

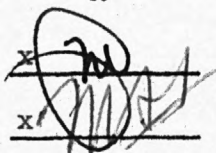
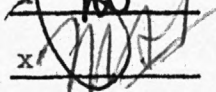
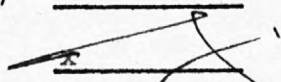
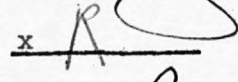
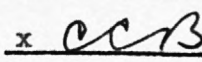

Minutes for December 16, 1957

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 	_____
Gov. Szymczak	x 	_____
Gov. Vardaman ^{1/}	_____	x _____
Gov. Mills	x 	_____
Gov. Robertson	x 	_____
Gov. Balderston	_____	x 
Gov. Shepardson	x 	_____

^{1/} In accordance with Governor Shepardson's memorandum of March 8, 1957, these minutes are not being sent to Governor Vardaman for initial.

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

PRESENT: Mr. Martin, Chairman
 Mr. Szymczak
 Mr. Mills
 Mr. Robertson
 Mr. Shepardson

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

Messrs. Young, Garfield, Noyes, Robinson and Williams, Miss Burr, and Messrs. Dembitz, Brill, Eckert, Gehman, Jones, Miller, Flechsig, Manookian, Tamagna, Wernick, and Yager of the Division of Research and Statistics

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

Economic review. The review by the Division of International Finance of economic and financial developments in leading foreign areas indicated that, with a few possible exceptions, the pattern of economic movement was not predominantly upward. On the other hand, evidence was not available at this time to indicate a general downward trend of great severity. In leading countries except Canada the attitude of the monetary authorities appeared to reflect continued emphasis on containing inflationary pressures rather than apprehension concerning a falling off of demand forces. Therefore, it appeared that some of the current

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slackening might be due to restrictive financial measures and might conceivably be reversed if and when the monetary authorities should see fit to take steps in the direction of liberalization.

The domestic review by the Division of Research and Statistics revealed in general a continuation of the movement downward from earlier high levels of economic activity.

All of the members of the Research and International Divisions except Mr. Young then withdrew from the meeting. Mr. Thomas also withdrew at this point and the following members of the staff entered the room: Messrs. Leonard, Director, and Farrell, Assistant Director, Division of Bank Operations; Masters, Director, and Hostrup, Assistant Director, Division of Examinations; Hackley, General Counsel, and Shay, Assistant General Counsel; Sprecher, Assistant Director, Division of Personnel Administration; and Daniels, Assistant Controller.

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 the Federal Reserve Bank of Atlanta approving adjustments in the salary structures applicable to the employees of that Bank and its branches.	1
Letter to the Federal Reserve Bank of Boston regarding whether certain deposits with The New England Trust Company, Boston, Massachusetts, may be classified as "time deposits" under section 1(d) of Regulation D.	2

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	<u>Item No.</u>
Letter to First of Boston International Corporation, Boston, Massachusetts, transmitting the report of an examination made as of August 23, 1957. (With copies to the Federal Reserve Banks of Boston and New York)	3
Letter to The Cheboygan State Savings Bank, Cheboygan, Michigan, approving the establishment of seasonal branch banking offices in Mackinac Island and Indian River. (For transmittal through the Federal Reserve Bank of Chicago)	4
Letter to the Federal Reserve Bank of Minneapolis approving an investment in bank premises by Security Bank and Trust Company of Owatonna, Owatonna, Minnesota.	5
Letter to the Federal Reserve Bank of San Francisco advising that under the Bank Holding Company Act of 1956, Old National Corporation, Spokane, Washington, may retain its indirect interest in Old National Bank Building Company and City Ramp Garages, Inc.	6
Letter to The Vermont Bank and Trust Company, Brattleboro, Vermont, consenting to its merger with The Windham National Bank of Bellows Falls, Bellows Falls, Vermont, and approving the establishment of two branches by the continuing institution, one in Bellows Falls and the other in Chester. (For transmittal through the Federal Reserve Bank of Boston)	7

Mr. Sprecher 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:

San Francisco	December 11
New York	December 12
Cleveland	December 12
Richmond	December 12
Atlanta	December 12
Chicago	December 12
St. Louis	December 12
Kansas City	December 12
Dallas	December 12
Minneapolis	December 13

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Material requested by Congressman Patman (Items 8, 9, and 10).

There had been distributed to the members of the Board copies of a proposed letter to Congressman Patman in response to his letter of November 27, 1957, requesting certain additional information on the subject of member bank required reserves.

Pursuant to suggestions made at this meeting, an editorial change was agreed upon in one sentence of the proposed reply, following which unanimous approval was given to a letter to Mr. Patman in the form attached as Item No. 8, with the understanding that a copy would be sent to Chairman Spence of the House Banking and Currency Committee.

There had also been distributed to the members of the Board drafts of proposed letters to Mr. Spence and Mr. Patman transmitting information requested by the latter regarding the destruction of money. These questions had been submitted to Chairman Martin by Mr. Patman at the conclusion of the former's appearance before the House Banking and Currency Committee in April 1957 in connection with the proposed Financial Institutions Act of 1957. Copies of the answers to all but two of the questions would be sent both to Mr. Spence and Mr. Patman. With respect to question No. 1, which requested Treasury regulations regarding the verification and destruction of United States notes and silver certificates, and question No. 12, which requested Federal Reserve audit reports on the cash verification and destruction operations, a single copy of the requested documents would be sent to Chairman Spence for the use of members of the Committee and the Committee's staff. The documents

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responsive to these two questions would be furnished with the understanding that, because of their nature, they would not be made a part of the printed record of the hearings.

At the request of the Board, Messrs. Leonard and Farrell commented on the proposed answers and stated that after discussion with Mr. Cherry, Legislative Counsel, it had been decided to submit the information furnished by the respective Federal Reserve Banks in the form in which it was received from the Banks. Mr. Farrell called attention to the fact that the answer to the eleventh question comprised a summarization of incidents reported by various Federal Reserve Banks concerning the apparent loss or incomplete destruction of currency in the process of verification and destruction and reviewed the nature of those incidents. Mr. Leonard mentioned that the information received from the Federal Reserve Banks concerning the assignment of personnel to the verification and destruction function in some cases revealed actual names and salaries.

There followed a discussion of the reasons why it was proposed to send the documents responsive to the first and twelfth questions to Chairman Spence for the use of the Banking and Currency Committee and its staff, the point being made that this had been the procedure customarily followed in responding to questions from Congressman Patman which involved the transmittal of documents such as examination and audit reports. During the discussion Mr. Farrell suggested changes in

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the draft of letter to Chairman Spence, including the addition of a sentence requesting that the response to the sixteenth question, dealing with the sampling procedures used to select currency to be verified under Treasury regulations, not be made a part of the hearing record.

Thereupon, unanimous approval was given to letters to Chairman Spence and Congressman Patman in the form attached as Items 9 and 10, respectively.

Miss Burr reentered the room at this point and Messrs. Sherman, Leonard, Shay, and Farrell withdrew from the meeting.

Application of Wisconsin Bankshares Corporation. It was reported that pursuant to the understanding at the meeting on December 10, 1957, the Secretary had gotten in touch by telephone with Vice President Diercks of the Federal Reserve Bank of Chicago to ascertain whether the Bank wished to submit further comment in support of its favorable recommendation concerning the application of Wisconsin Bankshares Corporation, Milwaukee, Wisconsin, to acquire shares of the proposed Capitol National Bank of Milwaukee. After discussing the matter with President Allen, Mr. Diercks had advised that the Reserve Bank felt that its recommendation should be allowed to stand, but that the Bank would have no objection if the Board should decide to deny the application.

In a further discussion of the application, question was raised whether the Board wished to provide the applicant an opportunity to

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submit additional information in support of the application, but it was decided that this need not be done. Accordingly, it was voted unanimously to deny the application for the reasons indicated at the meeting on December 10, 1957. To implement this action, it was understood that a statement and order would be drafted for consideration by the Board at another meeting.

Messrs. Masters and Hostrup then withdrew from the meeting.

Small business financing project. Reference was made to a memorandum from Mr. Young dated December 10, 1957, copies of which had been sent to the members of the Board, requesting authorization to spend up to \$65,000 for planning and testing work on a survey of unincorporated enterprises as a phase of the third part of the study of small business financing. The amount requested would provide up to \$35,000 for the services of a highly qualified technician to be employed by the Bureau of the Census, clerical and stenographic assistance, travel and sampling expenses, and the usual allowance for Census Bureau overhead. It would also provide up to \$30,000 to cover a full-scale pretest of the survey. The memorandum explained that the corporate phase of the third part of the small business financing project could probably be covered through a mail questionnaire with the cooperation of the Securities and Exchange Commission and the Federal Trade Commission, but that it was too early to make any estimate of the cost.

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Following comments by Mr. Young concerning the work done thus far in developing plans for the third part of the project, Governor Shepardson pointed out that the Board's budget for 1958, as approved on December 10, 1957, contained no provision for the expenses of the third part of the study because it had not been possible up to that time to make any sound cost estimates. In the circumstances, it had seemed preferable to handle this matter on an item-by-item basis as estimates could be developed.

Thereupon, the authorization requested in Mr. Young's memorandum was granted by unanimous vote.

Mr. Daniels and Miss Burr then withdrew from the meeting and Mr. Thomas returned to the room.

Request of Economic Policy Commission (Item No. 11). In a letter to Mr. Thomas dated December 4, 1957, Mr. E. Sherman Adams of the American Bankers Association stated that the Association's Economic Policy Commission would like authorization to publish some of the data contained in analyses by the Board's staff of the Commission's reserve requirement proposal. In a memorandum dated December 9, 1957, which had been distributed to the members of the Board, Mr. Thomas indicated that he saw no objection to permitting the Economic Policy Commission to make use of the statistical tabulations used as a basis for the staff analyses. He suggested, however, that any analysis of the data or conclusions drawn from them not be attributed to the Federal Reserve even though they corresponded to statements in the staff memoranda. With his memorandum, he submitted a draft of suggested reply to Mr. Adams.

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Following a brief discussion, the proposed letter was approved unanimously. A copy is attached as Item No. 11.

Appointment of director at Helena Branch. At the meeting on December 9, 1957, it was decided to ascertain whether Mr. John M. Otten of Lewistown, Montana, would be willing to accept, if tendered, appointment as a director of the Helena Branch of the Federal Reserve Bank of Minneapolis for a two year term beginning January 1, 1958, with the understanding that the appointment would be made if it were found that Mr. Otten would accept.

The Secretary reported having received a telephone call from President Deming of the Minneapolis Reserve Bank, who advised that Mr. Otten was a member of the Republican Central Committee in the State of Montana but that he would resign the post if appointed as a director of the Helena Branch. It appeared that Mr. Otten had been a member of the Committee in question for about a year, but that he had not been active in that capacity. The question raised by Mr. Deming was whether the circumstances involved created any problem from the Board's standpoint with respect to the appointment of Mr. Otten as a branch director. In this connection, it was understood that the appointment of Mr. Otten would be agreeable to Chairman Perrin of the Federal Reserve Bank of Minneapolis.

Following a brief discussion, it was agreed unanimously that the circumstances reported by Mr. Deming were not of such a nature as to preclude Mr. Otten's appointment as a director of the Helena Branch.

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Designation of Mr. Sammons to lecture at Center for Latin American Monetary Studies (Item No. 12). There had been circulated to the members of the Board a memorandum dated December 5, 1957, from Mr. Marget, Director, Division of International Finance, suggesting that the Board designate Robert L. Sammons of the staff of that Division to lecture on the Federal Reserve System at the Center for Latin American Monetary Studies in Mexico City in July 1958. The memorandum also recommended that the Board authorize a per diem in lieu of subsistence at the rate of \$12 in connection with the proposed travel in Mexico.

The recommendations contained in the memorandum were approved unanimously, and a copy of the letter sent to the Director of the Center for Latin American Monetary Studies is attached as Item No. 12.

Mission to the Sudan (Items 13 and 14). Pursuant to the recommendation contained in a memorandum from Mr. Marget dated December 12, 1957, relating to a request from the Government of the Sudan that Vice President Wheeler of the Federal Reserve Bank of San Francisco return to that country for an estimated three or four weeks beginning in February or March 1958 for final discussion of the draft charter of a central bank, unanimous approval was given to the letters to the Ambassador of the Sudan and to the President of the Federal Reserve Bank of San Francisco of which copies are attached as Items 13 and 14, respectively.

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Request from Commonwealth Bank of Australia (Item No. 15).

Governor Shepardson referred to a letter addressed to Chairman Martin under date of December 2, 1957, by the Governor of the Commonwealth Bank of Australia requesting that a member of the Board's staff, presumably Mr. Young, Director, Division of Research and Statistics, be allowed to visit Australia in April 1958 at the expense of the Commonwealth Bank to advise in connection with a flow of funds study being initiated in that country. He recalled that this matter had been the subject of earlier correspondence at which time it had been suggested that the Australians proceed with their studies and that the Board would endeavor to be of assistance when the studies had been further developed.

The matter was discussed from the standpoint of Mr. Young's availability in the light of possible economic and legislative developments, following which it was agreed to advise the Commonwealth Bank that the Board could not make any definite commitment at this time but that it would bear the request in mind. A copy of the letter sent pursuant to this action is attached as Item No. 15.

Attendance at annual meetings of American Economic Association and other professional organizations. Governor Shepardson referred to a memorandum from Mr. Young dated December 10, 1957, suggesting that ten specified members of the Division of Research and Statistics be authorized to attend at Board expense the annual meetings of the American Economic Association, the American Finance Association, and certain other allied professional associations to be held concurrently in

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Governor Shepardson today approved on behalf of the Board the letter to Dr. Frederic D. Chapman concerning physical examinations in 1958 for employees of the Board's cafeteria of which a copy is attached as Item No. 16.

Governor Shepardson also approved today on behalf of the Board the following recommendations contained in a memorandum from the Division of Personnel Administration dated December 16, 1957: that, in line with the action taken with respect to Government employees generally pursuant to an Executive Order, all employees of the Board be excused from work for one-half day on December 24, 1957, and one-half day on December 31, 1957, without charge to annual leave; that similar arrangements be made for employees having hours other than the regular hours of duty; that the cafeteria and staff dining rooms be closed on December 24 and December 31; and that the snack bar be closed after 8:40 a.m. on both days.

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

Appointment

Harry W. Huning as Review Examiner, Division of Examinations, with basic annual salary at the rate of \$8,215, effective the date he assumes his duties, and with the understanding that the Board would reimburse him for expenses of moving his family from Cleveland, Ohio, to Washington.

Acceptance of resignations

Walter F. Norris, Clerk, Office of the Secretary, effective December 13, 1957.

Helen Patricia Sampsell, Clerk-Stenographer, Division of Research and Statistics, effective December 20, 1957.

Kathleen Edwards, Clerk-Stenographer, Division of Bank Operations, effective December 12, 1957.

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Pursuant to information contained in a memorandum from Mr. Thomas, Economic Adviser to the Board, dated December 11, 1957, Governor Shepardson today approved acceptance by Mr. Thomas of invitations to participate in programs at the Graduate School of New York University on February 15, 1958, and at the University of Rochester on February 17, 1958.

Secretary's Notes:

At the meeting on November 5, 1957, the Board appointed certain persons as directors of Federal Reserve Banks and branches for terms beginning January 1, 1958, designated certain persons as Chairmen and Federal Reserve Agents at various Federal Reserve Banks for the year 1958, and appointed certain persons as Deputy Chairmen for the year 1958. These actions were taken with the understanding that in each case the appointment or designation was made subject to a check by Chairman Martin with the Chairman of the Federal Reserve Bank concerned and that announcement of the appointments would not be made by the Board until such time as the check had been completed. Subsequently, Dr. James R. Killian, Jr., who had been appointed Deputy Chairman for the Boston Federal Reserve Bank for the year 1958, tendered his resignation as a Class C director and Dr. Frank J. Welch, whose reappointment as a Class C director of the Federal Reserve Bank of Cleveland was contemplated by the Board's action, advised that he could not accept the appointment. Chairman Martin having informed the Secretary that he had completed his check regarding the remaining appointments and designations contemplated by the Board's action, telegrams to the individuals concerned were sent on December 10, 11, and 12, 1957.

At the meeting on December 9, 1957, it was voted to ascertain whether Dr. Aubrey J. Brown, Head of the Department of Agricultural Economics, University of Kentucky, Lexington, Kentucky, would accept, if tendered, appointment as a Class C director of the Federal Reserve Bank of

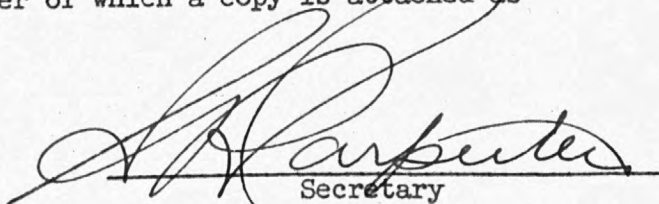
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Cleveland for the three-year term beginning January 1, 1958, with the understanding that the appointment would be made if it were ascertained that Dr. Brown would accept. Advice to such effect having been received, a telegram notifying Dr. Brown of his appointment was sent on December 12, 1957.

At the meeting on December 9, 1957, it was also voted to ascertain whether Mr. Lamar Fleming, Jr.,* could accept appointment, if tendered, as a Class C director of the Federal Reserve Bank of Dallas for the unexpired portion of the term ending December 31, 1958; whether Mr. Daniel M. Dalrymple would accept appointment, if tendered, as a director of the Buffalo Branch, Federal Reserve Bank of New York, for the three-year term beginning January 1, 1958; whether Mr. Frank A. Godchaux, III, would accept appointment, if tendered, as a director of the New Orleans Branch, Federal Reserve Bank of Atlanta, for the three-year term beginning January 1, 1958; and whether Mr. George Hubert Aull would accept appointment, if tendered, as a director of the Charlotte Branch, Federal Reserve Bank of Richmond, for the three-year term beginning January 1, 1958, with the understanding that the appointments would be made if the individuals would accept. Advice having been received in each case that the proposed appointee would accept the appointment if tendered, telegrams notifying of the appointments were sent on December 13, 1957.

Pursuant to the action taken by the Board on December 9 and 10, 1957, with respect to remanding to the Hearing Examiner the applications of First New York Corporation and others under the Bank Holding Company Act, there was sent to the United States Civil Service Commission on December 13, 1957, the letter of which a copy is attached as Item No. 17.


Secretary

* In the case of Mr. Fleming reference should have been to meeting on November 27, 1957.

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

Item No. 1
12/16/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 16, 1957



CONFIDENTIAL (F.R.)

Mr. L. M. Clark, First Vice President,
Federal Reserve Bank of Atlanta,
Atlanta 3, Georgia.

Dear Mr. Clark:

Reference is made to your letters of November 8 and November 26, 1957, in which your Bank requests the approval of upward adjustments in the salary structures applicable to the employees of your Bank and its branches.

The Board approves the following minimum and maximum salaries for the respective grades of the two structures effective January 1, 1958.

Grade	Atlanta-Birmingham- New Orleans		Jacksonville-Nashville	
	Minimum	Maximum	Minimum	Maximum
1	\$2,100	\$2,820	\$2,100	\$2,820
2	2,280	3,060	2,160	2,940
3	2,460	3,300	2,280	3,060
4	2,700	3,660	2,460	3,300
5	3,000	4,020	2,700	3,660
6	3,360	4,560	3,000	4,020
7	3,780	5,100	3,360	4,500
8	4,200	5,700	3,780	5,100
9	4,700	6,300	4,260	5,760
10	5,200	7,000	4,800	6,500
11	5,800	7,800	5,400	7,300
12	6,400	8,600	6,000	8,100
13	7,000	9,500	6,600	8,900
14	7,700	10,400	7,200	9,700
15	8,400	11,300	7,900	10,700
16	9,200	12,400	8,600	11,600

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 understood 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 ranges by April 1, 1958.

The Board understands that provision has been made in the 1958 budget to cover the cost of increases arising from these changes in salary structures.

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
12/16/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 16, 1957

Mr. O. A. Schlaikjer,
Vice President and General Counsel,
Federal Reserve Bank of Boston,
Boston, Massachusetts.

Dear Mr. Schlaikjer:

This refers to your letter of November 20, 1957, concerning whether deposits with The New England Trust Company, Boston, Massachusetts, by the Public Life Insurance Company, Clayton, Missouri, pursuant to a proposed "Time Deposit Open Account Agreement," might be properly classified as "time deposits" under the definition of "time deposits, open account" in section 1(d) of Regulation D.

Portions of the agreement are not entirely clear. This is especially true of the last paragraph thereof, which is discussed below. Assuming however, as you seem to suggest, that the last clause of the next to the last sentence of the first paragraph of the agreement merely refers to the exception in the next preceding sentence of such paragraph, there appears to be nothing in such paragraph, including the provision for successive thirty-day maturities, that would conflict with section 1(d) of the regulation or otherwise be inconsistent with the regulation.

So far as the last paragraph of the agreement is concerned, its purpose and intent seem to be only to serve advance notice that part or all of the funds deposited under the agreement may be withdrawn pursuant to any one of the successive thirty-day stated maturity periods provided for by the first paragraph of the agreement. This seems to be your view, also.

On the basis of the foregoing, deposits pursuant to the proposed agreement would seem to be properly classifiable as "time deposits" under Regulation D. However, you may wish to discuss the matter further with the member bank with a view to possible clarification of the agreement.

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
12/16/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 16, 1957



REGISTERED MAIL

Mr. Lloyd D. Brace,
Chairman of the Board of Directors,
First of Boston International Corporation,
c/o The First National Bank of Boston,
Boston 6, Massachusetts.

Dear Mr. Brace:

There are enclosed two copies of the report of examination of First of Boston International Corporation, Boston, Massachusetts, made as of August 23, 1957, by examiners for the Board of Governors of the Federal Reserve System. The second copy of the report is for the information and files of Mr. Joseph E. Nilsson, Executive Vice President in charge of the New York Office of the Corporation.

The examiner has listed on page 18 of the report certain non-business accounts of United States nationals residing abroad which do not appear to conform to the requirements of Section 6(b)(3) of Regulation K. After the report has been presented to the directors for their consideration, please advise the Board of Governors regarding the actions taken or contemplated in order to eliminate such accounts or to bring them into conformity with Regulation K.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Assistant Secretary.

Enclosures 2.

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

Item No. 4
12/16/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 16, 1957



Board of Directors,
The Cheboygan State Savings Bank,
Cheboygan, Michigan.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Chicago, the Board of Governors of the Federal Reserve System approves the establishment of a seasonal branch banking office in Mackinac Island, Michigan, from June first to October first, inclusive, each year, and a seasonal branch banking office in Indian River, Michigan, from June first to September fifteenth, inclusive, each year, provided the approval of the State authorities is effective while the seasonal branches are in operation. In the case of the seasonal branch banking office in Mackinac Island, approval is conditioned upon an increase in the capital stock of your institution to \$150,000, prior to June 1, 1958, to comply with statutory requirements.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Assistant Secretary.

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

Item No. 5
12/16/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 16, 1957

Mr. H. G. McConnell, Vice President,
Federal Reserve Bank of Minneapolis,
Minneapolis 2, Minnesota.

Dear Mr. McConnell:

Reference is made to your letter of November 19, 1957, submitting the request of the Security Bank and Trust Company of Owatonna, Owatonna, Minnesota, for approval under Section 24A of the Federal Reserve Act of an investment in bank premises for the purpose of remodeling its present banking quarters. You state that the president of the bank requested approval for an expenditure of \$200,000, the estimated amount to be expended prior to increasing capital from \$150,000 to \$300,000. As the total cost of the proposed building program will exceed the capital stock at the time the program was initiated, it is necessary to obtain approval of the entire amount to be expended during the building or remodeling program, in this case \$264,000, notwithstanding the fact that the bank's capital stock may be increased while such building program is in progress to an amount which will exceed the total investment in bank premises.

After consideration of the information available, the Board of Governors approves an investment of approximately \$264,000 by the Security Bank and Trust Company of Owatonna for the purpose of remodeling its banking premises.

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
12/16/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 16, 1957



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

Dear Mr. Millard:

This refers to the October 10, 1957, application of Old National Corporation, a bank holding company, for a ruling by the Board as to whether the indirect ownership or control by the Corporation of shares of stock of two nonbanking organizations, Old National Bank Building Company and City Ramp Garage, Inc., is exempt from the divestment requirements of the Bank Holding Company Act of 1956.

It is understood that, through its banking subsidiary, The Old National Bank of Spokane, Old National Corporation indirectly owns 66-2/3 per cent of the shares of Old National Bank Building Company, a nonbanking organization, and that the latter company owns 50 per cent of the capital stock of City Ramp Garage, Inc.

As you know, section 4(c)(4) of the Act exempts from the prohibitions of section 4 "shares which are of the kinds and amounts eligible for investment by national banking associations under the provisions of section 5136 of the Revised Statutes." In this connection, it is assumed that the Comptroller of the Currency regards the investment by The Old National Bank of Spokane in Old National Bank Building Company and the bank's indirect investment in City Ramp Garage, Inc., as investments permissible under section 24A of the Federal Reserve Act. In the Board's opinion, shares held or acquired in accordance with section 24A of the Federal Reserve Act are exempt from the prohibitions of section 4 of the Bank Holding Company Act by virtue of the above-quoted provision of section 4(c)(4). Accordingly, Old National Corporation may retain its indirect interest in Old National Bank Building Company and City Ramp Garage, Inc.

Mr. E. R. Millard

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It will be appreciated if you will transmit the substance of this letter to Old National Corporation.

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
12/16/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 16, 1957



Board of Directors,
The Vermont Bank and Trust Company,
Brattleboro, Vermont.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Boston, the Board of Governors of the Federal Reserve System hereby gives its consent, under the provisions of Section 18(c) of the Federal Deposit Insurance Act, to the merger of The Windham National Bank of Bellows Falls, Bellows Falls, Vermont, with and into The Vermont Bank and Trust Company, Brattleboro, Vermont, and approves the establishment of two branches by the surviving institution, one to be located in Bellows Falls, Vermont, and the other in Chester, Vermont, at the present location of the main office of the national bank and its branch, provided (1) the merger is effected substantially in accordance with the agreement between the parties dated November 12, 1957, (2) the merger and establishment of the branches are effected within six months from the date of this letter, (3) shares of dissenting stockholders, which may be acquired by the surviving institution, are disposed of within six months after the merger is effected, and (4) formal approval is obtained from the State authorities.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Assistant Secretary.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 8
12/16/57

OFFICE OF THE CHAIRMAN

December 16, 1957.

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

Dear Mr. Patman:

This is in response to your letter of November 27 requesting additional information on the subject of member bank required reserves. The questions are answered below in the order appearing in your letter.

(1) The estimate given in my letter of November 22 of the amount of reduction in required reserves against demand deposits of member banks if the requirements were reduced from present rates to 10 per cent assumed no change in the present requirement of 5 per cent on time deposits. You now ask whether that is a reasonable assumption.

The request in your letter of November 13 was understood to relate only to reserves against demand deposits, and the assumption in my reply had no significance other than to make it clear that the estimate given did relate only to demand deposits and was thus responsive to the question raised. I am, of course, not in a position to say what may or may not be done in the way of changes in reserve requirements against either time or demand deposits.

(2) If reserve requirements against net demand deposits were reduced by one percentage point at reserve city and country banks, \$381 million reserves would be released at reserve city banks and \$359 million at country banks, or a total of \$740 million.

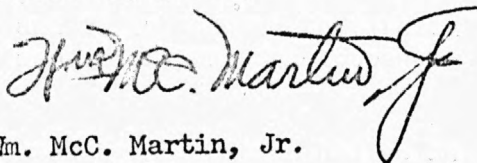
(3) If reserves required against net demand deposits were maintained at 20 per cent for central reserve city banks and were reduced for reserve city banks and country banks to a level that would bring them into line with the 13-10-7 ratios specified as minimum statutory requirements, the requirements for reserve city banks would be 15.38 per cent and for country banks 10.77 per cent. On this basis, \$998 million of reserves would be released at reserve city banks and \$442 million at

The Honorable Wright Patman - 2 -

country banks, or a total of \$1,440 million. These estimates have been computed on the percentages given above. In actual practice, however, changes in reserve requirements in the past have usually been in whole or half percentage points rather than decimals.

I have had the attached table prepared, showing some of the foregoing computations and also the effect on required reserves of decreasing (or increasing) requirements by one per cent against net demand deposits and one per cent against time deposits, which may be useful to you in estimating other combinations of changes in required reserves. This table is based on final figures for the second half of October; these later figures differ by relatively small amounts from those for the first half of October which were the basis of my November 22 letter.

Sincerely yours,



Wm. McC. Martin, Jr.

Enclosure



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 9
12/16/57

OFFICE OF THE CHAIRMAN

December 16, 1957

The Honorable Brent Spence,
Chairman,
Banking and Currency Committee,
House of Representatives,
Washington, D. C.

Dear Mr. Chairman:

Enclosed is a copy of a list of questions relating to the destruction of money that were submitted to me by Congressman Patman at the conclusion of my appearance before the House Committee on Banking and Currency last August in connection with the Financial Institutions Act of 1957. Also enclosed is a set of the replies to these questions, along with a copy of a letter being sent today to Mr. Patman transmitting to him a separate set excepting for the attachments to the replies to questions 1 and 12. In the case of the attachments to questions 1 and 12, only one copy is being furnished - that being sent to you - and it is assumed that this will be available for the use of any member of your Committee or its staff.

Most of the information requested by Mr. Patman had to be obtained from the individual Reserve Banks; in such instances the replies submitted are in the form furnished by the Banks.

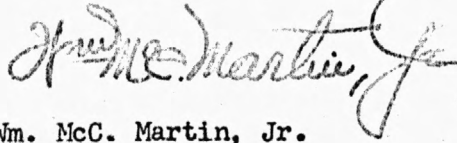
I should like to call your attention to the statement made in connection with Mr. Patman's request concerning these and other questions that he submitted to me, in which he indicated that the questions and replies thereto would be included in the printed record of the hearings. Question number 1 relating to "destruction of money" requests Treasury regulations regarding the verification and destruction of United States notes and silver certificates, and question number 12 requests copies of all Federal Reserve audit reports on the cash verification and destruction operations. For the reasons indicated in the responses to these questions, the data are being furnished for your Committee's information but with the understanding that because of their nature they will not be made a part of the printed record. Question 16 concerns the sampling procedures used to select the currency to be verified under Treasury regulations, and because of the nature of this information, it is likewise requested

The Honorable Brent Spence

-2-

that the replies to this question not be made a part of the printed record.

Sincerely yours,



Wm. McC. Martin, Jr.

Enclosures



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 10
12/16/57

OFFICE OF THE CHAIRMAN

December 16, 1957

The Honorable Wright Patman,
House of Representatives,
Washington, D. C.

Dear Mr. Patman:

Enclosed is a copy of a letter being sent today to Chairman Spence transmitting the questions that you submitted to me in August at the hearings on the Financial Institutions Act of 1957 concerning the destruction of money, along with a set of the replies that have been prepared to these questions. It will be noted that the attachments to the replies to questions 1 and 12 are included only with the set being addressed to Chairman Spence, it being assumed that these will be available for the use of all members of the House Banking and Currency Committee and its staff. You will also note that these attachments to questions 1 and 12 are being supplied with the understanding that because of their nature they will not be made a part of the printed record. Question 16 concerns the sampling procedures used to select the currency to be verified under Treasury regulations, and because of the nature of this information, it is likewise requested that the replies to this question not be made a part of the printed record.

Sincerely yours,

Wm. McC. Martin, Jr.

Enclosure

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

Item No. 11
12/16/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 16, 1957



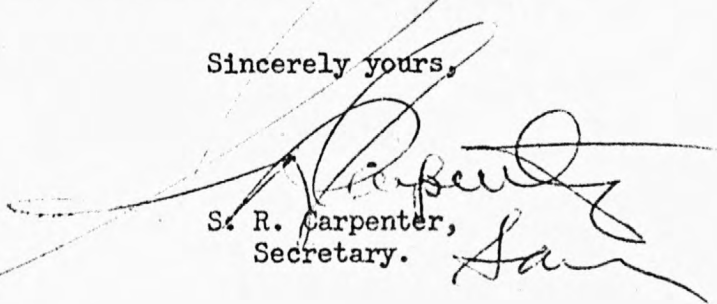
Mr. E. Sherman Adams,
Deputy Manager,
The American Bankers Association,
12 East 36th Street,
New York 16, New York.

Dear Sherman:

In reply to the request in your letter of December 4, the Board of Governors would have no objection to your publishing data from the statistical tabulations included in our memoranda of August 9 and September 6, 1957, presenting the results of the testing of the A.B.A. reserve proposals.

While the Board may be mentioned as the source of any of the figures that may be published, the Board would request that any statements or conclusions that you may publish in describing or analyzing these data not be attributed to the Federal Reserve, even though they correspond to statements in the memoranda. Comments in the memoranda regarding individual cases should not be published. We trust that this arrangement will serve your purposes.

Sincerely yours,


S. R. Carpenter,
Secretary.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 12
12/16/57

OFFICE OF THE CHAIRMAN

December 16, 1957

AIR MAIL

Mr. Javier Marquez, Director,
Center for Latin American
Monetary Studies,
San Juan de Letran #2, Piso 32,
Mexico 1, D. F.

Dear Mr. Marquez:

This is in further reply to your letter of
October 16 requesting that we send a lecturer from the
Federal Reserve Board to CEMLA during the week beginning
July 14, 1958.

We are pleased to continue this form of
cooperation with the Center and Mr. Sammons has been
designated to give the lectures again this year.

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. 13
12/16/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 16, 1957



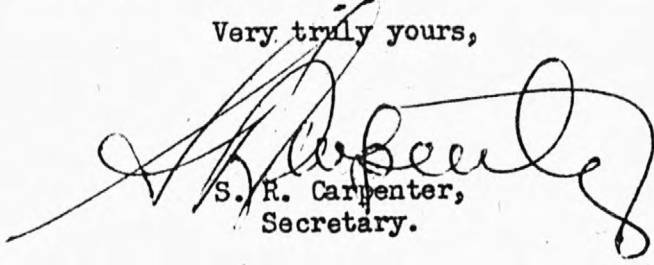
His Excellency Ibrahim Anis,
Ambassador of Sudan,
2230 Massachusetts Avenue, N. W.,
Washington, D. C.

My dear Mr. Ambassador:

This letter is in reply to your letter of December 12, 1957, in which you indicated that your Government would like to have the services of Mr. Oliver Wheeler, Vice President of the Federal Reserve Bank of San Francisco, for an additional period of approximately 3 to 4 weeks, beginning about the first of March.

The Board has no objection to Mr. Wheeler's participation in the program. It is understood that he will be in Washington on Tuesday, December 17, and that he is planning to discuss specific arrangements with you at that time.

Very truly yours,


S. R. Carpenter,
Secretary.

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

Item No. 14
12/16/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 16, 1957



AIR MAIL

Mr. H. N. Mangels, President,
Federal Reserve Bank of San Francisco,
San Francisco 20, California.

Dear Mr. Mangels:

This letter is in reply to your letters of October 16 and December 10 regarding a proposed leave of absence without pay for a period not to exceed 2 months for Mr. Oliver Wheeler in order to enable him to return to the Sudan for final discussions on the draft charter of the proposed Central Bank.

The Board considered this proposal and interposes no objection to the leave of absence or to Mr. Wheeler's participation in the program contemplated by the leave.

Very truly yours,

S. R. Carpenter,
Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 15
12/16/57

OFFICE OF THE CHAIRMAN

December 17, 1957



AIR MAIL

The Honorable H. C. Coombs, Governor,
Commonwealth Bank of Australia,
Sydney, New South Wales,
Australia.

Dear Governor Coombs:

We had certainly hoped that by this time we could give a more definite answer to your suggestion, referred to again in your letter of December 2, 1957, that a member of the Board's staff go to Australia to assist in the problem of flow of funds analyses. It now develops, however, that our program over the next several months is such that we must again suggest that a firm commitment be pushed into the future for at least three or four months. A number of matters have arisen which cast some doubt whether Mr. Young or any other appropriate member of the staff could be spared in April. For that reason, the Board would like to defer a definite reply as to timing until some time in early March when we will write you again as to likely dates.

In the meantime, we would suggest that the memorandum referred to in the second paragraph of your letter be sent on as soon as it is ready so that our staff will have as much time as possible for its study.

The Board has noted with interest your suggestion that when our staff member visits Australia, he plan to stay for a period of three months. The Board will have this possibility in mind when it is in a position to fix the timing of the visit.

With every wish for a happy holiday season, I am,

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. 16
12/16/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 16, 1957



Dr. Frederic D. Chapman,
1150 Connecticut Avenue, N. W.,
Washington 6, D. C.

Dear Dr. Chapman:

The annual physical examination for each employee in the cafeteria of the Board of Governors of the Federal Reserve System will be continued during 1958 on the same basis as set forth in our letter to you on December 22, 1953.

I have been advised by the Division of Personnel Administration that these arrangements have worked out satisfactorily, and also that the fee of \$100 for the calendar year 1958 is agreeable with you. The number of examinations to be conducted will be substantially the same as in previous years. It is understood that the examinations will begin on February 26, 1958, and will be conducted in the Board's Health Service Department every Wednesday morning from 10:30 until 11:30 until all cafeteria employees are examined.

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. 17
12/16/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 13, 1957



United States Civil Service Commission,
Washington 25, D. C.

Attention Mr. Wilson Matthews,
Administrative Officer, Hearing Examiner Program

Gentlemen:

Reference is made to (1) the approval given by the Civil Service Commission in a letter dated December 11, 1956, for the loan of the services of Hearing Examiner Charles W. Schneider, on a reimbursable basis, from the National Labor Relations Board to the Board of Governors, for the period and on the terms set forth in correspondence exchanged between the two latter offices, copies of which were forwarded to you by letter of December 10, 1956, and (2) the approval given by the Civil Service Commission in a letter dated June 27, 1957, for the extension of such loan of the services of Mr. Charles W. Schneider to December 31, 1957.

It now appears that Mr. Schneider's services will be required for an additional period of time. It is difficult at this time to predict the precise additional time which will be required, but it is believed that an additional period of six months would reasonably cover such need.

The Board of Governors has requested the National Labor Relations Board to extend Mr. Schneider's detail for an additional period of six months beginning January 1, 1958, on the same basis as the original detail, and that Board has agreed to such an extension. Copies of the letters exchanged between the Board of Governors and the National Labor Relations Board in this connection are enclosed.

For the reasons herein stated, your approval of the extension for six months of Mr. Schneider's detail will be appreciated.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.