

Minutes for January 23, 1958

To: Members of the Board

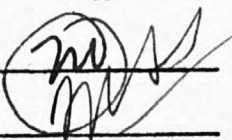
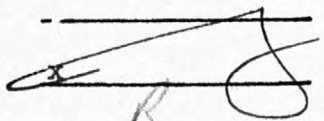
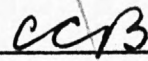
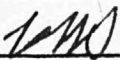
From: Office of the Secretary

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

It is proposed to place in the record of policy actions required to be kept under the provisions of Section 10 of the Federal Reserve Act an entry covering the item in this set of minutes commencing on the page and dealing with the subject referred to below:

Page 1 Approval of discount rate of 2-3/4 per cent for any Federal Reserve Bank advising of the establishment of that rate.

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 <u>1/</u>	- _____	x _____
Gov. Mills		_____
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 the Board of Governors of the Federal Reserve System

on Thursday, January 23, 1958. The Board met in the Board Room at 10:00 a.m.

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

Mr. Carpenter, Secretary  
Mr. Kenyon, Assistant Secretary  
Mr. Thurston, Assistant to the Board  
Mr. Thomas, Economic Adviser to the Board  
Mr. Hackley, General Counsel  
Mr. Masters, Director, Division of Examinations  
Mr. Nelson, Assistant Director, Division of Examinations

Discount rates. Chairman Martin suggested that the Secretary be authorized, in the event that Federal Reserve Banks other than Philadelphia should advise subsequent to this meeting that their directors had established, subject to the approval of the Board of Governors, a rate of 2-3/4 per cent on discounts and advances under sections 13 and 13a of the Federal Reserve Act and other rates appropriate in relation thereto, to notify such Banks that the Board approved the actions taken by the respective boards of directors.

This suggestion was approved unanimously.

Secretary's Note: Pursuant to this authorization, the Secretary today advised the six Federal Reserve Banks mentioned below that the Board approved the rates indicated effective January 24, 1958:

On discounts for and advances to member banks under sections 13 and 13a: Federal Reserve Banks of New York, Cleveland, Richmond, Chicago, St. Louis, and Kansas City - 2-3/4 per cent.

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On advances to member banks under section 10(b): Federal Reserve Banks of New York, Cleveland, Richmond, Chicago, St. Louis, and Kansas City - 3-1/4 per cent.

On advances to individuals, partnerships, and corporations other than member banks under last paragraph of section 13: Richmond and Chicago - 4 per cent; St. Louis - 3-3/4 per cent; and New York - 3-1/2 per cent.

On advances under section 13b direct to industrial and commercial businesses, including advances made in participation with financing institutions: Cleveland - a range of 3-1/2 per cent to 6 per cent, and St. Louis - a range of 3-1/4 per cent to 5-1/4 per cent.

On advances under section 13b taken over from financing institutions under commitments: St. Louis - (a) rate charged borrower less commitment rate on portion on which financing institution is obligated, and (b) rate charged borrower on remaining portion.

Without change, the remaining rates in the Banks' existing schedules.

The Presidents of all Federal Reserve Banks and the Vice Presidents in charge of Federal Reserve Bank branches were advised by telegram of the rates approved, a press statement in the usual form concerning approval of the 2-3/4 per cent rate for the six Banks was released at 4:00 p.m. EST., and arrangements were made for publication of a notice in the Federal Register.

Reports on comments made at directors' meetings (Item No. 1).

Pursuant to the understanding at the meeting on January 10, 1958, there had been distributed to the members of the Board a draft of letter to the Chairman of the Conference of Presidents of the Federal Reserve Banks which would request that there be placed on the agenda for discussion at the forthcoming meeting of the Conference the question of continuing

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the arrangement suggested in the Board's letter of March 19, 1956, for giving the Board the benefit of observations at Reserve Bank directors' meetings concerning business developments.

Following a brief discussion, the letter, of which a copy is attached hereto as Item No. 1, was approved unanimously.

Questions raised by Congressman Patman (Items 2 and 3). At the meeting of the Board on January 20, 1958, there was a discussion of the proposed answers to questions 28 and 30-44 of a list of questions on various matters which was handed to Chairman Martin by Congressman Patman on August 6, 1957, at the conclusion of the Chairman's appearance before the House Banking and Currency Committee in connection with the proposed Financial Institutions Act of 1957. Pursuant to the understanding at that meeting, there had subsequently been sent to the members of the Board copies of a memorandum from Mr. Hackley dated January 21, 1958, submitting revised drafts of answers to questions 30, 32, and 33. Alternative drafts of revised answers to question 44 were also submitted, one of which would include a detailed listing of the provisions of the Financial Institutions Act specifically endorsed by the Board while the other would cite examples of the changes to be effected by the Act which caused the Board to favor on balance the passage of the legislation. Reference also was made in the memorandum to a minor change which had been agreed upon by the Board in considering the draft of answer to question 42.



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Mr. Hackley explained that the revised answers to questions 30, 32, and 33, having to do with certain amendments to the National Bank Act contained in the Financial Institutions Act, were principally for the purpose of setting forth clearly at the beginning of the answer to question 30 that it and the following three questions involved the interpretation of laws applicable only to national banks and that administrative interpretation of such laws is ordinarily a function of the Comptroller of the Currency.

With regard to question 44, Mr. Hackley mentioned a minor change in the language of the answer which was suggested by Governor Robertson at the January 20 meeting but which was inadvertently not recognized in the revised alternative answers.

Governor Mills then stated that he would prefer the alternative answer to question 44 containing the detailed listing of provisions of the Financial Institutions Act specifically endorsed by the Board, and Governor Robertson agreed with Governor Mills. He felt, Governor Robertson said, that the other approach might seem to belittle some of the recommendations made by the Board in connection with the Financial Institutions Act which were not mentioned. Mr. Hackley commented that the other approach also might indicate that the examples cited were the provisions which the Board considered most important.

Thereupon, unanimous approval was given to the answers to questions 28, 31, and 34-43 which were accepted at the meeting on January 20, 1958, the answers to questions 30, 32, and 33 in the revised form submitted

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with Mr. Hackley's memorandum, and the alternative answer to question 44 which was favored by Governors Mills and Robertson, with the understanding that the minor change mentioned by Mr. Hackley at this meeting would be made. Copies of the letters sent to Chairman Spence of the House Banking and Currency Committee and to Congressman Patman transmitting the approved answers are attached hereto as Items 2 and 3, respectively.

At this point Mr. Molony, Special Assistant to the Board, entered the room.

Telegram to Governor Harriman concerning reserve requirements

(Item No. 4). In a telegram dated January 21, 1958, Governor Averell Harriman of New York urged action by the Board to reduce reserve requirements for central reserve city banks in New York and Chicago to the level prevailing for reserve city banks, since he felt that such action was justified from the banking standpoint and that the credit released thereby would be a valuable stimulus to business activity. He referred in this connection to the fact that at his direction the Superintendent of Banks for New York had raised this question with the President of the Federal Reserve Bank of New York and was assured that the matter would be given careful consideration. (Copies of a letter dated December 20, 1957, from Superintendent of Banks Mooney to President Hayes and a letter dated December 27, 1957, from Mr. Hayes to Chairman Martin had been distributed to the members of the Board following receipt of Mr. Hayes' letter.)

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Prior to this meeting there had been sent to the members of the Board copies of Governor Harriman's wire and a proposed reply from Chairman Martin which would acknowledge the telegram on behalf of the Board and reiterate the assurance that careful consideration would continue to be given to the subject of reserve requirements of member banks.

Following a brief discussion, the proposed reply telegram, of which a copy is attached to these minutes as Item No. 4, was approved unanimously.

Mr. Leonard then withdrew from the meeting and Mr. Young, Director, Division of Research and Statistics, entered the room.

Proposed merger in the Syracuse, New York, area and request for limited voting permit (Items 5 and 6). In memoranda distributed to the members of the Board under dates of January 21 and January 22, 1958, respectively, the Division of Examinations discussed (a) the request of First Trust and Deposit Company, Syracuse, New York, for prior consent under the provisions of section 18(c) of the Federal Deposit Insurance Act to merge unto itself the National Bank and Trust Company of Skaneateles, Skaneateles, New York, (b) the request of the Syracuse bank to establish a branch in Skaneateles following the merger, and (c) the application of First Securities Corporation of Syracuse for a limited permit entitling it to vote its stock of the Skaneateles bank for the purpose of taking necessary actions relating to the proposed merger. In each instance the recommendation of the Division was favorable.

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Pursuant to these recommendations, unanimous approval was given to (a) a letter to First Trust and Deposit Company in the form attached hereto as Item No. 5, for transmittal through the Federal Reserve Bank of New York, and (b) a telegram to the Federal Reserve Agent at the Federal Reserve Bank of New York in the form attached as Item No. 6 authorizing issuance of the requested limited voting permit.

Mr. Nelson then withdrew from the meeting and Mr. Riefler, Assistant to the Chairman, entered the room.

Presentation for directors of Fund and Bank. Chairman Martin said that he understood the International Monetary Fund and the International Bank for Reconstruction and Development would appreciate it if a visual-auditory economic presentation, such as given several times in the past, could be arranged again for the directors of those institutions. Since the material had now been prepared for other purposes and was currently available, it was his suggestion that a presentation be made for the Fund and Bank directors on a mutually agreeable date.

There was unanimous agreement with this suggestion.

Distribution of Federal Reserve Bulletin (Item No. 7). Governor Shepardson referred to the decision reached by the Board at the meeting on January 14, 1958, with regard to a change in the policy covering distribution of the Federal Reserve Bulletin to member banks and branches. He stated that subsequently several questions had come up in this connection which made it seem advisable to obtain the views of the Presidents of the



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Federal Reserve Banks before the new policy was put into effect. These questions were covered in a proposed letter to the Chairman of the Presidents' Conference which he read.

Following a discussion, during which it was agreed that there would be no objection to having the subject of Bulletin distribution policy brought up by Mr. Thomas at next week's meeting of the System Research Advisory Committee and the Presidents' Conference Subcommittee on Research and Statistics, unanimous approval was given to a letter to the Chairman of the Presidents' Conference in the form attached as Item No. 7.

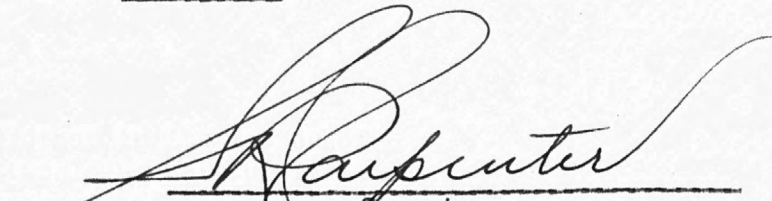
Examinations of foreign branches of United States banks.

Governor Robertson referred to plans being made for the examination of foreign branches of domestic banks in Japan and said that the Superintendent of Banks for New York had submitted to the Division of Examinations a suggested schedule for future examinations of foreign branches with the request that agreement be reached on such a schedule at this time. Governor Robertson informed the Board that he had written the State Superintendent yesterday to the effect that he would not want to pass on the matter until more information had been obtained through the forthcoming examinations in Japan.

The meeting then adjourned.

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Secretary's Note: Governor Shepardson today approved on behalf of the Board a memorandum dated January 20, 1958, from Messrs. Thomas and Young regarding plans for a dinner at a local hotel in connection with the meeting next week of the System Research Advisory Committee and the Presidents' Conference Subcommittee on Research and Statistics. A copy of the memorandum is attached as Item No. 8.

  
Secretary

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON 25, D. C.

Item No. 1  
1/23/58

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

January 23, 1958

Mr. H. G. Leedy, Chairman,  
Conference of Presidents of the  
Federal Reserve Banks,  
c/o Federal Reserve Bank of Kansas City,  
Kansas City 6, Missouri.

Dear Mr. Leedy:

You will recall that in its letter of March 19, 1956, the Board stated that it would be helpful if it could receive promptly advice of the comments of the directors of the Reserve Banks at their directors' meetings with respect to experiences, conversations, or observations either in their own business or otherwise which might indicate that the current over-all economic situation was different from what the available statistics showed it to be. It was the thought of the Board that if such "straws in the wind" observations were brought out at a meeting, and if they would not otherwise come to the Board's attention promptly, the President would put them in a letter and send them along with any additional remarks that he might have to make.

Only two or three of the Reserve Banks have had occasion in recent months to continue sending these comments, which has raised the question whether the arrangement, which was undertaken as an experiment, should be continued. On the other hand, members of the Board have been interested in the comments that have been received and believe it is helpful to have them. Question has also been raised whether, in view of the fact that meetings of the Federal Open Market Committee are held about every three weeks and are attended by all of the Presidents, the Board could rely on the Presidents to include in their statements at these meetings any pertinent comments made by the directors which would be of the kind contemplated by the existing arrangement.

The Board of Governors would be glad if this matter could be placed on the agenda for the forthcoming meeting of the Presidents' Conference for a discussion of whether the existing procedure or some other arrangement would be most effective in giving the members of the Board the benefit of this "straws in the wind" information.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,  
Secretary.



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON

Item No. 2  
1/23/58

OFFICE OF THE CHAIRMAN

January 23, 1958.

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

Dear Mr. Chairman:

Enclosed are answers to questions 28 and 30-44 of the list of questions that was 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.

The reply to question 29 was transmitted on November 12, 1957, and the answers to 19 questions contained in a separate list (Destruction of Money) were transmitted on December 16, 1957. We hope that answers to questions 1-27 will be ready for transmission shortly.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.

Enclosures





BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON

Item No. 3  
1/23/58

OFFICE OF THE CHAIRMAN

January 23, 1958.

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 answers to questions 28 and 30-1/4 of the list of questions that you submitted to me in August at the conclusion of my appearance before the House Banking and Currency Committee at the hearings on the Financial Institutions Act of 1957.

As indicated in the letter to Chairman Spence, the reply to question 29 was transmitted on November 12, 1957, and the answers to 19 questions contained in a separate list (Destruction of Money) were transmitted on December 16, 1957. We hope that the answers to questions 1-27 will be ready for transmission shortly.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.

Enclosures.

## T E L E G R A M

Item No. 4  
1/23/58BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTON

January 23, 1958

The Honorable Averell Harriman  
Governor of New York  
Albany, New York.

On behalf of the Board of Governors I wish to acknowledge your telegram of January 21, 1958, and to reiterate the assurance that careful consideration will continue to be given to the subject of reserve requirements of member banks.

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.

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

Item No. 5  
1/23/58

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

January 23, 1958



Board of Directors,  
First Trust and Deposit Company,  
Syracuse 1, New York.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of New York, the Board of Governors hereby gives its written consent, under the provisions of Section 18(c) of the Federal Deposit Insurance Act, to the merger of National Bank and Trust Company of Skaneateles, Skaneateles, New York, into First Trust and Deposit Company, Syracuse, New York, and approves the establishment of a branch of the continuing bank in the present location of National Bank and Trust Company of Skaneateles, provided the transaction is effected substantially in accordance with the Agreement of Merger dated December 16, 1957, and the merger and establishment of the branch are accomplished prior to April 1, 1958.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Assistant Secretary.

T E L E G R A M  
LEASED WIRE SERVICE

Item No. 6  
1/23/58

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTON

January 23, 1958

BLERWIRTH - NEW YORK

KECEA

- A. First Securities Corporation of Syracuse, Syracuse, New York.
- B. National Bank and Trust Company of Skaneateles, Skaneateles, New York.
- 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 of such bank and to act thereat upon such matters of a routine nature as are ordinarily acted upon at the annual meetings of such bank, and (2) to take any actions which may be necessary to effect the merger of such bank into First Trust and Deposit Company, Syracuse, New York.

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. 7  
1/23/58

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

January 24, 1958



Mr. H. G. Leedy, Chairman,  
Conference of Presidents of the  
Federal Reserve Banks,  
c/o Federal Reserve Bank of Kansas City,  
Kansas City 6, Missouri.

Dear Mr. Leedy:

In 1939 the Board of Governors began sending the Federal Reserve Bulletin free to each domestic branch of a member bank, the business of which in the opinion of the Federal Reserve Bank, was sufficiently important to justify the Board in making a copy available to the managing officer except that not more than 50 copies would be sent to any one member bank. Last year one of the Reserve Banks suggested that the 50-copy limitation be removed.

The Board of Governors agrees that the limitation is arbitrary but would hesitate to eliminate it altogether for the reasons that (1) the existing and proposed arrangements discriminate against the large banks that have no branches, (2) it is difficult to justify such large expenditures under the proposed arrangement (it could amount to \$3,000 of out-of-pocket costs for a single member bank) for the benefit of branch banks or of a single member bank with a substantial number of branches when there is no satisfactory indication that the additional copies are effectively used, and (3) there is no satisfactory measure of either the need for or the use made of the free copies.

To meet these objections it has been suggested that the present policy of furnishing free Bulletins to branches be discontinued and that the Board announce that after a stated date any member bank which desires to receive copies of the Bulletin, in addition to the one copy that is sent without charge to all member banks, may obtain such additional copies at an annual subscription price of \$2. It would be appreciated if the Presidents would discuss this proposal at the next Presidents' Conference and give the Board the benefit of their views.

It is understood that Federal Reserve Banks in some instances pay the cost of subscriptions to the Bulletin which are then sent free of charge to banks. It has been suggested that a

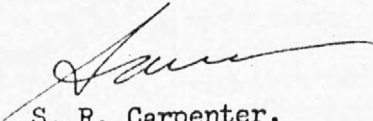
Mr. H. G. Leedy

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bank officer will be more likely to read the Bulletin if a charge is made than he will if, without cost, it drops on his desk with all of the other material that today is bidding for his attention. Therefore, the Board would like the advice of the Presidents as to what extent, if the policy is adopted of charging \$2 for additional subscriptions received from member banks, the Reserve Banks would feel obligated to furnish free copies to member or nonmember banks in their respective districts.

A third question with respect to the Bulletin is whether it and other System publications should continue to be sent to former directors of the Federal Reserve Banks when requested. As you know under the present arrangement, directors who are interested in receiving the Bulletin and the Chart Book have had to pay for them. The Board believes that there may be adequate justification for furnishing System publications free to former directors who desire to receive them and the Board would like very much to have the Presidents' views.

Very truly yours,



S. R. Carpenter,  
Secretary.

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

Item No. 8

1/23/58

Date January 20, 1958.

# Office Correspondence

To The Board of Governors

Subject: Dinner for System Research

From Mr. Thomas and Mr. Young

Advisory Committee.

In accordance with the provisions of the Board's memorandum of November 10, 1949, it is planned to have a dinner in connection with the forthcoming meeting on January 28-29 of the System Research Advisory Committee and the Subcommittee of the Presidents' Conference Committee on Research and Statistics. The dinner will be on Tuesday evening, January 28, at the Shoreham Hotel.

We would like to invite the following persons to attend:

Bank	Name	Board	
Boston	Mr. Ellis	Mr. Riefler	Mr. Eckert
New York	Mr. Roosa	Mr. Thomas	Mr. Miller
Philadelphia	Mr. Bopp	Mr. Leonard	Mr. Brill
Cleveland	Mr. Hostetler	Mr. Horbett	Mr. Gehman
Richmond	Messrs. Storrs and MacDonald	Mr. Carpenter	Mr. Weiner
Atlanta	Messrs. Taylor and Atkinson	Mr. Thurston	Mr. Jones
Chicago	Messrs. Mitchell and Holland	Mr. Young	Mr. Trueblood
St. Louis	Mr. Abbott	Mr. Garfield	Mr. Sigel
Minneapolis	Mr. Parsons	Mr. Noyes	Mr. Thompson
Kansas City	Mr. Tow	Mr. Williams	Mr. Marget
Dallas	Mr. Rice	Mr. Robinson	Mr. Furth
San Francisco	Messrs. Wheeler and Einzig	Miss Burr	Mr. Sammons
		Mr. Dembitz	Mr. Hersey
		Mr. Koch	

In addition, all members of the Board will be invited to attend.

In order to minimize the expense of the dinner, the list has been limited to the members of the Board's staff who are directly concerned with System research activities. Although final arrangements have not been completed, the cost of the dinner should average less than the \$10 per person authorized by the Board's action of November 10, 1949, probably about \$8.00 per person attending with the total cost in the neighborhood of \$400.

The list of Reserve Bank personnel attending is still tentative; several persons may be added or some substitutions may be made when we hear finally from the Banks. With respect to the Board's staff, the number listed is the maximum; however, there may be a few substitutions in the event the head of a division feels that a different person than the one listed should attend.

*W. J. Ray*