

Minutes for February 7, 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	x <u>W</u>	_____
Gov. Szymczak	x <u>MS</u>	_____
Gov. Vardaman <u>1/</u>	_____	x _____
Gov. Mills	x <u>[Signature]</u>	_____
Gov. Robertson	x <u>R</u>	_____
Gov. Balderston	x <u>CCB</u>	_____
Gov. Shepardson	x <u>CS</u>	_____

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 Friday, February 7, 1958. The Board met in the Board Room at 10:00  
 a.m.

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

Mr. Carpenter, Secretary  
 Mr. Kenyon, Assistant Secretary  
 Mr. Marget, Director, Division of International  
 Finance  
 Mr. Hackley, General Counsel  
 Mr. Masters, Director, Division of Examinations  
 Mr. Horbett, Associate Director, Division of  
 Bank Operations  
 Mr. Conkling, Assistant Director, Division of  
 Bank Operations  
 Mr. Furth, Associate Adviser, Division of  
 International Finance  
 Mr. Sammons, Associate Adviser, Division of  
 International Finance  
 Mr. Solomon, Assistant General Counsel  
 Mr. Hexter, Assistant General Counsel  
 Mr. Hostrup, Assistant Director, Division of  
 Examinations

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 Union and New Haven Trust Company, New Haven, Connecticut, consenting to a merger with The Ansonia National Bank, Ansonia, Connecticut, and approving the establishment of a branch in Ansonia. (For transmittal through the Federal Reserve Bank of Boston)	1

1/ Entered meeting at point indicated in minutes.

2/7/58

-2-

Item No.

- Letter to the Federal Reserve Bank of Philadelphia approving an extension of time within which the Lemoyne Trust Company, Lemoyne, Pennsylvania, may establish a branch in the Borough of Camp Hill. 2
- Letter to the Federal Reserve Bank of Cleveland approving an extension of time within which The Union Commerce Bank, Cleveland, Ohio, may establish a branch at 75 Public Square. 3
- Letter to the Federal Reserve Bank of Kansas City ratifying action taken by the Denver Branch in waiving a penalty incurred by the Englewood State Bank, Englewood, Colorado, due to a deficiency in required reserves. 4
- Letter to the Federal Reserve Bank of Dallas granting permission to Chimney Rock National Bank of Houston, Houston, Texas, to maintain the same reserves against deposits as are required to be maintained by banks located outside of central reserve and reserve cities. 1/ 5
- Letter to the Federal Reserve Bank of Dallas approving an investment in bank premises by Security State Bank & Trust Company, Ralls, Texas. 6
- Memoranda from Messrs. Carpenter and Walter Young recommending an amendment to the Board's regulations relating to employment policy in order to carry out the effect of Executive Order 10722. (With a letter to the Chairman of the President's Committee on Government Employment Policy advising of the amendment) 7, 8

Gold loan to Uruguay (Item No. 9). In a memorandum dated February 6, 1958, copies of which had been sent to the members of the Board, Mr. Marget discussed an application by Banco de la Republica

1/ Approved by the four members of the Board present at the beginning of the meeting and also by Governor Mills, who joined the meeting at the point indicated in the minutes.

2/7/58

-3-

Oriental del Uruguay for a 90-day loan on gold in the amount of \$8 million. The Board of Directors of the Federal Reserve Bank of New York had acted favorably on the application, subject to the approval of the Board of Governors.

While it appeared from available information that the situation in Uruguay made this a borderline case within the terms of the Policy Statement on Gold Loans, Mr. Marget recommended that the loan be approved. The attention of the Board was called to the fact that the recommendation of the New York Reserve Bank did not call for authorization to renew the loan upon maturity.

In commenting, Mr. Marget said that although it was not proposed to stipulate to the New York Bank that the loan should not be renewed, he hoped that renewal would not be sought, for he would not like to see the System involved in an operation which might seem to encourage the Uruguayans to hold back their wool from the market. In the event of failure to repay the loan at maturity, he felt that the preferable course would be for the Uruguayans to arrange for sale of the gold collateral, and Banco de la Republica had in fact assured the New York Bank that the obligation would be cancelled at maturity from the proceeds of exports or by the application of gold held in the custody of the Reserve Bank.

Following a discussion of the Uruguayan situation in relation to the terms of the proposed gold loan, unanimous approval was given to a telegram to the Federal Reserve Bank of New York in the form which had been recommended by Mr. Marget. A copy of the telegram is attached hereto as Item No. 9.

2/7/58

-4-

Messrs. Marget, Furth, and Sammons then withdrew from the meeting and Messrs. Young, Director, Noyes, Adviser, and Dembitz, Research Associate, Division of Research and Statistics, entered the room.

Policy with respect to disclosing names of registered bank holding companies. At the meeting of the Board yesterday there was preliminary discussion of the policy which should be followed with respect to disclosing the names of companies registered under the Bank Holding Company Act, either in response to inquiries about specific organizations or through publication of a list of registered companies. Pursuant to the request made at yesterday's meeting, there had been sent to the members of the Board copies of a memorandum from Mr. Hexter dated February 6, 1958, presenting views with respect to the arguments against disclosure which were set forth by the Division of Examinations in its memorandum dated February 3, 1958. Mr. Hexter's memorandum referred to the fact that the presumption is always in favor of disclosure unless valid reasons require secrecy, and the position was taken that in this case valid reasons for nondisclosure had not been presented.

Governor Shepardson began the discussion by referring to the questions which he raised yesterday concerning the memorandum from the Division of Examinations and stated that the points which he had sought to develop through those questions were dealt with to his satisfaction in the memorandum from Mr. Hexter. Accordingly, he continued to feel that a policy of disclosure would be appropriate and would not be likely to result in any harmful consequences.

2/7/58

-5-

Mr. Masters then reviewed reasons for the position taken by the Division of Examinations, referring particularly to problems which conceivably could arise under a policy which initially went only so far as to provide for a limited response to individual inquiries and also pursuant to a policy calling for publication of a list of registered bank holding companies periodically.

Since Governors Szymczak and Mills had indicated yesterday that they would be inclined to favor a policy of nondisclosure, it was then agreed to postpone further consideration of the matter until they had joined the meeting.

Later the discussion continued with Governors Szymczak and Mills present. The decision reached, with Governors Szymczak and Mills dissenting, was to follow a policy of furnishing, in response to specific inquiry, a statement as to whether a particular company had or had not registered pursuant to the Bank Holding Company Act. This decision contemplated that further information concerning a bank holding company and its affairs would not be furnished except with the specific authorization of the Board.

It was further agreed, likewise with Governors Szymczak and Mills dissenting, to publish in a forthcoming issue of the Federal Reserve Bulletin a list of registered bank holding companies as of December 31, 1957, and to publish a revised list of such companies, as of year-end, in the Federal Reserve Bulletin each year.

2/7/58

-6-

Repurchase agreements (Items 10 and 11). Governor Robertson referred to his comments at the meeting on February 5, 1958, concerning certain developments with respect to repurchase agreements covering United States Government securities and to the understanding at that time that he would present a memorandum on these matters for the Board's consideration. He then distributed such a memorandum, prepared under today's date. A copy thereof is attached as Item No. 10.

Following a discussion based on the memorandum, the recommendations contained in it were approved unanimously, with the understanding that the views of the Board would be transmitted informally by Governor Robertson to the Comptroller of the Currency. A copy of the confirming letter sent following Governor Robertson's telephone conversation with the Comptroller's Office, pursuant to this action, is attached as Item No. 11.

During the foregoing discussion Governor Mills joined the meeting, as did Messrs. Riefler, Assistant to the Chairman, Thomas, Economic Adviser to the Board, Koch, Associate Adviser, Division of Research and Statistics, and Hald, Economist in that Division, while Mr. Hostrup withdrew from the meeting.

Reserve requirements. As requested at the meeting on Wednesday, February 5, there had been distributed to the members of the Board copies of a memorandum from Mr. Hackley dated February 7 submitting a draft of possible legislation on reserve requirements intended to carry into effect the tentative views expressed by the Board. The draft legislation provided

2/7/58

-7-

for (1) counting of vault cash as part of required reserves, and (2) broadening the Board's authority to permit particular banks in central reserve or reserve cities to carry lower reserves than those generally specified for banks in such cities. On the last point two versions of possible legislation were offered. Both would eliminate the requirement that five members of the Board vote for permission to carry reduced reserves, allow such permission to be granted either in individual cases or by regulation, and remove the present limitation in the law relating to eligibility for lower requirements. The alternative version, however, would also broaden considerably the flexibility of the Board's discretion. Pursuant to its provisions the Board could, for example, allow a bank in a reserve city to carry lower reserves than those specified for such cities but not necessarily the reserves specified for country banks. In other words, the Board could establish several gradations in reserve requirements.

Also pursuant to request made at the meeting on February 5, there were distributed at this meeting copies of a memorandum prepared by Mr. Thomas under today's date discussing the purpose and effects of legislation such as that drafted by the Legal Division.

In response to a question raised by Governor Balderston about distributing copies of the draft legislation to the Presidents of the Federal Reserve Banks, Chairman Martin said that he would like to review the whole matter over the weekend and have a further discussion at the



2/7/58

-8-

meeting of the Board next Monday. Then, if it developed that the Board remained favorable to the submission of legislation of this kind to the Congress, he would distribute the draft legislation to the Presidents immediately with a view to discussion at the joint meeting of the Board and the Presidents on Tuesday.

There followed a series of comments, in response to a question asked by Governor Shepardson, relating to whether a decision to make a recommendation in line with the alternative draft legislation would tend to diminish the prospect of obtaining favorable Congressional action. The substance of the views expressed was to the effect that the alternative proposal might create some apprehension because of the greater degree of discretionary authority which would be vested in the Board. At the same time, there was a tendency to agree with Governor Shepardson that, other things being equal, the alternative version might be deemed preferable since it would ease the problems of transition to lower levels of reserve requirements.

In this connection, Mr. Horbett observed that the establishment of additional gradations of reserve requirements, as would be permissible under the alternative version, would not appear to be consistent with a desire to move in the direction of uniformity of reserve requirements. This led to a discussion of whether uniformity was in fact favored as an eventual objective and, at the request of the Chairman, Mr. Thomas summarized various arguments which could be made against such an objective.

2/7/58

-9-

Mr. Solomon then suggested that part of the difficulty encountered in debating this aspect of the problem might be merely a matter of terminology. He pointed out that uniformity could be defined as providing the same treatment under the same circumstances but that difficulty arose in attempting to establish the meaning of "the same circumstances."

Chairman Martin agreed with Mr. Solomon, stating that he found it difficult to justify a system of reserve requirements based on geographical distinctions and that the elimination of such a basis was what to him carried the meaning of moving in the direction of uniformity.

At this point Governor Szymczak joined the meeting.

The discussion continued with a statement by Governor Balderston concerning a plan devised by Mr. Dembitz which would in effect enable country banks, without additional legislation, to count up to 40 per cent of vault cash as a part of their required reserves. Agreement was expressed with the view of Governor Balderston that it would not be desirable to make use of such a device, particularly since this would tend to ignore the legislative history which clearly indicated Congressional intent against counting vault cash as a part of required reserves.

Further discussion, at the instance of Governor Szymczak, related to whether tying other legislative recommendations to a vault cash proposal would militate against obtaining legislation at this session of the Congress. While, as Governor Szymczak pointed out, vault cash legislation plus some action by the Board to reduce reserve requirements under existing

2/7/58

-10-

authority probably would remove much of the current pressure from the banking profession, Governor Shepardson expressed the view that, with a great deal of study having been devoted by the System over a long period in an effort to arrive at an improved reserve requirement formula, it would seem unfortunate for the Board now to go to the Congress with nothing more than a vault cash proposal.

At the conclusion of this discussion, Chairman Martin repeated the statement which he had made at an earlier meeting that the Board should go to the Congress with what it considered the best possible plan. As he understood it, at this point it was the view of the Board that the best procedure would be to present a recommendation such as drafted by the Legal Division, with the explanation that in this way the Board would be in a position to move almost the entire distance, as monetary policy permitted, toward the reserve requirement levels proposed by the American Bankers Association.

Certain suggestions then were made for possible rephrasing of the draft legislation submitted by the Legal Division and it was understood that a revised draft reflecting these suggestions would be distributed prior to further consideration of reserve requirements by the Board at the meeting next Monday.

All of the members of the staff except Messrs. Carpenter and Kenyon then withdrew from the meeting.

2/7/58

-11-

Salaries of President and First Vice President at Philadelphia Bank (Item No. 12). Chairman Martin referred to a letter received under date of February 6, 1958, from the Federal Reserve Bank of Philadelphia advising that the Bank's Board of Directors had fixed, subject to the approval of the Board of Governors, salaries for Mr. Bopp as President and for Mr. Hilbert as First Vice President at the annual rates of \$30,000 and \$22,500, respectively, for the period from March 1, 1958, through December 31, 1958.

Since these were the salary rates which had been agreed upon informally between the Bank and the Board, it was voted unanimously to advise the Reserve Bank that the Board approved the rates fixed by the Board of Directors. A copy of the letter sent to the Reserve Bank pursuant to this action is attached to these minutes as Item No. 12.

Salaries for officers at New York Bank (Item No. 13). Unanimous approval was given to a letter to the Federal Reserve Bank of New York, which had been circulated to the members of the Board and a copy of which is attached as Item No. 13, approving the payment of salary at rates fixed by the Bank's directors to five officers of the Bank, including three officers whose titles had been changed, one newly appointed officer, and one officer whose salary at the end of last year had not been previously adjusted.

Luncheon for President Williams. It was agreed unanimously, at the suggestion of Chairman Martin, that a luncheon should be arranged in the Board's dining rooms on February 11, 1958, for Mr. Williams, retiring

2/7/58

-12-

President of the Federal Reserve Bank of Philadelphia, and that invitations should be extended to the Presidents of the Reserve Banks, staff members accompanying them to the meetings next week of the Federal Open Market Committee and the Conference of Presidents, and the members of the Board's official staff.

The meeting then adjourned.

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

#### Salary increases

Eleanor J. Pratt, from \$3,500 to \$3,670 per annum, effective February 9, 1958, with a change in title from Statistical Clerk to Statistical Assistant, Division of Research and Statistics.

Raymond L. Collier, from \$8,645 to \$8,990 per annum, effective February 9, 1958, with a change in title from Technical Assistant to Chief, Current Series Section, Division of Bank Operations.

Lee W. Langham, from \$8,000 to \$8,990 per annum, effective February 9, 1958, with a change in title from Technical Assistant to Chief, Call Report Section, Division of Bank Operations.

Thomas G. Cook, Guard, Division of Administrative Services, from \$3,640 to \$3,725 per annum, effective February 23, 1958.

#### Transfer

Gail Roberts, from the position of Clerk-Stenographer in the Division of Personnel Administration to the position of Clerk-Stenographer in the Division of Research and Statistics, with no change in her basic salary at the rate of \$3,415 per annum, effective February 9, 1958.

2/7/58

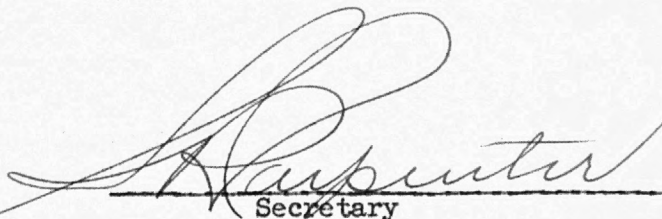
-13-

Leave without pay

Deanna Shunk, Statistical Clerk, Division of Bank Operations, for the period February 17 - June 13, 1958.

Notice of retirement

J. E. Horbett, Associate Director, Division of Bank Operations, effective March 1, 1958.



A. Carpenter  
Secretary

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

Item No. 1  
2/7/58

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

February 7, 1958



Board of Directors,  
The Union and New Haven Trust Company,  
New Haven, Connecticut.

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 Ansonia National Bank, Ansonia, Connecticut, with and into The Union and New Haven Trust Company, New Haven, Connecticut, and approves the establishment of a branch by the surviving institution at the present location of The Ansonia National Bank, provided (1) the merger is effected substantially in accordance with the agreement between the parties dated December 18, 1957, (2) the merger and establishment of the branch are effected within six months from the date of this letter, and (3) shares of dissenting stockholders which may be acquired by the surviving institution, are disposed of within six months after acquisition.

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  
2/7/58

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

February 7, 1958



Mr. E. C. Hill, Vice President,  
Federal Reserve Bank of Philadelphia,  
Philadelphia 1, Pennsylvania.

Dear Mr. Hill:

Reference is made to your letter of January 27, 1958, regarding an extension of time in which the Lemoyne Trust Company, Lemoyne, Pennsylvania, may establish a branch in the Borough of Camp Hill, Cumberland County, Pennsylvania.

On May 1, 1957, the Board approved the establishment of this branch at 3025 Market Street, provided that it was established within one year. According to the information submitted, the building which the branch was to occupy at 3025 Market Street is not in condition for substantial alterations and an alternative site for the branch has been obtained 100 feet west of 3025 Market Street. The Trust Company has advised that construction of branch quarters at the alternative site is to start immediately but may not be completed until September 1, 1958.

The Board of Governors concurs in your recommendation and extends to September 1, 1958, the time within which the Lemoyne Trust Company may establish a branch at a location 100 feet west of 3025 Market Street, south side of Market Street, Camp Hill, Cumberland County, Pennsylvania.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Assistant Secretary.



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

Item No. 3  
2/7/58

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

February 7, 1958



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

Dear Mr. Stetzelberger:

Reference is made to your letter of January 29, 1958, regarding the request of The Union Commerce Bank, Cleveland, Ohio, for an extension of time in which to establish a branch at 75 Public Square, Cleveland, Ohio.

It is noted that some difficulties have arisen in obtaining possession of the quarters which the bank had leased for this branch and that a settlement of the matter is expected within a short time. You state that the Superintendent of Banks has granted an extension of his approval to July 16, 1958.

In view of these circumstances, the Board concurs in your recommendation and extends to July 16, 1958, the time within which The Union Commerce Bank may establish a branch at 75 Public Square, under the authorization contained in the Board's letter of August 12, 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. 4  
2/7/58

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

February 7, 1958



Mr. Henry O. Koppang,  
First Vice President,  
Federal Reserve Bank of Kansas City,  
Kansas City 6, Missouri.

Dear Mr. Koppang:

This refers to your letter of January 29 and enclosure, regarding a deficient reserve penalty of \$65.89 incurred by the Englewood State Bank, Englewood, Colorado, for the semi-monthly period ended January 31, 1957, which was erroneously waived by the Denver Branch.

It is noted that the deficiency was attributable to the fact that the subject bank had been excluding the deposits of the Treasury Tax and Loan Account from its gross demand deposits; that when the Federal Reserve Branch of Denver discovered the discrepancy and requested amended reports, it was discovered that the deficiency in reserves amounted to \$481,000 with a penalty thereon of \$65.89 for the period ending January 31, 1957, instead of a deficiency of \$256,000 involving a penalty of \$35.07 which the Denver Branch had waived under paragraph C of the waiver provisions on February 20, 1957; and that the Denver Branch waived the penalty for the larger amount under paragraph E of the waiver provisions, but this was done in error since the subject bank had a penalty waived under this paragraph within the previous two years.

In the circumstances, the Board ratifies the action taken by the Denver Branch in waiving the penalty, amounting to \$65.89.

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  
2/7/58

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

February 7, 1958

Mr. L. G. Pondrom, Vice President,  
Federal Reserve Bank of Dallas,  
Dallas 13, Texas.

Dear Mr. Pondrom:

The Board of Governors of the Federal Reserve System has considered the recommendation of the Management Committee of your Bank contained in your letter of January 31, 1958, and, pursuant to the provisions of Section 19 of the Federal Reserve Act, grants permission to Chimney Rock National Bank of Houston, Houston, Texas, to maintain the same reserves against deposits as are required to be maintained by banks outside central reserve and reserve cities, effective as of the date it opens for business.

Please advise the bank of the Board's action in this matter, calling attention to the fact that such permission is subject to revocation by the Board of Governors of the Federal Reserve System.

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  
2/7/58

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

February 7, 1958



Mr. L. G. Pondrom, Vice President,  
Federal Reserve Bank of Dallas,  
Dallas 2, Texas.

Dear Mr. Pondrom:

Reference is made to your letter of January 20, 1958, recommending that the Board approve, under Section 24A of the Federal Reserve Act, an investment by Security State Bank & Trust Company, Ralls, Texas, in bank premises in excess of the capital stock of the bank.

After consideration of the information submitted, the Board of Governors concurs in your recommendation and approves the investment by Security State Bank and Trust Company of \$215,000 for the purpose of constructing new banking quarters, which amount includes \$166,434 expended up to January 15, 1958, for building and fixtures, \$22,700 for temporary banking quarters, and \$25,000 required to complete the program.

It is understood that upon completion of the program, the carrying values of bank premises and furniture and fixtures are to be reduced to \$100,000 and \$30,000, respectively. It is noted the bank plans to depreciate fixed assets on a regular basis.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Assistant Secretary.

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

Item No. 7  
2/7/58

Office Correspondence

Date January 30, 1958

To Members of the Board

Subject: Nondiscriminatory Employment

From S. R. Carpenter

Policy of the Government

As Employment Policy Officer, I concur in the recommendation of the Legal Division for revision of the Board's regulations relating to employment policy to carry out the effect of Executive Order 10722.

The Board will recall that Section 7--paragraph (D)--Dissemination of Information--of its regulations adopted July 25, 1955, provides that "Information concerning the Board's nondiscrimination policy and procedures shall be brought to the attention of all officers and employees at least annually." In conformity with this provision, I should like to inform the Board that when the regulations were initially adopted a copy of said regulations was transmitted to the head of each division of the staff with the instruction that they be brought to the attention of each employee in the division. Again in August 1956, the division heads were directed to circulate a copy of the regulations to the personnel in their divisions.

After a decision is made on the change recommended by the Legal Division, in conformity with Section 7 (D), I plan to bring the revised regulations to the attention of each member of the Board's staff again by sending a copy to each division head for circulation to the employees in his division.

This would be further demonstration of the fact that the Board is in full accord with the spirit and purposes of the Executive Order 10590 issued by the President on January 18, 1955.

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

Item No. 8  
2/7/58

Office Correspondence

Date January 20, 1958.

To Board of Governors

Subject: Nondiscriminatory Employment

From Walter H. Young *W.H.Y.*

Policy of the Government.

On January 19, 1955, the President issued Executive Order 10590 creating the "President's Committee on Government Employment Policy" which was to have certain responsibility with respect to Government employment practices improperly based on considerations of race, color, religion, or national origin. This committee on March 31, 1955, adopted regulations and procedures which applied to all departments and agencies in the executive branch of the Federal Government wherever located and to all positions in the departments and agencies whether or not in the competitive service.

The Board, although recognizing that the executive order and the regulations apparently were not legally applicable to it, determined that it should follow procedures which would make it clear that the Board was in full accord with the spirit and purposes of the order. Accordingly, regulations and procedures were adopted by the Board which conformed substantially to the pertinent provisions of the Committee's regulations, and copies were transmitted on July 25, 1955 to the Chairman of the President's Committee. In its letter of transmittal, the Board included the following paragraph:

"The Board is in full accord with the spirit and purpose of both the Executive Order and the regulations of your Committee irrespective of any question regarding the applicability of the order to the Board of Governors under the provisions of law governing its operations."

The Board is now in receipt of a communication dated November 26, 1957 from the President's Committee wherein reference is made to Executive Order 10722 dated August 5, 1957, which amends Executive Order 10590 by making certain changes in the membership of the President's Committee. The Committee has, therefore, found it necessary to adopt an amendment to its earlier regulations in order to make them conform with the Executive Order 10722. At the same time, however, the Committee has adopted two other clarifying amendments. Of these three amendments, only one would indicate a need for amending the Board's regulations.

Section 4(F) of the Board's present regulations, which corresponds to section IX(F) of the original regulations of the President's Committee, would give a complainant the right to have his case referred to the President's Committee following an investigation and hearing, if held, and following findings of fact and a recommendation of proposed resolution of the case by

Board of Governors

-2-

the Board's Employment Policy Officer. The President's Committee has amended section IX(F) of its regulations to make clear that in these circumstances the Employment Policy Officer may refer the case to the Committee for an advisory opinion but must at that time advise the complainant that he is taking such action.

In order that the Board's regulations may conform substantially with the regulations of the President's Committee, it is recommended that section 4(F) be amended to read as follows:

(Language of the present regulation which has been changed is indicated by brackets and cancellation, and the revised form of the language is indicated by underscoring.)

"Following the investigation and hearing, if held, findings of fact [~~and a recommendation of proposed resolution of the case shall be made by the Employment Policy Officer and presented to the Board of Governors and to the complainant, at which time he shall be advised~~] shall be made by the Employment Policy Officer who may (1) refer the case to the Committee for an advisory opinion and inform the complainant of his findings of fact and of such referral; or (2) make a recommendation of proposed resolution of the case to the Board of Governors and inform the complainant of such proposed resolution and his findings of fact and advise him at that time that he may have his case referred to the President's Committee on Government Employment Policy. If the complainant does not request referral of the case to the Committee, final decision thereon shall be made by the Board of Governors and furnished to him."

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



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

February 7, 1958

Mr. Archibald J. Carey, Jr., Chairman,  
The President's Committee on Government  
Employment Policy,  
Washington 25, D. C.

Dear Mr. Carey:

This is in response to your communication of November 26, 1957, with which you enclosed a revision of the Committee's regulations and procedures and you request a copy of any changes made in the regulations of the various agencies to conform with the changes made in the Committee's regulations.

The Board, in its letter of July 25, 1955, furnished you with three copies of the regulations and procedures which the Board has prescribed in the light of Executive Order 10590. After reviewing the amendments which you have made to your regulations, the Board has found that the only conforming amendment needed in its regulations is to amend section 4(F). Accordingly, that section has been amended to read as follows:

"Following the investigation and hearing, if held, findings of fact shall be made by the Employment Policy Officer who may (1) refer the case to the Committee for an advisory opinion and inform the complainant of his findings of fact and of such referral; or (2) make a recommendation of proposed resolution of the case to the Board of Governors and inform the complainant of such proposed resolution and his findings of fact, and advise him at that time that he may have his case referred to the President's Committee on Government Employment Policy. If the complainant does not request referral of the case to the Committee, final decision thereon shall be made by the Board of Governors and furnished to him."

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.



**TELEGRAM**  
**BOARD OF GOVERNORS**  
OF THE  
**FEDERAL RESERVE SYSTEM**  
LEASED WIRE SERVICE  
**WASHINGTON**

Item No. 9  
2/7/58

February 7, 1958

EXTER - NEW YORK

Your wire February 6. Board approves the granting of a loan on gold by your Bank to Banco de la Republica Oriental del Uruguay of \$8 million on the following terms and conditions:

(A) To be made up to 98 per cent of the value of gold bars set aside in your vaults under pledge to you;

(B) To run for three months with option to repay before maturity;

(C) To bear interest from the date it is made until paid at the discount rate of your Bank in effect on the date on which such loan is made;

(D) To be made on or before February 28, 1958.

It is understood that the usual participation in any such loan will be offered to the other Federal Reserve Banks.

(Signed) S. R. Carpenter  
CARPENTER

Item No. 10  
2/7/58

February 7, 1958

Memorandum:

To Board of Governors

From Governor Robertson

Some months ago the Comptroller of the Currency and the Board of Governors took the position that repurchase agreements entered into by member banks covering U. S. government securities were in fact loans and subject to the applicable statutory limitations on loans to any one borrower. Shortly thereafter the limitation on such transactions involving U. S. government securities having a maturity of less than eighteen months was fixed by the Comptroller at 75% of the bank's capital and surplus in addition to the basic 25% prescribed by exception 8 of section 5200 of the Revised Statutes.

At the time the position was taken it was recognized that the limitations so fixed might not be appropriate. The Comptroller of the Currency is now considering raising the maximum limitations and has requested the Board's views. The three points raised by the Comptroller (reported to the Board on Wednesday, February 5th), and my comments with respect to each, are as follows:

(1) That the legislative history of the Financial Institutions Act be expanded to indicate that the deletion of the words "in the form of notes" from exception 8 of R. S. is not intended to be determinative as to whether any particular transactions are loans or investments.

Comment: This has been done, and there is no further action to be taken by the Board.

(2) The Comptroller proposes to remove entirely the limitations on obligations (including repurchase agreements and similar transactions) collateralized by (or covering) U. S. government securities maturing within two years, while retaining the 25% limitation on those involving longer maturities.

Comment: It is recommended that the Board should not affirmatively concur in this proposed change, since we have not had an opportunity to study the problem sufficiently to know whether it is preferable to the existing limitation or other alternatives. However, I suggest that the Board interpose no objection, in view of the relatively risk-free nature of these transactions; although the Board should suggest the retention of the existing eighteen-month dividing line, rather than the proposed two-year. (Mr. Jennings has stated that no reasons had been given for

-2-

moving from eighteen months to two years, and I know of none which would make the move either necessary or appropriate. He indicated that the Comptroller would concur in the continued use of the eighteen-month dividing line.)

(3) The Comptroller also proposes, while holding to the belief that these transactions are loans, to permit any bank to show this portion of its loans separately in call reports of condition. He is considering permitting banks to use either of two alternatives: (1) to interline or show as a footnote the amount of such obligations; or (2) to show the amount of such obligations as a separate item, at any place in the report.

Comment: Since the supervisory authorities consider that all transactions of this type are loans, they should insist on their being so reported. I therefore recommend that the Board concur in the Comptroller's first alternative - that is, to permit banks to show by way of interlineation, footnote, or expansion of the present Loan item, the amount of its loans that are represented by transactions of this type, but oppose the use of a separate item at any spot in the report the bank might select. The latter practice could be misleading, in that it could be used to give the impression that such obligations were not loans.

The precise instructions to banks regarding the reporting of such loans may be negotiated by the Division of Bank Operations with representatives of the other bank supervisory agencies and, if necessary, submitted to the Board at a later date.

It may even be appropriate eventually to include in such an interlineation or footnote short-term securities and loans other than those represented by repurchase agreements, but this is a matter to be developed through further consideration by the supervisory authorities.



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

Item No. 11  
2/7/58

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

February 7, 1958

The Honorable Ray M. Gidney,  
Comptroller of the Currency,  
Washington 25, D. C.

Dear Mr. Gidney:

This letter refers to the matters with respect to repurchase agreements covering United States Government securities that were discussed over the telephone by your Office with Governor Robertson. There are only two points remaining on which the views of the Board are desired, and this letter is to confirm the information given to your Office by Governor Robertson over the telephone today with respect to them.

One of the questions is whether you should remove entirely the limitations prescribed by R.S. 5200(8) on obligations (including repurchase agreements and similar transactions) collateralized by (or covering) United States Government securities maturing within two years, while retaining the 25 per cent limitation on those involving longer maturities. The Board has not had an opportunity to study this proposal sufficiently to know whether it would be preferable to the existing limitation or to other possible alternatives. However, the Board would interpose no objection to the change in view of the relatively risk-free nature of these transactions but would suggest the retention of the existing 18-months dividing line rather than two years. The Board makes this suggestion because it knows of no reasons for a move to two years.

The other point is the proposal that, while holding to the belief that repurchase transactions are loans, the Federal supervisory agencies permit banks to show them separately in call reports of condition. It is the understanding of the Board that you are considering (as possible alternative courses) permitting national banks to (1) interline or show as a footnote the amount of such obligations, or (2) show such amount as a separate item at any place in the report.

Since these transactions are regarded as loans, it is the view of the Board that they should be reported as such. Therefore, the Board would concur in your first alternative; i.e., to permit banks to show the amount of such loans by way of interlineation,

The Honorable Ray M. Gidney

-2-

footnote, or expansion of the present "Loans" item. The Board would be opposed to the other alternative because it could be misleading in that it could be used to give the impression that these obligations are not loans.

It is the Board's understanding that when your decisions are made on the two points referred to above, the precise instructions to banks regarding the reporting of such loans will be worked out by the bank supervisory agencies.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,  
Secretary.



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON

Item No. 12  
2/7/58

OFFICE OF THE CHAIRMAN

February 10, 1958

CONFIDENTIAL (FR)

Mr. Henderson Supplee, Jr., Chairman  
Federal Reserve Bank of Philadelphia,  
Philadelphia 1, Pennsylvania.

Dear Henderson:

The Board of Governors approves the payment of salaries to Mr. Bopp as President and to Mr. Hilkert as First Vice President of the Federal Reserve Bank of Philadelphia, for the period March 1, 1958 through December 31, 1958, at the rates of \$30,000 and \$22,500 per annum, respectively, which are the rates fixed by the Board of Directors as reported in Mr. Williams' letter of February 6, 1958.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.

cc: Mr. Alfred H. Williams

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

Item No. 13  
2/7/58

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

February 7, 1958



CONFIDENTIAL (FR)

Mr. John E. Bierwirth, Chairman,  
Federal Reserve Bank of New York,  
New York 45, New York.

Dear Mr. Bierwirth:

The Board of Governors approves the payment of salaries to the following officers of the Federal Reserve Bank of New York for the period and at the rates indicated. The rates are the same as those fixed by your Board of Directors as reported in Mr. Treiber's letter of January 17, 1958:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
For the period January 16, 1958 through December 31, 1958 -		
Thomas O. Waage	Assistant Vice President	\$18,000
William H. Braun, Jr.	Secretary and Asst. Counsel	14,250
Carl H. Madden	Manager and Asst. Secretary	11,500
Robert W. Stone	Manager	11,500
For the period January 1, 1958 through December 31, 1958 -		
A. Chester Walton	Manager	13,750

The Board finds it difficult to agree that your Bank was unduly conservative in its approach to officers' salaries for 1958, as mentioned in Mr. Treiber's letter, in view of the increases granted to 44 of 57 officers. It is believed that increases in the salaries of officers should continue to be made only after careful consideration of individual differences in ability and performance and that account should be taken of the undesirability of increasing salaries of an excessive proportion of officers at one time.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,  
Secretary.