

Minutes for December 2, 1957

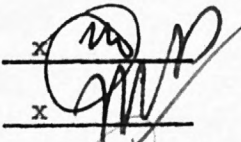
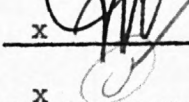
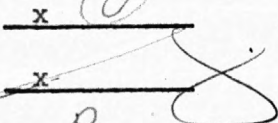
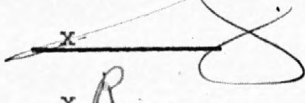
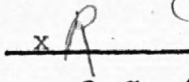
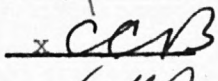
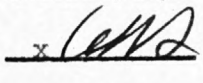
To: Members of the Board

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	x 	_____
Gov. Robertson	x 	_____
Gov. Balderston	x 	_____
Gov. Shepardson	x 	_____

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, December 2, 1957. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
 Mr. Balderston, Vice Chairman
 Mr. Szymczak
 Mr. Vardaman 1/
 Mr. Mills
 Mr. Robertson 2/
 Mr. Shepardson

Mr. Carpenter, Secretary
 Mr. Sherman, Assistant Secretary
 Mr. Kenyon, Assistant Secretary
 Mr. Fauver, Assistant Secretary
 Mr. Riefler, Assistant to the Chairman
 Mr. Thomas, Economic Adviser to the Board
 Mr. Molony, Special Assistant to the Board

Messrs. Young, Garfield, Noyes, Robinson, and Williams, Miss Burr, and Messrs. Koch, Dembitz, Brill, Eckert, Gehman, Jones, Miller, Weiner, Altmann, Freedman, Manookian, Wernick, and Wood of the Division of Research and Statistics

Messrs. Marget, Bangs, Furth, Hersey, Reynolds, Sammons, and Wood of the Division of International Finance

Economic review. In summarizing financial and trade developments in selected foreign areas, the Division of International Finance endeavored to appraise discernible and possible future trends in terms of their influence on the economy of the United States. The review indicated that although these developments could not be said to give the appearance of a boom, neither were they such as to suggest the emergence of a worldwide liquidity crisis. In substance, it seemed

1/ Entered meeting during staff review of economic developments.
2/ Attended morning session only.

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doubtful whether conditions abroad would lend strength to the economy of this country, but on the other hand it appeared that they would not in all probability constitute a seriously detracting influence.

The domestic review presented by the Division of Research and Statistics revealed a continuation, in most cases modest but in other cases of more significant proportions, of the downward trend of many important economic indicators from the high levels which prevailed a year ago or earlier during the current year.

All of the members of the Research and International Finance Divisions except Mr. Young then withdrew from the meeting. Messrs. Fauver, Riefler, Thomas, and Molony also withdrew at this point, while Messrs. Hackley, General Counsel, Solomon and Hexter, Assistant General Counsel, and Hostrup, Nelson, and Goodman, Assistant Directors of the Division of Examinations, entered the room.

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:

Item No.

Letter to the Federal Reserve Bank of Cleveland waiving the requirement of six months' notice of withdrawal from membership in the Federal Reserve System for The Peoples Savings Bank Company, Martins Ferry, Ohio.

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Item No.

Letter to Bank of America, New York, New York, regarding
the report of examination of the bank made as of
December 11, 1956. (With copies to the Federal Reserve
Banks of New York and San Francisco)

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Mr. Goodman then withdrew from the meeting.

Discount rates. Unanimous approval was given to telegrams to
the following Federal Reserve Banks approving the establishment without
change by those Banks on the dates indicated of the rates on discounts
and advances in their existing schedules:

Atlanta	November 25
Richmond	November 27
St. Louis	November 27
Minneapolis	November 29

Interpretation of section 6(a)(2) of Bank Holding Company Act.

Section 6(a)(2) of the Bank Holding Company Act makes it unlawful for a
subsidiary bank to "accept" the capital stock of its bank holding
company or of any other subsidiary of the bank holding company as
collateral security for "advances" made to any person or company, with
a proviso to the effect that a bank may accept such capital stock as
security for debts previously contracted but that such collateral must
not be held for a period of over two years. The Barnett National Bank
of Jacksonville, Jacksonville, Florida, had presented, through the
Federal Reserve Bank of Atlanta, the following questions: (1) Would
section 6(a)(2) apply to a loan by a subsidiary bank of Barnett
National Securities Corporation, the bank holding company, secured by
stock of The Barnett National Bank of Jacksonville, in view of the fact

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that, by virtue of charter provisions, a pledge of shares of the national bank necessarily involves a pledge of shares of the bank holding company?

(2) If the first question should be answered in the affirmative, may a subsidiary bank extend the maturity of loans secured by shares of Barnett National Bank where the loans were made before the enactment of the Bank Holding Company Act?

In a memorandum from Mr. Hackley dated November 25, 1957, which had been distributed to the members of the Board, it was stated that it seemed clear that section 6(a)(2) would be applicable to the situation referred to in the first question. As to the second question, however, the memorandum stated that there was room for difference of opinion. In Mr. Hackley's opinion, arrived at in the light of court decisions and rulings of the Board under other statutes to the effect that a renewal of a loan does not constitute a "loan" or "extension of credit", a loan made by a subsidiary bank before the date of the Bank Holding Company Act, secured by stock of its bank holding company, might be renewed after the date of the Act without violating section 6(a)(2). The other view, held by Mr. Hexter, was that, in view of the broad purposes of section 6 of the Act, the renewal after the date of the Act of a loan made prior thereto would constitute an "advance" and that the continued holding of the bank holding company's stock as security for the loan should be regarded as a violation of both the letter and the spirit of section 6(a)(2). Submitted with the memorandum were alternative drafts

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of letter to the Federal Reserve Bank of Atlanta embodying the views of Mr. Hackley and of Mr. Hexter, respectively.

After summarizing the nature of the second question presented to the Board, Mr. Hackley said it was his view, and that of Mr. Solomon, that the judicial and administrative precedents deemed pertinent to this matter were hard to ignore and that it might be difficult to sustain, if the matter should ever reach the point of litigation, that the described transactions violated the statute. In this connection, he referred particularly to the position taken by the Board in 1934 and 1935, in construing section 23A of the Federal Reserve Act, that the words "extension of credit" in that section do not include the renewal of an existing loan. He also referred to the common practice of banks in making time loans with the understanding that they will be renewed and went on to suggest that the Congress, if it had intended a prohibition in this instance, would have made express provision in the Bank Holding Company Act. It might be, he said, that the practice of renewal, particularly on an indefinite basis, would be considered undesirable; if so, the Board might want to propose an amendment to the Act.

Mr. Hexter agreed that the bulk of judicial and administrative actions in this field suggested taking a liberal view in this case, and it seemed doubtful to him whether the Department of Justice would be apt to pursue a matter of this kind. However, it was basic, in his view,

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that the Congress had indicated by the Bank Holding Company Act that it regarded such extensions of credit as undesirable. In such cases, he pointed out, the bank was free to collect the loan at maturity or to go on loaning money on the collateral of stock of its bank holding company. He recommended, in the circumstances, informing the bank which had inquired that renewal of the described loans would certainly be contrary to the spirit of the Act and might be in violation of the letter of the statute. The inquiring bank would then be left to determine whether it wished to proceed in a way which the Board felt to be contrary to the purpose of the Act.

Mr. Hexter also commented that it would appear somewhat arbitrary to take the position that a loan of the kind in question could go on indefinitely merely because it happened to have been made prior to the enactment of the statute, while on the other hand a less fortunate borrower would be cut off forever.

Mr. Hackley supplemented his previous comments by referring to the similarities between section 23A of the Federal Reserve Act and section 6(a)(2) of the Bank Holding Company Act, in view of which he suggested that it would seem rather inconsistent to take different positions under the respective statutes. He also suggested that under Mr. Hexter's theory it might appear that a bank which had made a demand loan on the collateral of stock of its bank holding company prior to the date of the Act would have been obliged to call that loan upon the passage of the Act.

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Mr. Solomon pointed out that most legislation is prospective in its operation, this being the case, for example, with respect to section 3 of the Bank Holding Company Act, and that the Congress usually is quite explicit where an interruption of existing arrangements is intended. Despite the prohibition contained in section 6(a)(1) of the Act, he presumed it would not be suggested that a subsidiary bank which owned obligations of its bank holding company or of some other subsidiary as of the date of the Act would have to dispose of them. The Act, however, makes it clear that such holdings are considered undesirable.

In additional comments, Mr. Hackley said that the question presented to the Board was not of great quantitative significance and that it would appear to be a matter of diminishing importance. On the other hand, the Board's position in this instance would be of some basic importance in relation to other questions of a somewhat similar nature that could arise under section 6 of the Act.

Mr. Hostrup confirmed that the loans which gave rise to this particular question were not large in number or size. He indicated that the Division of Examinations concurred in the position taken by Messrs. Hackley and Solomon.

Governor Vardaman then suggested the possibility of a compromise approach which would follow the legal position taken in the draft of letter proposed by Mr. Hackley but would indicate that the Board would not look with favor as a supervisory matter on indefinite renewal of loans of the kind in question.

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Governor Mills expressed the view that the position taken in the draft of letter suggested by Mr. Hackley was correct and that the future handling of the loans in question was a matter of bank supervision, with such loans presumably being included among those especially mentioned in reports of examination of the bank concerned. At some time, therefore, the continued carrying of the loans would cause the bank to be subject to criticism. On that basis, he could not agree with a compromise reply of the nature mentioned by Governor Vardaman and he would be inclined to let events take their own course through the supervisory and examining procedures. The Board had many precedents, he said, aside from the legal precedents mentioned, to justify the position taken in Mr. Hackley's proposed letter. To illustrate the generally prospective, rather than retroactive, nature of the Bank Holding Company Act, he referred to the expansion of certain bank holding companies just prior to the enactment of the legislation and the lack of authority to reverse those transactions. He also noted that an increase in the Board's margin regulations has no effect on transactions entered into before the effective date.

Governor Robertson expressed the view that the position taken by the Board in construing section 23A of the Federal Reserve Act in 1934 and 1935 was in error. Going on to call attention to the distinctions between demand and time loans, he said that if a demand loan of the kind in question was in existence prior to the date of the Bank Holding Company Act he would not dispute the right of the bank to carry the loan as long as it wished. In the case of a time loan,

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however, he felt that renewal of the loan upon maturity was equivalent to the making of a new loan. Therefore, it was his view that the position taken in Mr. Hexter's draft of letter was correct; that is, that loans of this kind were undesirable and illegal when renewed after the date of the Act. While he recognized that the amount of the loans involved was small, he pointed out that the Board's position in this matter had precedent value, particularly from the standpoint of its effect on loans to other subsidiary banks. As to the compromise position mentioned as a possibility by Governor Vardaman, he did not feel that the Board would have authority to require the liquidation of the loans if it took the position that they were legal. The only proper position for the Board to take, he contended, was to indicate that the loans in question were contrary to the spirit of the statute. In this way, the bank holding company would be put on notice and could decide whether it wished to run the risk of contesting the matter with the Department of Justice.

Governor Vardaman suggested that there are many loans which are legal but which come under supervisory criticism. With regard to the difference between demand and time loans, he noted that the former permit the bank to call the loan without notice at any time. In the face of the obvious intent of the law, he doubted whether the Board should permit loans of the kind in question to be carried indefinitely, but on the other hand he doubted whether the Board had either a moral or legal right to require a bank to terminate the loans immediately.

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In reply, Governor Robertson said that he did not question a bank's right to call a demand loan but that the point under consideration by the Board was the right of the subsidiary bank to renew time loans upon maturity. The loans, he said, presumably were sound and therefore he did not see how the Board, if it held the loans to be legal, could object to the continued carrying of the loans.

At the conclusion of this discussion, Governor Vardaman stated that in view of the points that had been developed he would be inclined to go along with the draft of letter submitted by Mr. Hackley.

Mr. Hackley then raised a question about procedure from the standpoint of the rulings in 1934 and 1935 if the Board should now decide to follow the point of view advocated by Governor Robertson and Mr. Hexter, and Governor Robertson replied that the rulings could be changed at this time or that the Board, if it wished, could wait until pertinent questions arose again under section 23A.

Because of a scheduled meeting of members of the Board with representatives of the National and State Bank Divisions of the American Bankers Association, the meeting of the Board recessed at this point and reconvened in the Board Room at 2:15 p.m. with all of the members of the Board except Governor Robertson present. Staff attendance was the same as at the conclusion of the morning session except that Messrs. Riefler and Benner, Assistant Director, Division of Examinations, were present and Messrs. Hexter and Nelson were not present.

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Conference of Chairmen of the Federal Reserve Banks. As Secretary of the Conference of Chairmen of the Federal Reserve Banks, Mr. Sherman had distributed to the members of the Board copies of the proposed agenda for the meeting of the Conference to be held in Washington on December 5 and 6, 1957.

Following a brief discussion based on comments by Mr. Sherman, unanimous agreement was expressed with the agenda in the form submitted, subject to a minor change in the description of one item to take into account a suggestion by Governor Vardaman.

Report on S. 2791. In a letter dated August 16, 1957, the Senate Banking and Currency Committee requested a report on bill S. 2791, which would create a Home Loan Guarantee Corporation with authority to guarantee, within certain limits, first mortgages on homes designed for single occupancy. In a memorandum dated November 26, 1957, which had been distributed to the members of the Board, Mr. Walter Young, Assistant Counsel, summarized the provisions of the bill and presented a draft of reply to the Banking and Currency Committee which had been prepared in collaboration with the Division of Research and Statistics. The proposed reply would recommend against enactment of the bill on the basis that the program to be established thereunder would not serve any useful purpose that could not be served more easily and more effectively through the mortgage insurance program carried on by the Federal Housing Administration. In addition, the reply would cite other features of

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the bill as undesirable, including the authority of the Home Loan Guarantee Corporation to issue obligations with valuable exemptions from Federal, State, and local taxes and the fact that the guarantee issued by that corporation would appear to be effective only in the hands of a mortgagee examined and audited by the Corporation.

In a discussion of the matter, Governor Mills suggested that the proposed reply might be regarded as treating the subject rather superficially. He expressed the view that the Board, even if it did not favor the proposed program, should be careful in framing its reply because of the apparent extent of interest in legislation intended to have the effect of reducing the volume of second mortgage financing. In this connection, he understood that considerable sentiment on this subject existed within the Home Loan Bank System and also in the Congress.

Mr. Riefler stated that the proposal had been brought to his attention earlier this year, at which time he had expressed the thought that this kind of legislation would not be sound since the existing program of the Federal Housing Administration already eliminates the necessity for second mortgage financing. It was his opinion that to have two competing programs in existence would be likely to lead to laxity. The program of the Federal Housing Administration, he pointed out, also has the advantage of being a mutual program so that net costs are minimized. From the standpoint of sound public policy, he felt it would be appropriate to say that if the Government mortgage insurance

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program now in existence was not operating effectively, the thing to do was to make changes in it rather than to establish another competing program.

Governor Vardaman indicated that his thoughts upon reading the proposed letter were along the lines of those expressed by Governor Mills. He said that he agreed completely in principle with the points brought out by Mr. Riefler and that he felt a letter phrased somewhat along those lines would indicate that the matter had been given careful consideration.

Pursuant to a suggestion by Chairman Martin, it was then agreed that a revised draft of letter would be prepared for the Board's consideration.

At this point Mr. Brill, Chief, Business Finance and Capital Markets Section, Division of Research and Statistics, entered the room.

Report on S. 2906 (Item No. 3). Under date of September 4, 1957, the Chairman of the Senate Committee on Interstate and Foreign Commerce requested the Board's comments on bill S. 2906, which would establish a Railroad Equipment Administration within the Department of Commerce for the purpose of procuring such railroad equipment as the Interstate Commerce Commission might determine to be essential. The Railroad Equipment Administration would be authorized to lease the equipment to individual railroads and to borrow from the Treasury as a working fund an amount not to exceed \$500 million. In addition, it could issue its

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obligations to the public in an amount outstanding at any one time not more than four times the amount of the working fund and surplus.

With a memorandum from Mr. Young, Director of the Division of Research and Statistics, dated November 26, 1957, there had been distributed to the members of the Board a draft of proposed reply which, for reasons stated therein, would express the view that the enactment of S. 2906 would not be in the public interest at this time. There was also submitted a memorandum prepared by the Business Finance and Capital Markets Section providing background information on the bill and on railroad equipment financing practices, along with a note prepared by the Division of Bank Operations and the Legal Division concerning Federal Reserve fiscal agency operations under the bill.

Governor Vardaman began the discussion of the matter by reviewing current problems of the railroads and stating that although S. 2906 might not constitute the right approach, these problems must be solved in some manner. He indicated that he had looked at the situation mostly from the standpoint of defense requirements and said that he would not like to see legislation of this kind adopted without exhaustive hearings at which views from the standpoint of the national defense would be among those presented.

Mr. Young commented that the proposed reply had been prepared without regard to the problem of creating a stockpile of equipment for defense requirements. He suggested, therefore, inclusion in the letter

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of language which would serve to clarify the point that the Board was not in a position to appraise defense aspects of the proposed legislation. With that qualification, it seemed to him that the case for there being substantial advantages to the railroads from a program such as envisaged from S. 2906 was not strong, particularly since the cost of equipment financing under such a program would involve relatively large current charges and would not result in the lowering of costs needed by the railroads.

Following a discussion of financing by means of equipment trust certificates and the railroad traffic situation, Governor Mills expressed concurrence in the analysis which had been made in the memorandum distributed to the Board and said that he considered the proposed letter appropriate. It was his view that to encourage this type of a program might well lead to legislative proposals for the financing of airlines and other industries, and he observed that a substantial amount of borrowing from the Treasury would be involved.

Governor Balderston then commented on the difficult situation confronting the railroads at the present time and pointed out that the approach embodied in S. 2906 was favored by and would benefit only a minor portion of the railroad industry. In these circumstances, and since such a program would not deal with the most fundamental problems faced by the railroads, he questioned whether the approach was appropriate. The position proposed to be taken in the letter, he pointed out, did not mean necessarily that the Board would be opposed to all efforts on the part of the Government to aid the railroad industry.

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Chairman Martin indicated that his views were similar to those stated by Governor Balderston, stating that in his opinion the approach contained in S. 2906 was clearly not the most appropriate method for giving assistance to the railroads.

Governors Szymczak and Shepardson also expressed agreement with the substance of the proposed reply, the latter stating that he considered the memorandum submitted to the Board to be a fair analysis of the current situation. The real question, he thought, was one of what was going to be done for all forms of transportation. It was his hope that a way could be found of answering existing problems without more and more subsidizing of the railroads and the airlines.

In further discussion, certain minor changes in the concluding paragraphs of the letter were agreed upon to meet suggestions made at this meeting. It was then agreed unanimously to submit the proposed letter, with the changes decided upon, to the Bureau of the Budget for comment prior to its transmittal to the Senate Committee on Interstate and Foreign Commerce. A copy of the letter sent to the Bureau pursuant to this action is attached as Item No. 3.

Special trust power for First National Bank in Lake Worth, Florida (Item No. 4). Mr. Benner reported receipt of advice from the Federal Reserve Bank of Atlanta that the First National Bank in Lake Worth, Lake Worth, Florida, had requested permission to act as trustee in connection with an issue of bonds by the city of Lake Worth

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in the amount of \$1,630,000. It appeared that the bank must have this special power granted by tomorrow morning or the city of Lake Worth would give the trusteeship to another institution.

Mr. Benner reported that the national bank's condition was satisfactory, that the Atlanta Reserve Bank favored granting the request, and that informal inquiry of the Office of the Comptroller of the Currency revealed no reason to suggest that a formal application for the trust power would not be approved.

Governor Balderston stated that Governor Robertson had expressed himself in favor of granting the requested trust power.

Following a discussion of the matter, the request was approved unanimously with the understanding that the Atlanta Reserve Bank would be advised immediately of the Board's action, that a formal application in the usual form would be submitted to the Board, and that the usual documents confirming the granting of the trust power would be sent by the Board following receipt of the completed application. A copy of the telegram sent to the Federal Reserve Bank of Atlanta pursuant to this action is attached as Item No. 4.

Consideration of applications of First National City Bank and others under the Bank Holding Company Act. Following a brief discussion of the next step to be taken by the Board in considering the applications of the First National City Bank of New York and others to form bank holding companies, concerning which the parties had presented oral

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argument before the Board on November 26, 1957, it was decided that the Board would discuss these applications further at a meeting on Monday, December 9, 1957.

Application by Maryland Trust Company for establishment of branches (Item No. 5). Reference was made to a file which had now completed circulation to the members of the Board relating to the application of Maryland Trust Company, Baltimore, Maryland, for the establishment of a branch in Randallstown, Maryland, and a branch at 6929 Liberty Road, Baltimore County, Maryland, incident to its proposed merger with the Randallstown Bank, Randallstown, Maryland. It was stated that Maryland Trust Company would appreciate early advice of the Board's action on this matter in view of a stockholders' meeting scheduled to be held tomorrow.

Pursuant to the favorable recommendation of the Federal Reserve Bank of Richmond and the Board's Division of Examinations, unanimous approval was given to a letter to Maryland Trust Company in the form attached as Item No. 5, for transmittal through the Federal Reserve Bank of Richmond, with the understanding that preliminary advice of the Board's action would be given to the Reserve Bank by telephone.

The meeting then adjourned.

Secretary's Notes: Pursuant to the action taken by the Board on September 20, 1957, a telegram was sent on November 27, 1957, to

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the Presidents of all Federal Reserve Banks and Vice Presidents in charge at all Federal Reserve branches concerning the designation of Puerto Rico as being in or of the Second Federal Reserve District for purposes of Regulations G and J, effective January 1, 1958. A copy of the telegram is attached hereto as Item No. 6.

On November 29, 1957, the Federal Reserve Bank of Dallas advised that the Bank's directors at a meeting on that date had established, subject to review and determination by the Board of Governors, a rate of 3 per cent on discounts for and advances to member banks under sections 13 and 13a of the Federal Reserve Act; a rate of 3-1/2 per cent on advances to member banks under section 10(b); and all other rates in the Bank's existing schedule without change. Pursuant to the authority given by the Board on November 14, the Secretary's Office sent a telegram to the Federal Reserve Bank of Dallas on November 29 in the form attached hereto as Item No. 7.

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

November 27:

Salary increase, effective December 1, 1957

Thelma C. Millican, Statistical Clerk, Division of Bank Operations, from \$4,480 to \$4,750 per annum.

Acceptance of resignation

Beverly A. Murphy, Records Clerk, Office of the Secretary, effective December 6, 1957.

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November 29:

Salary increases, effective December 1, 1957

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Office of the Secretary</u>			
Joan V. Caulfield, Records Clerk		\$ 3,585	\$ 3,670
M. Elizabeth Jones, Supervisor, Minutes Unit		5,645	5,845
Elizabeth G. Stephenson, Records Clerk		3,415	3,500
<u>Legal</u>			
Dorothy V. Brooke, Secretary		4,620	4,755
<u>Research and Statistics</u>			
James B. Eckert, Chief, Banking Section		12,150	12,420
Naomi Lois Orr, Statistical Clerk		3,175	3,260
Harvey A. Robinson, Statistical Assistant		5,065	5,200
Maurice H. Schwartz, Economist		9,205	9,420
<u>Bank Operations</u>			
Lee W. Langham, Technical Assistant		7,785	8,000
<u>Administrative Services</u>			
Henry L. Edmonds, Cafeteria Laborer		2,745	2,830
Thomas V. Kopfman, Assistant Supervisor, Duplicating and Mail Section		6,074	6,386
Alice E. Rayman, Secretary		4,075	4,210
Ralph A. Sherrod, Photographer (Offset)		4,971	5,242
Franklin Taylor, Supervisor, Duplicating and Mail Section		6,469	6,802

Transfer, effective December 1, 1957

Toni E. Varallo, from the position of Clerk-Stenographer in the Division of Personnel Administration to the position of Stenographer in the Division of Examinations, with no change in her basic annual salary at the rate of \$3,415.

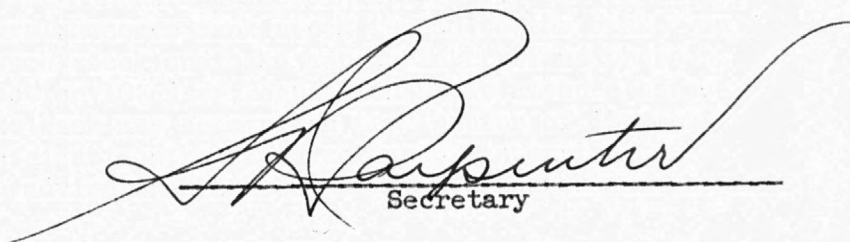
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December 2:Salary increases, effective November 3, 1957

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Administrative Services</u>			
Arthur S. Myers, Electrician-Operating Engineer		\$ 5,013	\$ 5,283
Arad B. Shipp, General Mechanic-Operating Engineer		4,555	4,805
Glenn B. Hopkins, Painter		4,451	4,680
Bruce L. Rabbitt, Painter		4,347	4,576

Governor Shepardson also approved today on behalf of the Board a letter to the Federal Reserve Bank of Cleveland approving the appointment of James Milton Grace as assistant examiner. A copy of the letter is attached hereto as Item No. 8.



 Secretary

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

Item No. 1
12/2/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 2, 1957



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

Dear Mr. Stetzelberger:

Reference is made to your letter of November 14, 1957, enclosing a resolution adopted by the board of directors of The Peoples Savings Bank Company, Martins Ferry, Ohio, signifying its intention to withdraw from membership in the Federal Reserve System, and a letter requesting waiver of the six months' notice of such withdrawal. It is understood that the bank has applied to the Federal Deposit Insurance Corporation for continuance of insurance for its deposits.

In accordance with the bank's request, the Board of Governors waives the requirement of six months' notice of withdrawal. Accordingly, upon surrender of the Federal Reserve Bank stock issued to the bank, you are authorized to cancel such stock and make appropriate refund thereon. Under the provisions of Section 10(c) of Regulation H, as amended effective September 1, 1952, the bank may accomplish termination of its membership at any time within eight months after notice of intention to withdraw is given. Please advise when cancellation is effected and refund is made.

The certificate of membership issued to the bank should be obtained, if possible, and forwarded to the Board. The State banking authorities should be advised of the bank's proposal of withdrawal from membership and the date such withdrawal becomes effective.

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
12/2/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 2, 1957



Mr. Russell G. Smith, Executive Vice President,
Bank of America,
40 Wall Street,
New York, New York.

Dear Mr. Smith:

This will acknowledge your letter of October 21, 1957, in reply to the Board's letter of September 4, 1957, regarding the report of examination of Bank of America, New York, made as of December 11, 1956, by examiners for the Board of Governors.

You state that the Board's letter was reviewed by your Directors at a meeting on September 19, 1957. The Board has noted the conclusions reached by your Directors on the various points involved.

It is understood that you are endeavoring to bring all loan and deposit accounts, listed as nonconforming by the examiner, into conformity with Regulation K and your letter enclosed three progress reports covering certain loan and deposit accounts.

It is noted that your Directors will formulate steps designed to extend a greater measure of autonomy to the Home Office in New York and that your Directors expected to be in position to report, within the next three or four months, on the steps proposed.

You report that your Directors feel, as suggested in the Board's letter of September 4, 1957, that it might be helpful for your Directors to discuss with the Board of Governors some differences in your understanding of Regulation K and the Board's interpretation of it. Your letter refers specifically to the Board's interpretation of that portion of Section 6(b)(2) of Regulation K which provides that a Banking Corporation shall not receive funds from a foreign depositor "to be held in the United States as time deposits solely for purposes of safekeeping or investment and unrelated to other international or foreign business of the depositor with the Corporation"

Mr. Russell G. Smith

- 2 -

You state that you propose to submit your recommendations separately regarding other points which may be subject to different interpretation, together with your other comments concerning provisions of the revised Regulation. Following the receipt of your recommendations, a conference will be arranged at a mutually convenient date.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.

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

Item No. 3
12/2/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 3, 1957



Mr. Roger W. Jones,
Assistant Director,
Legislative Reference,
Bureau of the Budget,
Washington 25, D. C.

Dear Mr. Jones:

Enclosed is a draft of a proposed letter to the Chairman of the Senate Committee on Interstate and Foreign Commerce commenting on S. 2906, a bill "To provide for the increase, modernization, and stockpiling of railroad equipment in order to meet the needs of the commerce of the United States, of the postal service, and of the national defense; to create and establish a public agency with powers to carry out the provisions of this Act; and for other purposes."

The Board will appreciate advice as to the relationship of the proposed legislation to the program of the President.

Sincerely yours,

A handwritten signature in dark ink, appearing to read "S. R. Carpenter", is written over a horizontal line.

S. R. Carpenter,
Secretary.

Enclosure

T E L E G R A M
LEASED WIRE SERVICEItem No. 4
12/2/57BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON

December 2, 1957

DENMARK - ATLANTA

First National Bank in Lake Worth, Lake Worth, Florida, request for permission to act as "Trustee of the Construction Fund Trust Agreement in connection with the issue of \$1,630,000 City of Lake Worth, Florida, Water and Electric Revenue Certificates, Series 1957, dated May 1, 1957" approved today. Please forward application on Form F. R. 61 together with accompanying documents. Letters from the Board confirming appointment and enclosing certificate will be sent upon receipt of completed Form 61.

(Signed) Merritt Sherman

SHERMAN

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

Item No. 5
12/2/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



December 2, 1957

Board of Directors,
Maryland Trust Company,
Baltimore, Maryland.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Richmond, the Board of Governors of the Federal Reserve System approves the establishment of a branch on Liberty Road in the unincorporated town of Randallstown, Maryland, and a branch at 6929 Liberty Road, Baltimore County, Maryland, at the present locations of the main office and branch of Randallstown Bank, Randallstown, Maryland, by Maryland Trust Company, Baltimore, Maryland, incident to its merger with the Randallstown Bank, provided (1) the merger is effected substantially in accordance with the agreement between the parties dated November 9, 1957, (2) shares of dissenting stockholders of the constituent corporations which may be acquired are disposed of within six months of the date of acquisition, and (3) the merger and establishment of the branches are effected within six months from the date of this letter.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Assistant Secretary.

Item No. 6
12/2/57

S-1643

TELEGRAM

November 27, 1957.

(Addressed to the Presidents of all Federal Reserve Banks and Vice Presidents in Charge at all Federal Reserve branches)

As stated in Board communication of September 20, 1957, the Board has taken following actions effective January 1, 1958. Banks in Puerto Rico plan to announce these actions to press on December 2, and it is requested that no publicity be given this matter until that date.

DESIGNATION OF PUERTO RICO AS BEING IN OR OF THE
SECOND FEDERAL RESERVE DISTRICT FOR PURPOSES OF
REGULATION G

Pursuant to Footnote 1 of Regulation G, the Board of Governors has taken the following action:

For purposes of Regulation G, Puerto Rico shall be deemed to be in or of the Second Federal Reserve District, effective on and after January 1, 1958.

DESIGNATION OF PUERTO RICO AS BEING IN OR OF THE
SECOND FEDERAL RESERVE DISTRICT FOR PURPOSES OF
REGULATION J

Pursuant to Footnote 1 of Regulation J, the Board of Governors has taken the following action:

For purposes of Regulation J, Puerto Rico shall be deemed to be in or of the Second Federal Reserve District, effective on and after January 1, 1958.

(Signed) Merritt Sherman

T E L E G R A M
LEASED WIRE SERVICEItem No. 7
12/2/57BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON

November 29, 1957

Irons - Dallas

Reurtel today. Board approved, effective December 2, 1957, for your Bank (a) rate of 3 per cent on discounts for and advances to member banks under Sections 13 and 13a, (b) other rate as set forth in your telegram of today, and (c) establishment by your Bank without change of remaining rates in Bank's existing schedule.

(Signed) Merritt Sherman

SHERMAN



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

Item No. 8
12/2/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 2, 1957

CONFIDENTIAL (FR)

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

Dear Mr. Stetzelberger:

In accordance with the request contained in your letter of November 26, 1957 the Board approves the appointment of James Milton Grace as an assistant examiner for the Federal Reserve Bank of Cleveland. Please advise us as to the date upon which the appointment is made effective.

It is noted that Mr. Grace is indebted to the Woodlawn Trust Company, Aliquippa, Pennsylvania, a member bank in the amount of \$739.56 incurred to finance repairs to his home which he owns in Aliquippa. Accordingly, the Board approval is given with the understanding that Mr. Grace will not participate in any examination of the Woodlawn Trust Company, Aliquippa, Pennsylvania until his indebtedness to the Bank has been liquidated.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Assistant Secretary.