

Minutes for February 6, 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	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Gov. Szymczak	<input checked="" type="checkbox"/>	
Gov. Vardaman <u>1/</u>		<input checked="" type="checkbox"/>
Gov. Mills	<input checked="" type="checkbox"/>	
Gov. Robertson	<input checked="" type="checkbox"/>	
Gov. Balderston	<input checked="" type="checkbox"/>	
Gov. Shepardson	<input checked="" type="checkbox"/>	

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, February 6, 1958. The Board met in the Board Room at 10:00
a.m.

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

Mr. Carpenter, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Fauver, Assistant Secretary
Mr. Leonard, Director, Division of Bank Operations
Mr. Hackley, General Counsel
Mr. Masters, Director, Division of Examinations
Mr. Farrell, Assistant Director, Division of Bank
Operations
Mr. Solomon, Assistant General Counsel
Mr. Hexter, Assistant General Counsel
Mr. Hostrup, Assistant Director, Division of
Examinations

Discount rates. Unanimous approval was given to telegrams to
the Federal Reserve Banks of Richmond and San Francisco approving the
establishment without change by those Banks on February 5, 1958, of the
rates on discounts and advances in their existing schedules.

Secretary's Note: During the day a telegram was
received from the Federal Reserve Bank of Minneapolis
stating that the directors of that Bank had established,
subject to the approval of the Board of Governors, a
rate of 2-3/4 per cent (rather than 3 per cent) on
discounts for and advances to member banks under sections
13 and 13a of the Federal Reserve Act, a rate of 3-1/4
per cent on advances under section 10(b), a rate of 4 per
cent on advances to individuals, partnerships, and corpo-
rations other than member banks under the last paragraph
of section 13, and, without change, other rates in the
Bank's existing schedule. Pursuant to the authority
given by the Board at the meeting on January 23, 1958,

1/ Entered meeting at point indicated in minutes.

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the Secretary notified the Bank of approval of the rates established by the directors effective February 7, 1958. Advice of the action was sent by telegram to all Federal Reserve Banks and branches, a press statement was issued in the usual form, and arrangements were made for the publication of a notice in the Federal Register.

Advice also was received during the day from the Federal Reserve Banks of New York, Philadelphia, Cleveland, Chicago, St. Louis, Kansas City, and Dallas that the directors of the respective Banks had today established without change the rates on discounts and advances in their existing schedules, subject to the approval of the Board. Pursuant to the procedure approved by the Board at the meeting on January 24, 1958, the Secretary sent telegrams to the respective Banks notifying them of approval of the establishment without change of the existing rates.

Program for Directors' Day. In a memorandum distributed under date of February 5, 1958, which had been prepared following consultation with Governor Shepardson and appropriate members of the staff, Mr. Fauver presented a tentative schedule for the annual program given for newly appointed or elected directors of the Federal Reserve Banks and branches. As outlined in the memorandum, the meeting would begin with a reception and dinner at a local hotel on the evening of February 19, 1958, and continue with a program at the Federal Reserve Building the following day.

Governor Shepardson commented on the various parts of the program and a general discussion followed, at the conclusion of which the tentative program was approved unanimously.

During the foregoing discussion Governor Mills returned from an appointment outside the building and joined the meeting.

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Survey of records procedures (Item No. 1). There had been distributed to the members of the Board, with a transmittal memorandum from Mr. Carpenter dated January 31, 1958, a draft of suggested letter to Mr. Wayne C. Grover, Archivist, National Archives and Records Service, which would request a survey of the Board's records procedures by that organization.

During a discussion of the considerations involved in this proposal, Governor Shepardson pointed out that the recent paperwork management survey by Lester Knight & Associates did not include a review of records management procedures of the kind now proposed, although the report contained references to the desirability of such a study.

Thereupon, unanimous approval was given to the letter to National Archives of which a copy is attached hereto as Item No. 1.

Membership dues and contributions (Item No. 2). Pursuant to the understanding at the meeting on January 29, 1958, there had been distributed to the members of the Board a revised draft of letter to the Chairmen and Presidents of all Federal Reserve Banks concerning expenditures for membership dues and contributions. The latest draft did not attempt to specify what types of expenditures would be appropriate or inappropriate. Instead, it outlined in general terms the principles which should be borne in mind in considering outlays of Reserve Bank funds. Like the previous drafts, however, it provided for inclusion with future budget material of a list of the number and amount of expenditures for membership

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dues and contributions, and the justifications therefor, so that such proposed expenditures might be reviewed by the directors of the respective Banks and by the Board of Governors.

Governor Shepardson said he had come to the conclusion that the revised draft of letter represented a satisfactory approach to the problem, particularly because it would leave room for the exercise of responsibility at the local level. From conversations with certain Reserve Bank Presidents, he gathered that steps already were being taken to eliminate or reduce expenditures which might be considered questionable in the light of the discussions during the past year with the Chairmen's Conference and the Presidents' Conference.

The other members of the Board also commented favorably regarding the letter and Governor Balderston then raised a question with respect to an attachment illustrating how expenditures for membership dues and contributions should be listed for inclusion with Reserve Bank budget material. It was understood that an appropriate adjustment would be made to meet the point mentioned by Governor Balderston and unanimous approval then was given to the proposed letter, a copy of which is attached hereto as Item No. 2.

Messrs. Leonard and Farrell then withdrew from the meeting.

Policy with respect to disclosing information about the registration of bank holding companies. In view of certain inquiries received recently, question had been raised with respect to the policy that should be followed in regard to publishing lists of registered

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bank holding companies and disclosing whether a particular company is or is not registered pursuant to the Bank Holding Company Act of 1956. There had been sent to the members of the Board copies of a memorandum from the Division of Examinations dated February 3, 1958, recommending for reasons stated (1) that the Board refrain from publishing lists of registered bank holding companies, (2) that the Board also refrain from disclosing whether a particular organization is or is not a bank holding company registered under the Act, and (3) that the response to inquiries about the status of particular companies be to the effect that the Board does not disclose information coming to it in connection with the registration and reporting requirements of the Bank Holding Company Act with respect to the status of individual companies under that Act.

After Mr. Hostrup had spoken in support of the recommendation, Governor Shepardson raised a series of questions and indicated thereafter that he was not convinced of the validity of the reasons given for not making public information as to whether a particular company has registered under the Bank Holding Company Act.

Mr. Hackley pointed out that the law neither authorizes nor prohibits publishing a list of registered bank holding companies or supplying information in response to inquiries about the status of a particular company. On policy grounds, however, he thought there was quite a good deal to be said for publishing a list of registered bank

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holding companies periodically. This contemplated, of course, a distinction between publication of the name and address of a company and providing information concerning a company's affairs. On balance, since bank holding companies are required to register with the Board, he saw no harm and perhaps some benefit as an enforcement measure in a practice of publishing the names of registered bank holding companies and answering individual inquiries. In making this comment, he did not envisage that a published list would divulge the names of the banks controlled by a bank holding company.

Governor Robertson stated that, like Governor Shepardson, he was not persuaded by the arguments advanced by the Division of Examinations in support of a restrictive policy. He did not see justification, where a public law requires registration, for the regulatory agency to withhold from the public information concerning the fact of registration. Therefore, he would not only furnish such information in response to specific inquiries but he would publish periodically a list of the companies that had registered.

Governor Mills said that although the question was a close one, he found the arguments of the Division of Examinations convincing. Many inquiries, he suggested, are in the nature of "witch hunting expeditions", and furthermore it would be difficult to reverse a policy of publication even if such a practice produced embarrassing incidents. Therefore, he would be inclined to follow the recommendation of the Division of

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Examinations for the time being, with the understanding that a change in policy could be made later if cogent reasons appeared.

Governor Szymczak agreed with Governor Mills, particularly because a decision now in favor of disclosure would mean in effect committing the Board to such a policy for the future.

Following additional discussion it was agreed, in view of the difference of opinion, to give further consideration to the matter at tomorrow's meeting, when Chairman Martin would be present. For use in connection with further discussion of the matter, the Legal Division was requested to set forth its views in the form of a memorandum.

Mr. Fauver then withdrew from the meeting.

General Contract Corporation matter. In accordance with the decision reached at the meeting on January 22, 1958, there had been distributed to the members of the Board, with a memorandum from Mr. Hackley dated February 4, 1958, (1) a draft of an order of the Board denying requests by General Contract Corporation, St. Louis, Missouri, for determinations under section 4(c)(6) of the Bank Holding Company Act that certain nonbanking subsidiaries are such as to be exempt from the divestment requirements of the Act, (2) a draft of statement setting forth the grounds for the Board's decision, and (3) a draft of a dissenting statement reflecting the views of Governor Mills.

After comments by Mr. Hackley relating to procedures contemplated if the Board approved the proposed statements and order, Governor Mills

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said he was at first inclined to feel that the statements were both very long. However, after reading them completely in the light of the legal points involved and the desirability of giving as much guidance as possible to interested parties, he was fully satisfied.

Along these lines, Mr. Hackley remarked that in preparing the statements the Legal Division had borne in mind the likelihood of judicial review.

Ensuing discussion participated in by Governors Balderston and Mills resulted in expressions of agreement that the Legal Division had been judicious in not citing as a basis for the dissent the physical relationship of certain of General Contract Corporation's nonbanking subsidiaries to subsidiary banks.

After statements by the other members of the Board to the effect that they were satisfied with the documents prepared by the Legal Division, it was agreed to defer formal action until Chairman Martin was present, since he was present at the meeting on January 22, 1958.

Reference then was made to a memorandum from Mr. Solomon dated February 5, 1958, submitting a draft of letter to the President of First Bank Stock Corporation in response to his suggestion that the Board give consideration to that Corporation's applications under section 4(c)(6) of the Bank Holding Company Act in connection with its consideration of the General Contract Corporation applications.

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It was agreed unanimously that a letter such as suggested by Mr. Solomon should be sent when the Board announced its decision in the General Contract matter.

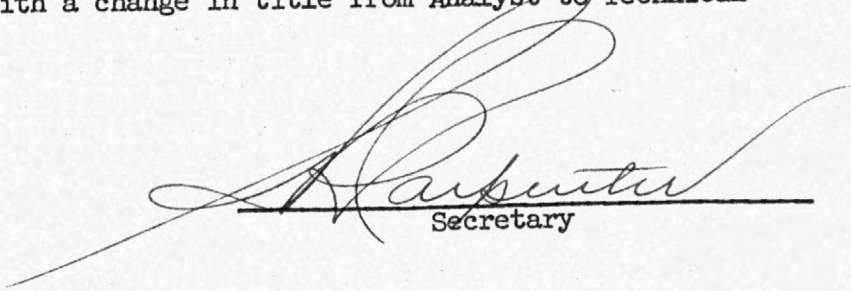
The meeting then adjourned.

Secretary's Notes: Governor Shepardson today approved on behalf of the Board the following items:

Memorandum dated January 30, 1958, from Mr. Johnson, Director, Division of Personnel Administration, recommending that a work simplification training program be arranged for selected members of the Board's staff.

Letter to the Manager of the System Open Market Account suggesting that Mr. Solomon, Economist in the Division of Research and Statistics, be included among those to receive training at the policy group level in this year's System Open Market Account Training Program.

Pursuant to the recommendation contained in a memorandum from Mr. Leonard, Director, Division of Bank Operations, an increase in the basic salary of Robert L. Hill from \$5,710 to \$6,390 per annum, effective February 9, 1958, with a change in title from Analyst to Technical Assistant.



Secretary

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

Item No. 1
2/6/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 6, 1958

Mr. Wayne C. Grover,
Archivist,
National Archives and Records Service,
Washington, D. C.

Dear Mr. Grover:

From a preliminary discussion with Mr. Herbert E. Angel, it is understood that the services of the Office of Records Management, Division of National Archives and Records Services, would be available to the Board of Governors for the purpose of having a survey made of the Board's records procedures.

It has been the policy of the Board to maintain a high standard for the physical condition of its records and for procedures which will insure their prompt availability. At this time the Board is interested in having a survey made of its records management procedures to aid it in determining what changes might be desirable as a means of improving what is believed to be a high standard of service.

It is understood that Mr. Angel and his staff are in a position to undertake such a survey, and it would be appreciated if you could advise the terms on which it would be made and the approximate dates on which it could be started and completed.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 2
2/6/58

OFFICE OF THE CHAIRMAN

February 6, 1958.



Dear Sir:

As you know, the question of expenditures by the Federal Reserve Banks for membership dues and contributions has been considered and has been the subject of discussion during the past year by the Conference of Chairmen, the Conference of Presidents, and the Board, both severally and jointly.

As a result of these discussions, the Board believes that there is a mutual understanding of the problem of handling such expenditures with due regard to the public-interest aspect of the Federal Reserve System, the general supervisory responsibilities of the Board, the regional character of the Federal Reserve Banks, and the responsibilities conferred upon the Bank Directors by Section 4 of the Federal Reserve Act. It is recognized that certain expenditures might be very appropriate in a purely private business but would be inappropriate in the case of a Federal Reserve Bank in view of the public nature of its funds and operations.

The Board feels that there is also mutual and general understanding throughout the System that expenditures for membership dues and contributions should conform to the general policy on "Discretionary Expenditures" as set forth in Item #3187 of the Federal Reserve Loose-Leaf Service, and that memberships at Bank expense should be limited to those which can be justified either by the activities of the organization or by the benefits received by the Reserve Bank.

In view of these understandings, the Board believes that there is no need at this time for it to make a further delineation between appropriate and inappropriate expenditures, and that the interests of the System will be properly served if the Officers and Directors of the individual Reserve Banks exercise their discretion to determine whether expenditures for membership dues and contributions are appropriate and "necessary expenses" within the meaning of Section 7 of the Federal Reserve Act.

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The Board also believes that it will be helpful, both to the Directors and to the Board, in reviewing proposed expenditures for membership dues and contributions to have future budget material include a list of the number and amount of such expenditures, and the justifications therefor. Accordingly, the Board's Accounting Manual will be revised as indicated in the attachment hereto.

Again, I would like to express the Board's appreciation for the interest that has been taken in this matter by the Directors and Officers of the Federal Reserve Banks. The progress that has already been made in eliminating doubtful items has been noted with particular gratification.

This letter is being sent to both the Chairman and the President of each Federal Reserve Bank.

Sincerely,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.

Attachment

TO THE CHAIRMEN AND PRESIDENTS OF ALL FEDERAL RESERVE BANKS

BUDGETGENERAL INSTRUCTIONSSupplementary Statements

The budget should be accompanied by a list of all expenditures during the current year and the budget year for membership dues (except Clearing House) and for contributions to organizations or individuals outside of the Reserve Bank. The list should be prepared in the form illustrated on the following page; and, where the nature of the expenditure is not self-evident, the list should show, or be accompanied by, and appropriate explanation. Descriptions are given below of the various columns shown on the illustration:

"Memberships and contributions"

This column is to identify all memberships and contributions reflected in either the current year or the budget year. Memberships should be shown first, arranged in alphabetical order by organizations, with an asterisk indicating those cases where the membership is in the Bank's name.

Contributions should be shown in a separate section following the list of memberships. Contributions for closely related purposes may be grouped.

"Justification"

These columns provide for indicating (by an "x") the basis on which the membership or contribution is considered to be justifiable; namely, (1) "Activities" directly related to the work of the Reserve Bank; (2) "Representation" in the organization being desirable; and (3) "Benefits" received by the Reserve Bank.

It should be noted that the "Justification" categories are not necessarily mutually exclusive; for example, a contribution to the American Institute of Banking may be justified on the basis of being made to an organization whose activities are directly related to the work of the Reserve Banks, as well as on the basis of benefits received.

"Number and Amount"

The number reported on each line should represent the number of memberships or individual contributions, and the amount should represent the total expenditure involved.

