

Minutes for September 25, 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>W</u>	<u>MS</u>
Gov. Szymczak	<u> </u>	x <u>MS</u>
Gov. Vardaman	x <u>(V)</u>	<u> </u>
Gov. Mills	x <u> </u>	<u> </u>
Gov. Robertson	x <u>R</u>	<u> </u>
Gov. Balderston	x <u>CB</u>	<u> </u>
Gov. Shepardson	x <u>SS</u>	<u> </u>

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, September 25, 1957. The Board met in the Board Room at 10:00 a.m.

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

Mr. Carpenter, Secretary
 Mr. Kenyon, Assistant Secretary
 Mr. Thomas, Economic Adviser to the Board
 Mr. Johnson, Controller, and Director, Division of Personnel Administration
 Mr. Hackley, General Counsel
 Mr. Sprecher, Assistant Director, Division of Personnel Administration

Mr. Harry H. Fite and Mrs. Gladys Rogers
 of Lester B. Knight & Associates, Inc.

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>
Memorandum from the Division of Personnel Administration recommending that arrangements be made for Asian influenza inoculations for members of the Board's staff.	1
Letter to the Federal Reserve Bank of Boston approving an adjustment of the salary structure applicable to employees.	2
Letter to the Federal Reserve Bank of San Francisco interposing no objection to the increased expense involved in inclusion of an additional benefit under the group hospitalization and surgical plan.	3

9/25/57

-2-

	<u>Item No.</u>
Letter to the Federal Reserve Bank of Atlanta interposing no objection to the proposed listing for sale of the present Nashville Branch building.	4
Letter to the Federal Reserve Bank of Cleveland extending the time within which The Community Bank, Napoleon, Ohio, may establish an in-town branch.	5
Letter to Trust Company of Georgia, Atlanta, Georgia, approving the establishment of a branch at Glenn Street and Stewart Avenue. (For transmittal through the Federal Reserve Bank of Atlanta.)	6
Letter to the Federal Reserve Bank of Chicago authorizing waiver of a penalty incurred by Central National Bank and Trust Company, Des Moines, Iowa, because of a deficiency in required reserves.	7
Letter to the Federal Reserve Bank of Chicago extending the time within which Fidelity Bank & Trust Company, Indianapolis, Indiana, may establish a branch at 3900 Meadows Drive.	8
Letter to the Federal Reserve Bank of St. Louis approving an additional investment in bank premises by Paris Savings Bank, Paris, Missouri.	9
Letter to the Federal Reserve Bank of St. Louis extending the time within which First-City Bank & Trust Company, Hopkinsville, Kentucky, may establish an in-town branch.	10
Letter to the Comptroller of the Currency submitting an unfavorable recommendation with respect to an application to organize a national bank in Brick Township, New Jersey. (With a copy to the Federal Reserve Bank of Philadelphia.)	11
Letter to the Department of Justice furnishing information in connection with a study of executive powers which would lapse if the national emergency proclaimed on December 16, 1950, were terminated.	12

9/25/57

-3-

Studies of reserve requirements. There had been sent to the members of the Board copies of a memorandum from Mr. Thomas dated September 23, 1957, relating to inquiries from members of the Economic Policy Commission of the American Bankers Association and from the Commission's staff concerning the current studies of reserve requirements by the Board's staff, particularly with respect to the Commission's proposal for a revision in the existing requirements. The memorandum suggested that it would be helpful in discussing the matter if the Board would authorize sending to the Chairman and staff of the Commission copies of two staff memoranda, prepared under the dates of August 9 and September 6, 1957, respectively. It was noted that these memoranda, which had been distributed to the members of the Board, were factual and objective studies and contained no recommendations or indications of recommendations as to the Board's position on the subject of reserve requirements.

Following a brief discussion, Mr. Thomas was authorized to make copies of the memoranda available to the persons mentioned.

All of the members of the staff then withdrew from the meeting and the Board received in executive session a report from Mr. Fite on the recent survey of the Board's paperwork which he and his associates had conducted pursuant to the action taken by the Board on July 10, 1957.

The meeting then adjourned.

9/25/57

-4-

Secretary's Notes: Pursuant to recommendations contained in memoranda from appropriate individuals concerned, Governor Shepardson approved on behalf of the Board on September 23, 1957, the following items affecting the Board's staff:

Reemployment after maternity leave

Rose C. Cassedy as Statistical Assistant in the Division of Research and Statistics, with basic annual salary at the rate of \$4,480, effective October 6, 1957.

Acceptance of resignation

Barbara H. Murphy, Clerk-Typist, Division of Examinations, effective October 31, 1957.

Notice of retirement

Liston P. Bethea, Director, Division of Administrative Services, effective December 31, 1957.

Governor Shepardson approved on behalf of the Board on September 24, 1957, a letter to the Federal Reserve Bank of New York approving the appointment of John W. Shute and William D. Young as assistant examiners. A copy is attached hereto as Item No. 13.

Pursuant to the recommendation contained in a memorandum from the appropriate individual concerned, Governor Shepardson today approved on behalf of the Board acceptance of the resignation of Patricia A. Latona, Operator, Key Punch, Division of Administrative Services, effective September 25, 1957.


Secretary

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Item No. 1
9/25/57

Office Correspondence

Date September 16, 1957.

To Board of Governors
From Division of Personnel Administration

Subject: Asian Influenza Inoculations

It is recommended that authorization be given the Division of Personnel Administration to make arrangements through the Board's examining physician, Dr. Frederic D. Chapman, for Asian influenza inoculations for the following Board employees: the Health Service Unit (4 people: nurse, 2 substitute nurses, and maid) and all Cafeteria employees (22 people). These inoculations would be considered mandatory, with the provision that should any employee be advised in writing by his physician that he should not be given the vaccine, he would be excluded from the inoculation program.

It is further recommended that authorization be given the Division of Personnel Administration to make arrangements for Asian influenza inoculations for other members of the Board's staff on a voluntary basis, the number being conditional upon the amount of vaccine that will be available for this purpose. If sufficient vaccine is not available for all Board employees, it is possible that enough may be obtained for 40 to 50 persons in addition to those already specifically designated, in which case priority groups will have to be established.

COMMENTS

The feasibility of arranging for an Asian influenza inoculation program for all Board employees has been discussed with Dr. Chapman, the Board's physician. We have also been in contact with the District Asian Influenza Advisory Committee to obtain information concerning the availability of vaccine, the establishment of priority groups, and other problems in connection with planning a mass inoculation.

Although Dr. Chapman has been contacting various drug companies for the past two weeks in an effort to obtain vaccine for this program, so far he has received no vaccine. He feels it is very doubtful that he could obtain a sufficient supply to provide inoculations for the Board's total staff although he has placed a request for this amount. However, he is confident that before the end of the month he will receive enough to take care of the employees in the Health Service Unit and the Cafeteria. The employees in the Health Service Unit are designated as a priority group in line with the priority designations that have already been suggested by the Asian Influenza Advisory Committee to private physicians and institutions. The main reason for including the substitute nurses in this program is due to the present state of health of the Board's regular nurse, which is requiring more than the normal amount of sick leave. The Cafeteria staff is suggested because it is believed food handlers might easily transmit germs to other employees.

To: Board of Governors

-2-

If an additional amount of vaccine is available to enable Dr. Chapman to give inoculations to a group of 40 or 50 Board employees, it will be necessary to establish priority categories that can be used as criteria for designating which members of the Board's staff should be given first consideration in this program. It is suggested that the first priority group be the Board Members and all members of the official staff. If there is sufficient vaccine to take care of additional employees, each Division Head will be requested to submit names of individuals on his staff who should receive first preference.

While it is difficult to give a firm estimate of the cost of the program, Dr. Chapman has advised that, on a group basis, it will be approximately \$1 for each person inoculated, which would include the cost of the vaccine and other materials as well as the doctor's fee. The cost per person will be somewhat higher if only a small number are inoculated. If it is possible to plan an inoculation program for all Board employees, with the inoculations being given in the Board's building by Dr. Chapman, he has estimated that the total cost for this type of program would be approximately \$500. No provision was made in the 1958 budget for this expense.

Juan E. Ayers

16-7-58

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

Item No. 2
9/25/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 25, 1957



CONFIDENTIAL (FR)

Mr. J. A. Erickson, President,
Federal Reserve Bank of Boston,
Boston 6, Massachusetts.

Dear Mr. Erickson:

In accordance with your letter of August 29, 1957, the Board of Governors approves the following minimum and maximum salaries for the respective grades of the employees' salary structure at the Federal Reserve Bank of Boston effective October 9, 1957:

<u>Grade</u>	<u>Minimum Salary</u>	<u>Maximum Salary</u>
1	\$2,080	\$2,640
2	2,100	2,830
3	2,320	3,140
4	2,580	3,480
5	2,830	3,820
6	3,150	4,250
7	3,500	4,730
8	3,870	5,230
9	4,340	5,860
10	4,890	6,610
11	5,530	7,470
12	6,210	8,390
13	6,980	9,420
14	8,080	10,900
15	9,360	12,600
16	10,340	13,960

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 31, 1957.

Mr. J. A. Erickson

- 2 -

It is understood that the increases in salaries under this new salary structure will result in some excess in expense for the current year over the amount budgeted.

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
9/25/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 25, 1957

AIR MAIL

Mr. R. H. Morrill, Vice President,
Federal Reserve Bank of San Francisco,
San Francisco 20, California.

Dear Mr. Morrill:

This is to inform you that the Board of
Governors interposes no objection to the assumption
by the Federal Reserve Bank of San Francisco and
its branches of the increased expense involved in
the adoption of the in-hospital medical benefit
which is being added to your present Blue Cross
Surgical Policy as outlined in your letters of
July 30 and August 20, 1957, addressed to
Mr. E. J. Johnson.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Assisçant Secretary.



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

Item No. 4
9/25/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



September 25, 1957

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

Dear Mr. Bryan:

In response to your letter of August 27 regarding the proposal to list the present Nashville Branch building for sale at a price of \$160,000, the Board has no suggestions to offer.

You report that the Executive Committee of the Bank believes that it would be well to sell the property prior to completion and occupancy of the new building which is now under construction. This is a matter of business judgment which the Board does not question. A recent appraisal resulted in an estimated market value of \$85,000, and estimates of representatives of the leading real estate companies in Nashville ranged from \$75,000 to \$175,000. In the circumstances, the Board has no objection to the proposed listing of the property at \$160,000.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.

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

Item No. 5
9/25/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 25, 1957

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

Dear Mr. Stetzelberger:

In view of the circumstances outlined in your letter of September 17, 1957, the Board of Governors further extends until March 20, 1958, the time within which The Community Bank, Napoleon, Ohio, may establish a branch at 409-413 South Perry Street, Napoleon, Ohio, under the authorization contained in its letter of April 30, 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. 6
9/25/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 25, 1957



Board of Directors,
Trust Company of Georgia,
Atlanta 2, Georgia.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Atlanta, the Board of Governors of the Federal Reserve System approves the establishment of a branch by Trust Company of Georgia, Atlanta, Georgia, at the southeast corner of Glenn Street and Stewart Avenue, Atlanta, Georgia, provided the branch is established within one year from the date of this letter and the necessary permit is obtained from the appropriate State authorities prior to the date of its establishment.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Assistant Secretary.

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

Item No. 7
9/25/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 25, 1957



Mr. Laurence H. Jones, Cashier,
Federal Reserve Bank of Chicago,
Chicago 90, Illinois.

Dear Mr. Jones:

This refers to your letter of September 5, regarding the penalty of \$624.25 incurred by the Central National Bank and Trust Company, Des Moines, Iowa, on a deficiency in its required reserves for the reserve computation period ended August 28.

It is noted that the member bank relied on the balances shown in your Bank's statement for its reserve position during the period and did not reconcile its accounts until notified that a small deficiency existed but was being waived under Paragraph E of the instructions in the Board's letter S-1123; that upon reconciliation the bank discovered an erroneous credit of \$400,000 to its account by your Bank, at which time it immediately notified your Bank of the error; that the correction of this error increased the amount of the average deficiency to an amount above the 5 per cent level that could be waived under Paragraph E; and that the subject bank's reserve record has been very good over the years.

In these circumstances, and in view of your recommendation, the Board authorizes your Bank to waive the assessment of the penalty in this case.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Assistant Secretary.

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

Item No. 8
9/25/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 25, 1957

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

Dear Mr. Diercks:

Reference is made to your letter of September 9, 1957, submitting the request of the Fidelity Bank & Trust Company, Indianapolis, Indiana, for an extension of time within which to establish a branch at 3900 Meadows Drive, Indianapolis, Indiana, owing to delays encountered in starting the branch building program.

After consideration of the information submitted and your favorable recommendation, the Board extends to February 13, 1958, the time within which the establishment of the branch, which was approved in the Board's letter of March 13, 1957, may be accomplished.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Assistant Secretary.



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

Item No. 9
9/25/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 25, 1957



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

Dear Mr. Kroner:

Reference is made to your letter of September 9, 1957, submitting the request of the Paris Savings Bank, Paris, Missouri, for approval, under the provisions of section 24A of the Federal Reserve Act, of an additional investment of \$6,370.67 in bank premises.

After consideration of all available information, the Board of Governors concurs in the Reserve Bank's recommendation and approves the additional investment of \$6,370.67 in bank premises by Paris Savings Bank, Paris, Missouri.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Assistant Secretary.

2709

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

Item No. 10
9/25/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 25, 1957

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

Dear Mr. Kroner:

As recommended in your letter of September 9, 1957, the Board of Governors extends to November 12, 1957, the time within which First-City Bank & Trust Company, Hopkinsville, Kentucky, may establish a branch adjacent to the corner of New Clarksville Road and a proposed extension of Morning Side Drive within the corporate limits of Hopkinsville, Kentucky.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Assistant Secretary.



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

Item No. 11
9/25/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 25, 1957



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

Attention Mr. Hollis S. Haggard,
Chief National Bank Examiner.

Dear Mr. Comptroller:

This will acknowledge receipt of a letter from your office dated June 12, 1957, enclosing copies of an application to organize a national bank in Brick Township, New Jersey, (P. O. Breton Woods, New Jersey), and requesting a recommendation as to whether or not the application should be approved.

The report of investigation of the application made by an examiner for the Federal Reserve Bank of Philadelphia indicates that the subject application should not be approved. It is the view of the examiner that the proposed capital structure of the bank in the amount of \$150,000 would be inadequate in respect to the volume of deposits anticipated within the first three years of operation of the proposed bank. It would appear that not less than \$250,000 in capital funds should be available at the opening of the bank. Secondly, the general character of the management of the bank is not favorable. With one or two exceptions, the organizers are unimpressive as potential bank directors, and the proposed bank does not appear to be a project with firm community support. Insufficient or no financial data has been supplied to the examiner in respect to the personal financial status of the proposed organizers, and the principal organizer, Mr. Phillip Bertrand, has failed to supply the examiner with other required data. The lack of group and community interest is emphasized by the fact that several of the proposed organizers have just recently withdrawn. Moreover, no prospective executive officer for the bank has been selected, and this, of course, is a serious deficiency in the organization of the institution.

Comptroller of the Currency - 2

Earnings prospects are relatively favorable if the substantial volume of deposits and loans anticipated by the organizers is realized. Based on a comparison with other local financial institutions and branches, the growth prospects of the proposed institution may be more limited than envisaged by the organizers, and in this event, the earnings may not be as favorable as indicated. While there may be a local need for banking services, it would appear that the convenience and needs of the community to be served by the proposed institution might better be served by a branch of some nearby established bank. In view of the unfavorable factors, the Board of Governors does not feel justified in recommending approval of the application.

The Board's Division of Examinations will be glad to discuss any aspects of this case with representatives of your office if you so desire.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Assistant Secretary.

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

Item No. 12
9/25/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 25, 1957



Mr. W. Wilson White,
Assistant Attorney General,
Office of Legal Counsel,
Department of Justice,
Washington 25, D. C.

Dear Mr. White:

This refers to your letter of September 5, 1957, stating that your Office has been requested by the Attorney General to make a study of what needed executive powers would lapse if the national emergency proclaimed on December 16, 1950 were terminated.

Your letter states that 12 U.S.C. 249 appears to fall within the jurisdiction of the Board and to be available during the national emergency declared December 16, 1950. That provision reads as follows:

"After November 1, 1947, the Board of Governors of the Federal Reserve System shall not exercise consumer credit controls pursuant to Executive Order Numbered 8843, and no such consumer credit controls shall be exercised after such date except during the time of war beginning after the date of enactment of this joint resolution or any national emergency declared by the President after August 8, 1947."

The national emergency declared December 16, 1950 appears to be of the kind described in 12 U.S.C. 249. However, the Defense Production Act of 1950, approved September 8, 1950, specifically provided in section 601 for the exercise of consumer credit controls, and the Board's regulation of consumer credit during this period was under the authority of section 601. The Board suspended its regulation of consumer credit, effective May 7, 1952; and section 601 was repealed, effective June 30, 1952. The Board has not exercised authority under 12 U.S.C. 249 during the national emergency, and the Board believes

Mr. W. Wilson White

-2-

that it would not be necessary to make any change in the provision if the national emergency proclaimed December 16, 1950 were terminated.

There are no other powers within the Board's jurisdiction which depend for their existence on this emergency.

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. 13
9/25/57



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 24, 1957

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

Dear Mr. Bilby:

In accordance with the request contained in your letter of September 20, 1957, the Board approves the appointment of John W. Shute and William D. Young as assistant examiners for the Federal Reserve Bank of New York. Please advise as to the date upon which the appointments are made effective.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Assistant Secretary.