

Minutes for January 2, 1958

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	<hr/>	<input checked="" type="checkbox"/> <u>TM</u>
Gov. Szymczak	<input checked="" type="checkbox"/> <u>MSS</u>	<hr/>
Gov. Vardaman <u>1/</u>	<hr/>	<input checked="" type="checkbox"/>
Gov. Mills	<input checked="" type="checkbox"/> <u>[Signature]</u>	<hr/>
Gov. Robertson	<input checked="" type="checkbox"/> <u>R</u>	<hr/>
Gov. Balderston	<hr/>	<input checked="" type="checkbox"/> <u>CCRB</u>
Gov. Shepardson	<input checked="" type="checkbox"/> <u>Shep</u>	<hr/>

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 the Board of Governors of the Federal Reserve System  
on Thursday, January 2, 1958. The Board met in the Board Room at  
10:00 a.m.

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

Mr. Carpenter, Secretary  
Mr. Kenyon, Assistant Secretary  
Mr. Hackley, General Counsel  
Mr. Masters, Director, Division of Examinations  
Mr. 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 Union Trust Company of Maryland, Baltimore, Maryland, approving the establishment of a branch on York Road in Baltimore County. (For transmittal through the Federal Reserve Bank of Richmond)	1
Telegrams to the Federal Reserve Agent at Richmond authorizing the issuance of limited voting permits to The First Virginia Corporation and Old Dominion Bank, both of Arlington, Virginia, entitling them to vote the stock which they own or control of The National Bank of Manassas, Manassas, Virginia.	2, 3
Letter to the Federal Reserve Bank of Chicago extending the time within which Security Bank, Lincoln Park, Michigan, may establish a branch in Taylor Center.	4
Letter to Michigan National Bank, Lansing, Michigan, concerning the possible application of the Bank Holding Company Act to the Michigan National Bank Profit Sharing Trust. (With a copy to the Federal Reserve Bank of Chicago)	5
Letter to Mercer County National Bank of Harrodsburg, Harrodsburg, Kentucky, approving its application for fiduciary powers. (For transmittal through the Federal Reserve Bank of St. Louis)	6

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	<u>Item No.</u>
Letter to the Comptroller of the Currency recommending disapproval of an application to organize a national bank at Potomac, Maryland. (With a copy to the Federal Reserve Bank of Richmond)	7
Letter to the Comptroller of the Currency recommending approval of an application to convert The Industrial & Savings Bank of Pensacola, Pensacola, Florida, into a national banking association. (With a copy to the Federal Reserve Bank of Atlanta)	8

In a brief discussion preceding approval of the foregoing Item No. 8, Governor Mills pointed out that this presented another case where the applicant institution, being an industrial bank, was of course heavily invested in consumer paper and did not have as great a degree of liquidity as would be expected if it became a national bank. Apparently, he said, the industrial bank hoped to attract a substantial amount of demand deposits following its conversion, which would tend to permit an improvement in its liquidity, or it could cut back the volume of its consumer paper, but no specific commitment seemed to have been made regarding the course of action which the bank intended to pursue.

Governor Robertson and Mr. Masters agreed that the bank, following its conversion into a national bank, would have to effect a substantial readjustment of its portfolio. Although there appeared to have been no commitment on the part of the bank to such effect, it was felt that this was a matter which would clearly fall under the supervisory responsibility of the Comptroller of the Currency if the industrial bank's application were approved and it attained the status of a national bank.

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Budget overexpenditures (Item No. 9). In a memorandum dated December 27, 1957, which had been distributed to the members of the Board and a copy of which is attached hereto as Item No. 9, Mr. Daniels recommended approval by the Board of estimated expenditures in certain budget accounts of the various divisions of the Board beyond the amounts provided in the 1957 budget. As stated in the memorandum, the requests for approval from the respective divisions had been reviewed by the Office of the Controller and in the opinion of that Office had been satisfactorily explained.

In commenting, Mr. Daniels brought out that the requests were being submitted pursuant to the procedure provided in the Statement of Budgetary Principles and Procedures which was approved by the Board on September 16, 1953. He said that although the list of over-expenditures of such a size as to require approval by the Board rather than the Controller was somewhat more extensive than in other years, this was accounted for by several factors, including (1) the fact that no other requests of a similar nature had been presented previously during 1957; (2) the fact that the 1957 budget was prepared on a rather "tight" basis; and (3) the several special projects approved by the Board subsequent to approval of the 1957 budget. These special items included the Paperwork Management Survey and the Small Business Financing Study. In addition, proceedings under the Bank Holding Company Act and the prolongation of an administrative proceeding against a member bank had resulted in expenditures beyond those contemplated when the 1957 budget was approved by the Board.

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Governor Shepardson then commented further on the special items which accounted for the larger part of the estimated overexpenditures, following which the overexpenditures, as listed in the memorandum from Mr. Daniels, were approved unanimously.

Absorption of The Citizens Bank, Attica, New York. The Secretary reported that in accordance with the discussion at the meeting on December 30, 1957, arrangements had been made for a hearing before the Board at 11:00 a.m. on January 6, 1958, in compliance with the request of Mr. G. S. Haxton, a director of The Citizens Bank, Attica, New York, to be allowed to express his views regarding the proposed absorption of that bank by The Marine Trust Company of Western New York, Buffalo, New York.

State member bank condition reports. In a letter dated December 30, 1957, the Deputy Comptroller of the Currency advised that a call for condition reports of national banks and certain of their affiliates as of December 31, 1957, would be made on January 3, 1958. Accordingly, there was sent on December 30, 1957, a telegram to the Federal Reserve Banks requesting that a similar call be made upon State member banks.

The sending of the telegram to the Federal Reserve Banks was ratified by unanimous vote.

The meeting then adjourned.

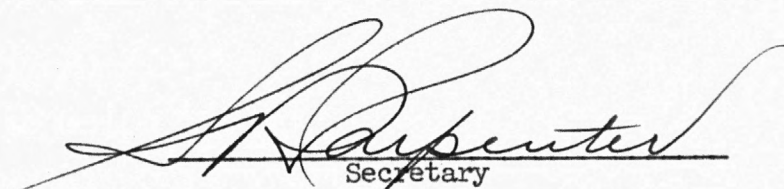
Secretary's Note: In accordance with the procedure authorized by the Board on December 7, 1956, Governor Robertson approved on behalf of the Board on December 31, 1957, the designation of

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the following persons from the Federal Reserve Bank of New York as Federal Reserve Examiners for the purpose of an examination of American Overseas Finance Company, New York, New York:

Michael M. Mulligan  
Emil J. Paul  
Robert E. Spaulding  
Edward W. Warde  
Jay W. Woods

  
Secretary

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

Item No. 1  
1/2/58

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

January 2, 1958



Board of Directors,  
Union Trust Company of Maryland,  
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 the west side of York Road, four-tenths of a mile south of Seminary Avenue, Baltimore County, Maryland, by Union Trust Company of Maryland, Baltimore, Maryland, provided the branch is established within one year from the date of this letter and approval of the State authorities is in effect as of the date of the establishment of the branch.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Assistant Secretary.

**T E L E G R A M**  
LEASED WIRE SERVICE

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTON

January 2, 1958

WOODWARD - RICHMOND

KECEA

- A. The First Virginia Corporation, Arlington, Virginia.
- B. The National Bank of Manassas, Manassas, Virginia.
- C. None.
- D. At any time prior to April 1, 1958, at the annual meeting of shareholders of such bank, or any adjournments thereof, (1) to elect directors and act thereat upon such matters of a routine nature as are ordinarily acted upon at the annual meeting of such bank, and (2) to amend the articles of association of such bank to conform to articles recommended by the Comptroller of the Currency.

(Signed) Merritt Sherman

SHERMAN

KECEA - The Board authorizes the issuance of a limited voting permit, under the provisions of section 5144 of the Revised Statutes of the United States, to the holding company affiliate named below after the letter "A", entitling such organization to vote the stock which it owns or controls of the bank(s) named below after the letter "B", subject to the condition(s) stated below after the letter "C". The permit authorized hereunder is limited to the period of time and the purposes stated after the letter "D". Please proceed in accordance with the instructions contained in the Board's letter of March 10, 1947, (S-964).



TELEGRAM  
LEASED WIRE SERVICE

Item No. 3  
1/2/58

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTON

January 2, 1958

WOODWARD - RICHMOND

KECEA

- A. Old Dominion Bank, Arlington, Virginia.
- B. The National Bank of Manassas, Manassas, Virginia.
- C. None.
- D. At any time prior to April 1, 1958, at the annual meeting of shareholders of such bank, or any adjournments thereof, (1) to elect directors and act thereat upon such matters of a routine nature as are ordinarily acted upon at the annual meeting of such bank, and (2) to amend the articles of association of such bank to conform to articles recommended by the Comptroller of the Currency.

(Signed) Merritt Sherman

SHERMAN

KECEA - The Board authorizes the issuance of a limited voting permit, under the provisions of section 5144 of the Revised Statutes of the United States, to the holding company affiliate named below after the letter "A", entitling such organization to vote the stock which it owns or controls of the bank(s) named below after the letter "B", subject to the condition(s) stated below after the letter "C". The permit authorized hereunder is limited to the period of time and the purposes stated after the letter "D". Please proceed in accordance with the instructions contained in the Board's letter of March 10, 1947, (S-964).

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

Item No. 4  
1/2/58

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

January 2, 1958

Mr. C. P. Van Zante,  
Assistant Vice President,  
Federal Reserve Bank of Chicago,  
Chicago 90, Illinois.

Dear Mr. Van Zante:

Reference is made to your letter of December 19, 1957, with respect to the request of Security Bank, Lincoln Park, Michigan, for an extension of time in which to establish a branch on Ecorse Road, Taylor Center, Wayne County, Michigan. According to the information submitted, construction of the shopping center in which the branch is to be located has been delayed because the builder was having difficulty with his financing, and the Security Bank plans to obtain another location in the immediate area if quarters in the shopping center are not available by April 1, 1958. It appears also that the street number of the proposed location of the branch in the shopping center would be 23115 instead of 23135 Ecorse Road.

After considering the information submitted, the Board of Governors approves an extension of time to July 10, 1958, within which the Security Bank may establish a branch on Ecorse Road, Taylor Center, Wayne County, Michigan. It is understood that the location of this branch when established would be at 23115 Ecorse Road instead of 23135 Ecorse Road, as indicated in the Board's letter of January 10, 1957.

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  
1/2/58

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

January 2, 1958

Mr. Howard J. Stoddard, President,  
Michigan National Bank,  
Lansing, Michigan.

Dear Mr. Stoddard:

This is in reply to your letter of October 29, inquiring whether the Michigan National Bank Profit Sharing Trust would become a bank holding company under the Bank Holding Company Act of 1956 if it should acquire 25 per cent or more of the stock of each of two or more banks.

Under section 2(a) of the Act, no organization is a "bank holding company" unless it is a "company", which term is defined in section 2(b) to mean "any corporation, business trust, association, or similar organization. . . ." In the opinion of the Board, the Michigan National Bank Profit Sharing Trust, as described in the enclosures with your letter, does not fall within this definition of the term "company". Accordingly, the Board concludes that said Trust would not be a bank holding company under the Bank Holding Company Act if it should acquire 25 per cent or more of the stock of each of two or more banks.

Although your inquiry refers only to the status of the Profit Sharing Trust under the Bank Holding Company Act, attention is directed to the possibility that Michigan National Bank itself might become a "bank holding company" in the event the Trust became the holder of 25 per cent or more of the stock of each of two or more banks. In this connection it is noted that the Profit Sharing Trust Agreement provides that "The Executive Committee of the Bank shall act as Trustees" (paragraph 9) and that "the right is reserved by the Bank to terminate [the Trust] at any time by action of the Board of Directors of the Bank" (paragraph 13). In view of these and other provisions of the Trust Agreement, you may wish to consider whether acquisition by the Trust of 25 per cent of the stock of two or more banks would cause Michigan National Bank to fall within the statutory definition of "bank holding company", which includes

"any company (1) which directly or indirectly . . . controls . . . 25 per centum or more of the voting shares of each of two or more banks . . ., or (2) which controls in any manner the election of a majority of the directors of each of two or more banks. . . ."

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. 6  
1/2/58

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

January 2, 1958



Board of Directors,  
Mercer County National Bank of Harrodsburg,  
Harrodsburg, Kentucky.

Gentlemen:

The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers and grants you authority to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies or other corporations which come into competition with national banks are permitted to act under the laws of the State of Kentucky, the exercise of all such rights to be subject to the provisions of section 11(k) of the Federal Reserve Act and Regulation F of the Board of Governors of the Federal Reserve System.

A formal certificate indicating the fiduciary powers which the Mercer County National Bank of Harrodsburg is now authorized to exercise will be forwarded to you in due course.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Assistant Secretary.

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

Item No. 7  
1/2/58

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

January 2, 1958



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

Attention Mr. W. M. Taylor,  
Deputy Comptroller of the Currency.

Dear Mr. Comptroller:

Reference is made to a letter from your office dated November 7, 1957, enclosing copies of an application to organize a national bank at Potomac, Maryland, and requesting a recommendation as to whether or not the application should be approved.

The report of investigation of the application made by an examiner for the Federal Reserve Bank of Richmond indicates that the applicants have agreed to provide a capital structure of \$400,000 for the bank instead of \$250,000 shown in the application, and the revised amount of capital structure is regarded as adequate. The organizers of the bank, who would serve as directors, are prominent residents of the area and it is believed that they would provide satisfactory management, although definite arrangements have not been made for an executive officer. However, the prospects for profitable operations of the bank are not favorable and, on the basis of the information available, there does not appear to be sufficient need for the bank in the area at this time. In view of the unfavorable factors, the Board of Governors does not feel justified in recommending approval of the application.

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

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Assistant Secretary.

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

Item No. 8  
1/2/58

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

January 2, 1958



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

Attention Mr. W. M. Taylor,  
Deputy Comptroller of the Currency.

Dear Mr. Comptroller:

Reference is made to a letter from your office dated November 5, 1957, enclosing copies of an application to convert The Industrial & Savings Bank of Pensacola, Pensacola, Florida, into a national banking association and requesting a recommendation as to whether or not the application should be approved.

Information supplied by the Federal Reserve Bank of Atlanta about The Industrial & Savings Bank of Pensacola, which does not have commercial banking powers, is generally favorable with respect to its financial history, the adequacy of its capital structure, future earnings prospects, and general character of its management. It is reported that the need for another commercial bank in Pensacola is not pressing at the present time, but the applicant is now serving the community to a limited extent and is deserving of an opportunity to expand its services in the commercial banking field. Accordingly, the Board of Governors recommends approval of the application.

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

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Assistant Secretary.

# Office Correspondence

Date December 27, 1957

To Board of Governors

Subject: Request for Approval of

From M. B. Daniels, Assistant Controller

Budget Overexpenditures

The Statement of Budgetary Principles and Procedure, approved by the Board September 16, 1953, provides that a Division, with the consent of the Controller, may make expenditures over the budget for any Nonpersonal Services account classification not exceeding 10 per cent of the budgeted amount, and that:

"Should it appear that (1) any expenditures will result in exceeding the 10 per cent limitation, (2) the total budget for personal or non-personal services will be exceeded . . . the division should request approval of the Board for such expenditures through the Controller, who shall submit such request to the Board accompanied by his recommendations with respect thereto."

## RECOMMENDATION

In accordance with the provisions quoted above, the attached requests for approval by the Board of excess expenditures, as summarized below, have been reviewed by this Office. The overexpenditures appear to be satisfactorily explained and are submitted with the recommendation that they be approved.

## BUDGET OVEREXPENDITURES SUBMITTED FOR BOARD APPROVAL

<u>Division</u>	<u>Account Classification</u>	<u>Excess</u>	
		<u>Amount</u>	<u>Per Cent</u>
Offices of Members of the Board:			
Regular Budget	Traveling Expenses	\$ 5,000	40
	Telephone and Telegraph	1,740	27
	Printing and Binding	1,296	67
	Furniture and Equipment	896	170
	All Other	1,065	54
Special Project:			
Paperwork Management Survey	Telephone and Telegraph	38	No Budget
	Printing and Binding	78	No Budget
	Stationery and Supplies	38	No Budget
	All Other	10,882	No Budget
	Total Nonpersonal Services	11,036	No Budget

## Board of Governors

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<u>Division</u>	<u>Account Classification</u>	<u>Excess</u>	
		<u>Amount</u>	<u>Per Cent</u>
Secretary	Printing and Binding	\$ 250	18
	Stationery and Supplies	625	31
	Books and Subscriptions	45	36
	All Other	80	40
Legal:			
Regular Budget	Salaries	7,046	4
	Traveling Expenses	2,800	156
	Telephone and Telegraph	700	35
	Stationery and Supplies	150	18
	All Other	22,231	44,462
Special Project:			
Administrative Proceed- ing Against Member Bank	Traveling Expenses	11,190	373
	Postage and Expressage	435	No Budget
	Telephone and Telegraph	460	153
	Printing and Binding	650	650
	Stationery and Supplies	16	No Budget
	Rentals	920	No Budget
	Books and Subscriptions	6	No Budget
	All Other	87,715	274
	Total Nonpersonal	101,382	286
	Research and Statistics:		
Regular Budget	Salaries	3,000	.3
Special Projects:			
Consumer Instalment Credit Study	Postage and Expressage	1,422	284
	Telephone and Telegraph	16	16
Small Business Financing Study	Traveling Expenses	1,000	No Budget
	Telephone and Telegraph	200	No Budget
	Printing and Binding	2,245	No Budget
	Stationery and Supplies	510	No Budget
	All Other	28,705	No Budget
	Total Nonpersonal Services	32,660	No Budget
International Finance	Traveling Expenses	3,600	63
	Stationery and Supplies	150	11



Board of Governors

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<u>Division</u>	<u>Account Classification</u>	<u>Excess</u>	
		<u>Amount</u>	<u>Per Cent</u>
Examinations	All Other	\$ 4,100	50
Bank Operations	Telephone and Telegraph	400	13
	Repairs and Maintenance (Furniture and Equipment)	75	21
	All Other	2,000	47
<b>Personnel:</b>			
Regular Budget	Salaries	5,903	5
	Furniture and Equipment	735	2,100
	Rentals	45	No Budget
	Medical Service and Supplies	338	22
	Insurance	12	No Budget
<b>Special Project:</b>			
Retirement System Study	Traveling Expenses	357	No Budget
	All Other	2,000	No Budget
	Total Nonpersonal Services	2,357	No Budget
<b>Defense Planning--</b>			
Board	Salaries	104	21
	Stationery and Supplies	32	27
Commercial Bank Preparedness	Printing and Binding	15	25
Federal Reserve Banks	Telephone and Telegraph	6	No Budget
	All Other	7,010	112

The more significant items are commented upon in the succeeding paragraphs, in order of account classifications.

SIGNIFICANT BUDGET OVEREXPENDITURES BY  
ACCOUNT CLASSIFICATION

Salaries

Three divisions expect to exceed budgetary provision for salaries: Legal, \$7,046; Research and Statistics, \$3,000; and Personnel, \$5,903. The excess in Legal is attributable to a large terminal leave payment made to the retiring General Counsel (\$5,885), which was not provided for, and the creation

of three new positions, partly offset by salary lapses in two positions discontinued. Research and Statistics will be overexpended mostly because of temporary dual occupancy of two positions and to smaller salary lapses than were provided. Estimated overexpenditure in Personnel is due to cost of the typist-stenographer replacement program. Vacancies in stenographic positions were lower than anticipated, thereby causing longer retention of the stenographers on the Personnel pay roll.

#### Traveling Expenses

Several divisions will exceed their budget for travel. In Board Members, the excess of \$5,000 is due to more domestic travel than was anticipated and the cost of one more foreign trip than budgeted. Legal will exceed its regular travel budget by about \$2,800, because of increased activity in Bank Holding Company matters, and its Special Project budget--Administrative Proceeding Against Member Bank--by \$11,190, due to travel costs incurred in carrying out the proceeding in Salt Lake City, Denver, and San Francisco. International Finance will exceed its budget by about \$3,600, wholly because of foreign travel which was not budgeted. The trip to the Far East by Mr. Reed Irvine, costing over \$2,600, accounted for most of the overage; also unbudgeted was the \$950 cost of Mr. Sammon's participation in the mission to Puerto Rico. Two Special Projects, Small Business Financing Study and the Retirement System Study, approved since budget, will cost \$1,000 and \$357, respectively.

#### Postage and Expressage

No provision was made in the Legal Division's special project, Administrative Proceeding Against Member Bank, for this item. However, with considerable activity being carried on in Salt Lake City and elsewhere, necessary express charges for transporting records and other material were incurred to the extent of \$435. In Research and Statistics, the provision of \$500 for mailing the Consumer Instalment Credit Study proved to be inadequate, and it was necessary to expend \$1,422 more than provided to complete the mailing.

#### Telephone and Telegraph

Significant overexpenditures in this account classification are in Offices of Members of the Board (\$1,740), mostly due to increased usage of toll lines for the daily Federal Open Market Committee hookup; and in Legal, regular budget (\$700), and special project budget (\$460), because of increased volume of Bank Holding Company hearings and prolongation of the Administrative Proceeding. The Small Business Financing Study, not provided for in the budget, is expected to show toll telephone expenses of about \$200.

#### Printing and Binding

Board Members will be overexpended by about \$1,300, mostly because of increased demand for mimeographed reports of Congressional hearings and an increase in the use of official Christmas cards. Legal expects to overexpend

\$650 in its Special Project--Administrative Proceeding because of continued activity beyond expectations. Duplicating costs for the Small Business Financing Study are expected to be about \$2,245, mostly for a bank loan report form.

### Stationery and Supplies

The Office of the Secretary's overexpenditure of \$625 is principally because of heavy use of the Thermofax copying machine during its first year of use. Purchases of stationery and supplies to be used in connection with the Small Business Financing Study are expected to exceed \$500.

### Furniture and Equipment

Two electric typewriters for Board Members' offices were responsible for an expected overexpenditure of \$896 in Offices of Members of the Board. Purchase of dictating and transcribing equipment was responsible for an overexpenditure of \$735 in the Personnel Division. There was no budget provision for these items.

### Rentals

In connection with the Administrative Proceeding in Salt Lake City, it was necessary to rent a large room to conduct the hearings. Rental cost incurred for this purpose is estimated at \$920.

### Medical Services and Supplies

Cost of influenza vaccine (\$210) and a greater number of physical examinations than budgeted accounts for an overexpenditure of \$338 in the Division of Personnel Administration.

### All Other

Unexpected demands for transcripts of Congressional hearings caused Board Members to overexpend its regular budget by \$1,065. Fees charged by Lester B. Knight and Associates to conduct the recently completed Paperwork Management Survey totaled \$10,882. This fee is the major item included in the \$11,036 cost of the survey approved by the Board but not included in the 1957 budget.

The Legal Division, feeling it was impossible to predict the course of the activities under the Bank Holding Company Act and Administrative Proceeding Against a Member Bank, made no regular budget provision for hearing examiners in Bank Holding Company work nor for Board witnesses and a hearing reporter in the Administrative Proceeding budget and only \$30,000 for legal fees and \$2,000 for a hearing examiner in that budget. Actual expenses were \$21,644 for hearing examiners in Bank Holding Company matters, and in the Administrative

Board of Governors

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Proceeding, \$9,125 for Board witnesses, \$35,000 for reporters' fees, \$70,000 for legal fees, and \$5,590 for hearing examiners. These expenses have resulted in overexpenditures in Legal's regular budget of \$22,231 and in the Special Project, of \$87,715.

Estimated expenditures this year for part II - Lenders Survey - of the Small Business Financing Study are expected to exceed \$28,700. Most of the cost involved is for tabulations by the I.B.M. Service Bureau of data collected by Reserve Banks.

An overexpenditure of \$4,100 in the Division of Examinations is attributable mainly to the annual survey of the examination of a Federal Reserve Bank, which cost \$10,600, compared with a budget of \$6,500.

Bank Operations will overexpend \$2,000 for architect's fees because the amount of work on a number of Reserve Bank building projects has been greater than anticipated.

No provision was made in Personnel for the study of the Retirement System undertaken during 1957 at the Board's request. Consultant fees for the project totaled \$2,000.

The cost of security clearance investigations will exceed the Defense Planning--Federal Reserve Bank budget by \$7,000. A large number of additional clearances was requested for Reserve Bank personnel, whereas the budget provided mostly for personnel turnover.

W. J. Danie

Attachments