statistics, effective September 14, 1957.

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

#### Appointment

Mary V. Malarkey as Clerk-Stenographer in the Division of Personnel Administration, with basic annual salary at the rate of \$3,840, effective the date she assumes her duties.

#### Salary increase

Robert B. Hamilton, Personnel Technician, Division of Personnel Administration, from \$4,215 to \$4,525 per annum, effective September 22, 1957.

#### Transfer and salary adjustment

Ruth E. Morris, from the position of Secretary to Governor Szymczak to the position of Secretary in the Office of the Secretary, with an adjustment in her basic annual salary from \$6,390 to \$4,890, effective September 22, 1957.

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Acceptance of resignations

Faye Davis, Clerk-Stenographer, Division of Personnel Administration, effective September 27, 1957.

Ruth B. Willard, Secretary, Legal Division, effective September 20, 1957.

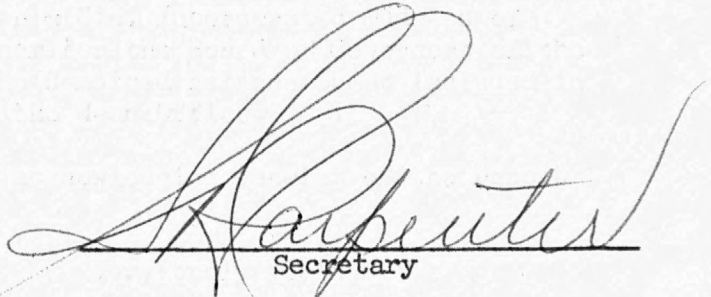
Notice of retirement

Almeda Steiner, Charwoman, Division of Administrative Services, effective November 1, 1957.

Full-field investigation for security clearance

George L. Spencer, Jr., Secretary to Governor Szymczak.

After checking with the other members of the Board who were available, Governor Balderston approved on behalf of the Board today the letter to Federal Parking Services, Inc., of which a copy is attached as Item No. 8.



Secretary

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

Item No. 1  
9/16/57

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

September 16, 1957



REGISTERED MAIL

Board of Directors,  
Morgan & Cie. Incorporated,  
23 Wall Street,  
New York 8, New York.

Dear Sirs:

There is enclosed a copy of the report of examination of the Head Office of Morgan & Cie. Incorporated made as of June 10, 1957, by an examiner for the Board of Governors of the Federal Reserve System. The Combined Balance Sheet included in the report was supplied by the Head Office.

Your courtesy in acknowledging receipt of the report will be appreciated.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,  
Secretary.

Enclosure.



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON

Item No. 2  
9/16/57

OFFICE OF THE CHAIRMAN

September 16, 1957

The Honorable Paul G. Rogers,  
House of Representatives,  
Washington 25, D. C.

Dear Mr. Rogers:

This is in response to your letter of August 27, enclosing a letter received by you from Mr. Charles L. Perkins, President of the Industrial Savings Bank of Fort Lauderdale, Florida, regarding the maximum rate of interest which may be paid by banks on time deposits. It appears that Mr. Perkins' basic question relates to the reasons for which banks are restricted as to the rate of interest which they may pay on time deposits, whereas savings and loan associations and similar institutions are not similarly restricted.

As you doubtless know, the Federal Reserve Act requires the Board of Governors by regulation to limit the rate of interest which may be paid by member banks of the Federal Reserve System on time and savings deposits. For many years the maximum rates prescribed by the Board under this requirement of the law were  $2\frac{1}{2}$  per cent for savings deposits and for time deposits with maturities of 6 months or longer, 2 per cent for time deposits with maturities of between 90 days and 6 months, and 1 per cent for time deposits with maturities of less than 90 days. Effective January 1, 1957, the maximum rate of interest payable on savings deposits and on time deposits with maturities of 6 months or more was increased to 3 per cent, and the maximum rate for time deposits with maturities of between 90 days and 6 months was increased to  $2\frac{1}{2}$  per cent.

The Industrial Savings Bank of Fort Lauderdale is not a member bank of the Federal Reserve System and, consequently, the maximum rates of interest prescribed by the Board are not applicable to that bank. However, the Federal Deposit Insurance Corporation is required by law to limit the rate of interest which may be paid on time and savings deposits by nonmember insured banks and that Corporation has prescribed maximum rates of interest which are the same as those prescribed by the Board of Governors with respect to member banks. Since it appears that the Industrial Savings Bank of Fort Lauderdale is a member of the Federal Deposit Insurance Corporation, it would be subject to the interest rate limitations prescribed by that Corporation.



The Honorable Paul G. Rogers -2-

It should be noted that under the law both the Board of Governors and the Federal Deposit Insurance Corporation are required to prescribe maximum rates of interest on time and savings deposits and, accordingly, it would not be possible for these limitations to be eliminated without further amendment of the statutes.

As to the justification for the imposition of such restrictions upon member and nonmember insured banks, it may be noted that when the provision regarding interest rates on time and savings deposits in member banks was first incorporated in the law by the Banking Act of 1933, Senator Carter Glass stated that the provision was intended

"to put a stop to the competition between banks in payment of interest, which frequently induces banks to pay excessive interest on time deposits and has many times over again brought banks into serious trouble."

Since that time, of course, the growth of savings and loan associations and similar institutions and the payment by such organizations of dividends at rates higher than the rates of interest permitted to be paid by commercial banks have undoubtedly tended to place member banks and nonmember insured banks at a competitive disadvantage in this respect. However, in considering whether the laws should be changed to eliminate the provisions for limitations on interest rates, it is to be borne in mind that in general commercial banks make shorter-term investments, are subject to greater required reserves and higher standards of liquidity, and carry much greater tax burdens than savings and loan associations.

In connection with this matter, you and your constituent may be interested in the enclosed excerpt from the policy record of the Board, published in the Board's 1956 Annual Report on pages 52-55, regarding the Board's action last year in increasing the maximum permissible rates payable by member banks on time deposits.

Mr. Perkins has sent the Board a copy of his letter to you, as well as a copy of a letter regarding this matter addressed by him to the Chairman of the Board of Directors of the Federal Deposit Insurance Corporation. Accordingly, I am taking the liberty of forwarding a copy of this letter to Mr. Perkins with the hope that it may be helpful in explaining the nature and background of the problem with which he is understandably concerned. In accordance with your request, I am returning Mr. Perkins' letter.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.

Enclosures



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON

Item No. 3  
9/16/57

OFFICE OF THE CHAIRMAN

September 16, 1957

Mr. Edward C. Gray,  
Executive Vice President,  
New York Stock Exchange,  
Eleven Wall Street,  
New York 5, New York.

Dear Ed:

Thank you for your letter of August 7, 1957, enclosing a copy of a letter which Keith Funston wrote to Chairman Spence of the House Banking and Currency Committee regarding provisions of the Financial Institutions Act (sec. 23(g) of Title II and sec. 27(b) of Title III) which require the record owner of bank stocks to disclose certain beneficial interests.

These provisions did not originate with the Board. However, as you will note from the enclosed excerpt from my statement of July 15, 1957 before the House Banking and Currency Committee, I stated that:

"Although this requirement for disclosure of equitable ownership might be burdensome in some instances, the Board believes that the proposed provisions have merit."

I would certainly recognize, however, that these provisions or others in the bill may be susceptible of some improvement in drafting or other details. It would seem that the suggestions in Keith Funston's letter deserve the careful consideration of the Committee. I might add that in connection with an earlier version of these provisions the Board suggested to the staff of the Senate Banking and Currency Committee that consideration be given to placing the burden of reporting on the beneficial owner, as in section 16(a) of the Securities Exchange Act, rather than on the record owner.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.

Enclosure

EXCERPT FROM STATEMENT REGARDING PROPOSED  
"FINANCIAL INSTITUTIONS ACT OF 1957"

Shareholders' lists and disclosure of stock ownership

(§ 23). - New provisions would require each State member bank to maintain a list of its stockholders and to notify the Board of any single transaction involving the transfer of 10 per cent or more of the outstanding shares of the bank. In addition, the record owner of any such stock would be required to notify the Board of the names of any persons having a beneficial or equitable interest in such stock in excess of 5 per cent of the outstanding shares of the bank. Although this requirement for disclosure of equitable ownership might be burdensome in some instances, the Board believes that the proposed provisions have merit.

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

Item No. 4  
9/16/57

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

September 16, 1957



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

Dear Mr. Leedy:

The Board of Governors has given consideration to the replies received from the Federal Reserve Banks to its letter of July 15, 1957, concerning the retirement or retention in employment, of employees in the few months prior to the effective date of the increased retirement benefits on September 1, 1957.

It is clear from the information submitted that the Reserve Banks have done a good job in handling this difficult problem. At the same time, it appears that the practices of the Reserve Banks have varied and it is not clear that in all cases employees who were retired were given an opportunity to remain in the employ of the Bank until the effective date of the amendments on September 1, 1957.

According to the information available to the Board, one Reserve Bank as early as March 19, 1957, decided that steps should be taken to retain employees, whose retirements were imminent, for periods of up to 90 days provided that was feasible and desirable from the standpoint of the Bank and the employees involved, and that the employees would not be retained beyond the effective date of the proposed revisions in the Retirement System. At least one other Bank adopted April 1 as the date beyond which it would retain employees who expressed willingness to be retained. During the period prior to September 1, the employment of a number of Reserve Bank personnel was extended until the increased benefits became effective. For various reasons, others were retired in the period between March and September.

In its review of the matter the Board felt that steps should be taken to make certain that there have been no cases involving inequity and, therefore, would suggest that this matter be discussed by the Presidents at the next Presidents' Conference, and that in the light of that discussion each Reserve Bank review the cases of retired

Mr. H. G. Leedy, Chairman

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employees to see what, if any, action needs to be taken because of the experience of all of the Federal Reserve Banks. The suggestion has been made that in the interest of uniform treatment of employees retiring on or after April 1, a review be made to determine whether in any such cases further action is called for. It is recognized that if any adjustments were necessary, they would have to be made outside the Retirement System unless the Rules and Regulations were further amended.

The Board will appreciate it, therefore, if the Presidents' Conference will discuss the matter and if as promptly as possible thereafter each Reserve Bank will inform the Board of the results of its review and, if any further action should appear to be called for, suggest the form that action should take.

Because of the short time remaining before the next Presidents' Conference, a copy of this letter is being sent direct to the President of each of the other Federal Reserve Banks.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,  
Secretary.



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON

Item No. 5  
9/16/57

OFFICE OF THE CHAIRMAN

September 16, 1957

Mr. Maxwell M. Rabb,  
Secretary to the Cabinet,  
The White House,  
Washington 25, D. C.

Dear Mr. Rabb:

This letter is in response to your memorandum of August 7 with which you enclosed a statement relating to a plan, approved by the President, for the orientation of top-level non-career executives. The members of the Board are the only individuals in this organization who would be regarded as non-career executives.

It has been the Board's practice to cover many of the points in your memorandum through (1) Federal Reserve publications and other material prepared especially for the purpose, and (2) discussions with new members by the Chairman and other members of the Board, and by members of the staff.

The procedure outlined in the statement will enable us to do even a better job of orientation: First, it will make available in a more effective manner the sources listed in the section entitled "Central Responsibilities." Second, we are arranging to prepare and assemble additional material with respect to some of the points so that a complete presentation can be made as contemplated by the plan whenever a new member of the Board is appointed.

As suggested by the statement, Governor Shepardson has been designated by the Board to act as liaison officer with the White House in connection with the plan.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.

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

Item No. 6  
9/16/57

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

September 16, 1957



Mr. Howard D. Crosse,  
Assistant Vice President,  
Federal Reserve Bank of New York,  
New York 45, New York.

Dear Mr. Crosse:

This is with reference to the status of Amalgamated Clothing Workers of America under the Bank Holding Company Act.

With your letter of April 24, 1957, you enclosed a copy of a memorandum on this subject, dated April 11, 1957, from your Bank Examinations Department to Counsel for your Bank. That memorandum referred to section 8 of Article X of the Constitution of Amalgamated Clothing Workers, which provides that "all books, records, funds and property in the possession or subject to the control of any . . . joint board shall be and remain the property of the Amalgamated . . . ." However, the memorandum emphasized the fact that section 8 also provides that the memorandum shall be retained by it with full power to use it "for its benefit and the benefit of its members in accordance with the provisions of its charter and by-laws and of this Constitution, so long as such . . . joint board remains affiliated with the Amalgamated." The memorandum further expresses the view that Amalgamated's ownership of all such property, as provided by its Constitution, "is of a precautionary nature . . . ."

The Board notes that the memorandum of April 11, 1957 reaches the conclusion that Amalgamated is not a "bank holding company" as defined in either section 2(a)(1) or 2(a)(2) of the Act. However, it is not entirely clear to the Board that there is sufficient information available to support such a conclusion, especially in view of the words "directly or indirectly owns" in section 2(a)(1) and the word "controls" in both 2(a)(1) and 2(a)(2) of the Act.

Neither the memorandum of April 11, 1957 nor Amalgamated's letter of March 26, 1957, a copy of which you enclosed, deals with the possible application of section 2(a)(3), which defines as a bank

Mr. Howard D. Crosse

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holding company any association "for the benefit of whose . . . members 25 per centum or more of the voting shares of each of two or more banks . . . is held by trustees." In this connection, it would appear desirable to have additional information as to the composition of the group of persons for whose benefit the stock of each of the two banks is held by trustees.

In the circumstances, it is believed that further consideration should be given to the status of Amalgamated under the Bank Holding Company Act. In connection therewith, it is desired to ascertain the terms of the trust instruments under which trustees hold stock of the New York and Chicago banks on behalf of Amalgamated and the Chicago Joint Board, respectively. Accordingly, it will be appreciated if you will obtain, if possible, and transmit to the Board copies of those trust instruments together with any related documents that may throw light on the circumstances under which the trusts were created, their purposes and duration, the beneficiaries thereof, the nature of the beneficial interests thereunder, the circumstances under which the trusts can be terminated, and the ownership status of the bank stocks upon such termination. Additionally, it is requested that you obtain and transmit to the Board the names of the trustees who hold the stock in the New York and Chicago banks on behalf of Amalgamated and the Chicago Joint Board, respectively, and also information concerning the respective Union positions or business affiliations of such trustees.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,  
Secretary.



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

Item No. 7  
9/16/57

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

September 16, 1957

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

Dear Mr. Leedy:

This refers to the suggested statement of policy in connection with Reserve Bank expenditures for membership dues which was approved by the Presidents' Conference and presented to the Board at the joint meeting on June 18, 1957. During the Board's consideration of this matter certain questions have arisen which the Board would like to discuss with the Presidents at their forthcoming Conference. Accordingly, 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.

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

Item No. 8  
9/16/57

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

September 16, 1957

Mr. D. F. Antonelli, Jr., President,  
Federal Parking Services, Inc.,  
1719 DeSales Street, N. W.,  
Washington 6, D. C.

Dear Mr. Antonelli:

We have examined the prospectus presented to us by you on July 16, 1957, for the construction of an office building at 23rd and E Streets, N. W., Washington, D. C. It is noted, among other things, that it is proposed to commence construction in October 1957, to open the building to partial occupancy in July 1958, and to complete construction in September 1958.

This is to advise you that if the building is begun and completed according to this schedule and conforms substantially with the plans and specifications referred to in the prospectus, the Board would be interested in leasing approximately one floor of the proposed building.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,  
Secretary.