

Minutes for February 17, 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"/> <u>M</u>	_____
Gov. Szymczak	<input checked="" type="checkbox"/> <u>MS</u>	_____
Gov. Vardaman	<input checked="" type="checkbox"/> <u>V</u>	_____
Gov. Mills	<input checked="" type="checkbox"/> <u>M</u>	_____
Gov. Robertson	_____	<input checked="" type="checkbox"/> <u>R</u>
Gov. Balderston	<input checked="" type="checkbox"/> <u>CCRB</u>	_____
Gov. Shepardson	<input checked="" type="checkbox"/> <u>SS</u>	_____

Minutes of the Board of Governors of the Federal Reserve System

on Monday, February 17, 1958. The Board met in the Board Room at 10:00 a.m.

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

Mr. Carpenter, Secretary
 Mr. Kenyon, Assistant Secretary
 Mr. Riefler, Assistant to the Chairman
 Mr. Young, Director, Division of Research and
 Statistics
 Mr. Johnson, Director, Division of Personnel
 Administration
 Mr. Hackley, General Counsel
 Mr. Masters, Director, Division of Examinations
 Mr. Shay, Legislative Counsel
 Mr. Farrell, Assistant Director, Division of Bank
 Operations
 Mr. Sprecher, Assistant Director, Division of
 Personnel Administration
 Mr. Solomon, Assistant General Counsel

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 Chase Manhattan Bank, New York, New York, approving the establishment of a branch in Bayamon, Puerto Rico. (For transmittal through the Federal Reserve Bank of New York)	1
Letter to The Chase Manhattan Bank, New York, New York, approving the establishment of a branch at 410 Park Avenue. (For transmittal through the Federal Reserve Bank of New York)	2

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Item No.

- Letter to Lincoln Rochester Trust Company, Rochester, New York, approving the establishment of a branch at Penn Yan, New York, incident to a proposed merger with The Citizens Bank of Penn Yan. (For transmittal through the Federal Reserve Bank of New York) 3
- Letter to Security Trust Company of Rochester, Rochester, New York, approving the establishment of a branch in Penn Yan, New York, incident to a proposed merger with Baldwin's Bank of Penn Yan. (For transmittal through the Federal Reserve Bank of New York) 4
- Letter to The Toledo Trust Company, Toledo, Ohio, approving the establishment of a branch in Adams Township. (For transmittal through the Federal Reserve Bank of Cleveland) 5
- Letter to Farmers and Merchants National Bank of Monticello, Monticello, Indiana, approving its application for fiduciary powers. (For transmittal through the Federal Reserve Bank of Chicago) 6

Prior to approval of the foregoing Item No. 2, there was some discussion of the time which The Chase Manhattan Bank should be given initially to establish the branch at 410 Park Avenue. The Division of Examinations had recommended twelve months and Governor Robertson had attached to the file when it was in circulation the following note:

"This is the kind of a case I would make an exception to the 12 month rule we have applied elsewhere. But the one year proviso can be extended later if we wish."

During the discussion Mr. Masters stated that in approving a branch application the New York State Superintendent of Banks grants initially a period of only six months to establish the branch and Governor Mills expressed doubt whether it would be advisable for the

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Board to vary too much from the general practice it had been following, particularly when the time for establishing a branch can be easily extended. Therefore, even though in this particular case it was clear that the building in which the branch was to have its quarters could not be made ready within twelve months, it was agreed to approve the application on that basis, with the understanding that in the absence of unforeseen developments a request for an extension of time would receive favorable consideration.

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

Request from Congressman Moss (Item No. 7). Pursuant to the understanding at the meeting on February 13, 1958, there had been distributed to the members of the Board copies of a revised draft of letter to Chairman Moss of the House Government Information Subcommittee in response to his letter of January 28, 1958, regarding the availability of loan applications for public inspection.

Mr. Hackley called attention to certain questions that had been raised within the staff concerning the most recent draft, particularly the proposed inclusion of a reference to the fact that, in implementing open market policies, the Reserve Banks at times enter into repurchase contracts with nonbank dealers in United States Government securities. He said that while this sentence had been inserted in the draft in the interest of furnishing all possible information, it might be considered unnecessary and its inclusion could raise questions about the status of repurchase agreements.

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After discussion of this point, agreement was expressed with a suggestion by the Chairman that the reference to repurchase agreements be omitted.

There followed consideration of certain questions raised by Governor Vardaman, especially concerning whether a statement that the Federal Reserve Banks are not agencies of the Federal Government might be susceptible of misinterpretation. To clarify this, it was suggested that the words "in the sense of your inquiry" be added.

Thereupon, unanimous approval was given to a letter to Chairman Moss in the form attached as Item No. 7.

At this point Mr. Thomas, Economic Adviser to the Board, entered the room.

Question of including reference to Retirement System changes in Board's Annual Report. In a memorandum dated February 4, 1958, which had been circulated to the members of the Board, the Division of Personnel Administration raised the question whether textual material should be included in the Board's Annual Report for 1957 with regard to the changes in the Retirement System of the Federal Reserve Banks which became effective September 1, 1957.

Following a discussion which indicated that a policy of full disclosure was favored by the Board, it was agreed unanimously that the text of the Annual Report should contain a paragraph reading as follows:

During the year a number of important changes were made in the Retirement System of the Federal Reserve Banks which provides retirement benefits for employees

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of the 12 Federal Reserve Banks and of the Board of Governors. The provisions of the Retirement System had been under study for many months. Initially, Industrial Relations Counselors Service, Inc., of New York was engaged by the Federal Reserve System to examine and evaluate the Retirement System in the light of other retirement programs in the cities where Federal Reserve Banks and Branches are located. On the basis of this study and a review by a special subcommittee of the Conference of Presidents, recommendations of this latter group were put into effect, after approval by the Board, on September 1, 1957. The principal changes resulted in an over-all increase in total retirement benefit allowances of about 25 per cent and provided a somewhat more liberal disability pension. The accrued liability for these benefits resulted in an 8.3 million dollar expenditure by the Federal Reserve Banks. The changes referred to did not affect employees of the Board of Governors whose retirement benefits are similar to those of the Civil Service Retirement System.

Messrs. Johnson and Sprecher then withdrew from the meeting.

Reserve requirements. In accordance with the understanding at the meeting last Thursday, February 13, there had been distributed to the members of the Board under that date a revised draft of memorandum from Mr. Thomas entitled "Program for Revision of Reserve Requirements." In addition, there had been distributed copies of a telegram from the President of the Federal Reserve Bank of San Francisco dated February 14, 1958, suggesting that any legislative proposal with respect to vault cash be so worded as to eliminate any question of the authority of the Board to permit cash in transit to or from a Federal Reserve Bank to be counted as part of a member bank's required reserves.

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After Governor Vardaman stated that he was familiar with some of the staff material that had been distributed to the members of the Board with respect to possible reserve requirement legislation, Chairman Martin reviewed for him the development of the Board's thinking and the type of legislation which the Board had now tentatively decided to recommend to the Congress.

Governor Vardaman then stated that he favored the vault cash proposal and also a broadening of the Board's discretionary power to exempt member banks from the reserve classifications into which they would otherwise fall. As between the two alternatives contained in the draft legislation, he expressed a tentative preference for the first alternative since he anticipated that additional gradations of reserve requirements might open up a "hornet's nest" of annoyances and petitions. At least, he said, the Board might well experiment for a year or so before deciding whether to ask for a further broadening of its discretionary authority.

Chairman Martin expressed the view that it would be desirable to wait until after the discussions later this week with the Federal Advisory Council and the representatives of the American Bankers Association before making a final decision between the two alternatives. He then turned to the question of a possible differentiation between savings and other time deposits for reserve requirement purposes, as would be permitted by the most recent form of draft legislation.

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Governor Vardaman stated that personally he would not be inclined to ask for authority to distinguish between savings and other time deposits because he did not think the problem was important enough to warrant the annoyances which would result from making a differentiation. However, this was a relatively unimportant part of the whole picture and he would go along with the majority of the Board.

Mr. Thomas then made a statement at the request of the Board on the composition and volume of time deposits, following which Governor Mills stated that as he studied the proposal more closely the only significant advantage he saw in it was to distinguish further between time deposits and bona fide savings deposits, which he had a strong conviction should be placed in a special and preferred category. However, to put a higher reserve requirement on time deposits of the character controlled by international institutions and large corporations would seem in a sense to be telling the depository bank that it did not have the wisdom to marshal its resources in such a way as to be prepared to meet its deposit withdrawals at some future date. The total of such deposits, against the total of bank deposits and even the total of time and savings deposits, was not large. That being the case, to single out a certain relatively minor type of deposit for special treatment seemed to raise a question.

Governor Mills said he agreed with Mr. Thomas that a user of time deposits can so arrange the flow of maturities as to have a certain portion

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of his funds mature each month, thus making the time deposits somewhat akin to demand deposits. Nevertheless, at the inception there would have to be an interval of 90 days or six months, or whatever period was agreed upon. Thus, the depository bank would have advance notice and warning to prepare itself to meet those deposits at the time of their withdrawal.

Beyond those considerations, moreover, there was a further thought which had persuaded him, Governor Mills said, that the use of time deposits by foreign institutions, large corporations, and other depositors in a very real sense lends support to Federal Reserve monetary and credit policy. In a period of three years there had been two examples of that type of support, the first being when the yield on Treasury bills rose to a point where time deposits were no longer attractive and the funds on time deposit then moved into Treasury bills. The deposit losses came at a time when the System was following a restrictive credit policy and consequently served to strengthen the effectiveness of that policy. At present, however, the opposite condition prevailed, the rate on time deposits being above the yield on bills. Thus, funds were attracted to time deposits and offered a basis for some measure of credit expansion.

Governor Szymczak said that in principle he agreed that there was a difference between savings and other time deposits. In terms of strategy, however, he felt that in discussions with the Federal Advisory Council and the American Bankers Association the Board might be prepared

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to pull back, if necessary, on the proposal to differentiate between such deposits for reserve requirement purposes.

Following further discussion, Chairman Martin inquired of Governor Vardaman whether the general approach to legislation now being considered by the Board was satisfactory to him, and Governor Vardaman responded that it was highly satisfactory. As to differentiating between savings and other time deposits, he felt that it might not be a bad idea to offer the proposal in discussion for trading purposes. However, he felt that much trouble and confusion might result from making a distinction between those types of deposits; in other words, the trouble created might outweigh the benefits gained.

Mr. Masters then referred to the use of trust department funds on a time basis, resulting from a decision by the Board in 1949 which permits a bank to transfer from a demand to a time open account basis funds which would normally be held on demand deposit for trust funds, if the bank makes an advance determination that the funds will not be needed for a 30-day period. He said that the problem which had arisen was largely one of definition and that there had been a tendency for some banks, particularly in large centers, to transfer to a time basis all money in the trust department. The amount of funds so transferred had increased very substantially since 1949, and this practice was extremely difficult for the examiners to police. One means of approaching the problem would be to have a different reserve requirement ratio against

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other time deposits, while another way would be to withdraw the 1949 authorization.

Mr. Hackley called attention to the difficult administrative problems involved in attempting to distinguish between classes of deposits under certain circumstances and then went on to comment further regarding the problem to which Mr. Masters had referred.

With regard to procedure, Governor Balderston expressed doubt whether the Board should propose changes in the law on which it did not feel strongly. It was important, he suggested, to keep the Board's legislative proposal as simple as possible in order to facilitate its acceptance by the Congress and others. As to maximum permissible reserve requirements, however, he would be willing to compromise quite readily on the current requirements as statutory maxima. He would be inclined not to put forward a proposal to make a distinction between savings and other time deposits. To do so would indicate that the Board was seriously pressing for such a distinction, and retreat would create the appearance that the initial proposal was not made in sincerity. It might be explained, he suggested, that the Board preferred to retain the present range for time deposits because the 2 per cent provision in the ABA proposal would force the Board to distinguish between savings and other time deposits despite the added difficulties for the commercial banks. Thus, the Board would not advance the idea as something it wanted.

He was concerned, Governor Balderston said, that the Board not set up straw men to be knocked down during the discussions. Instead, he

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felt that the Board should propose in discussion what it intended to introduce and then fight for it. He favored the simplest possible kind of bill, and such a bill would not leave much room for compromise.

Governor Szymczak indicated that he agreed with much of what Governor Balderston had said. However, he suggested that the same philosophy which flavored the first part of the tentative legislative proposal carried on through to the question of savings and other time deposits. He agreed that at some point it might be necessary for the Board to simplify its legislative proposal if it wanted to obtain legislation, and in this connection he expressed doubt that it would be possible to get legislation except on vault cash at this session of the Congress. In substance, he felt that the Board should express its philosophy on the subject and then see where the matter went from there.

The discussion then reverted to the question whether to give the memorandum from Mr. Thomas, perhaps with the portion on savings and time deposits deleted, to the members of the Federal Advisory Council and the representatives of the American Bankers Association prior to the meetings with those groups.

Governor Mills asked, along these lines, whether the Board wished to make a proposal at the time of those discussions or to say that it had studied the ABA proposal and had concluded that this (its own tentative plan) was what might be done. To make a proposal might indicate to the bankers that the Board had solidified its thinking and had tied itself

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without question to a certain formula. With these thoughts in mind, he said, he had made a few tentative changes in the memorandum from Mr. Thomas which would modify the presentation a little.

Chairman Martin commented that the Board must be careful to make it clear that, although it was consulting with the two groups, its tentative thinking was along the lines which would be spelled out for them. He then referred again to the necessity for moving forward within the next two or three weeks if the Board hoped to obtain any legislation at this session of the Congress.

Governor Vardaman commented on the extent and effects of publicity in support of the ABA proposal. He then said that in meeting with the Council and the ABA representatives he would make it clear that the Board could not accept the ABA plan and that, subject to being convinced to the contrary, legislation along the lines which had been drafted was what the Board intended to present to the Congress. He did not favor giving any papers to either group unless the Chairman wished to present a brief summary statement in written form.

Chairman Martin then stated that the various views expressed as to approach seemed to differ only in degree. It seemed clear that the Board should extend every courtesy to the Council and the ABA group, that they should be given every opportunity to express their views, and that the Board should make clear that, subject to last minute changes, legislation along the lines under consideration represented its conclusions on the subject. On the question whether to distribute anything in writing,

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he saw some merit in not following such a course. In any event, he said, the decision could be made after the meetings.

Following some further discussion, agreement was expressed on this point.

The Chairman then returned to the problem of timing and stated that, although some time must be given for discussion and presentation of views, it seemed necessary to submit some legislative recommendation to the Congress by the fifteenth of March at the latest. Perhaps, he suggested, a decision on the time to be allowed for consideration and submission of comments should not be made until after the meetings this week, for the Board might want to change its proposals in the light of views stated at those meetings.

Governor Shepardson suggested that to a certain degree, at least, the Board was vulnerable for not having pursued the matter of reserve requirement legislation more aggressively. In the present circumstances, he thought that the Council and ABA should be given a reasonable time to comment. In discussion or in subsequent comments, he pointed out, they might come up with suggestions that the Board would want to accept. Then the Board would be in a position to make a final decision quickly.

With regard to the draft legislation, Governor Shepardson said that he had had some discussion with Governor Robertson about the difficulties that might be created and the objections that might be raised by the inclusion of language which would state that "either in individual

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cases or under regulations" the Board could permit a member bank to maintain lower reserves than otherwise required. At the joint meeting with the Presidents of the Reserve Banks, he recalled, there was some comment to the effect that action in individual cases might lead to severe administrative problems. Also, at the beginning, there might be strong objections to such a proposal on the ground that the Board would be given a very free hand. Governor Robertson, he said, had proposed substituting "in accordance with formula prescribed under regulations of the Board."

After some discussion of this point, agreement was reached on changing the wording of the draft legislation to say, at the place in question, that a member bank could maintain such lower reserve balances "as the Board of Governors might permit under regulations of the Board."

Governor Shepardson then observed that a majority of the Board appeared to favor the second alternative form of draft legislation (as presented by the Legal Division). Accordingly, he suggested showing the second alternative first, with the understanding that the other alternative would be something that the Board could fall back upon in discussion if necessary.

After it was agreed to make this change, Governor Shepardson said that the savings and other time deposit suggestion seemed to him to have some merit but that he would be inclined to omit it from the draft legislation and then bring the suggestion into the discussion if the occasion should arise.

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With reference to the suggestion on the vault cash proposal made in the telegram from President Mangels, the view was expressed that the Board could prescribe by regulation that cash in transit to or from a Reserve Bank was to be included in the cash which a member bank could count as a part of its required reserves.

There being agreement with this view, Chairman Martin requested Mr. Hackley to call Mr. Mangels on the telephone and discuss the matter with him.

There followed comments by Mr. Molony on the kind of statement which might accompany a draft of proposed legislation to the Congress and the possibility of adapting the memorandum from Mr. Thomas for that purpose.

Additional items which had been circulated to the Board (Items 8 and 9). The following additional items, which had been circulated to the members of the Board and copies of which are attached as Items 8 and 9, respectively, were approved unanimously:

Letter to the Federal Reserve Bank of New York approving the payment of salary to Messrs. Coombs and Smedley as Assistant Vice Presidents.

Letter to the Federal Reserve Bank of Philadelphia approving a supplemental agreement to a contract between the Bank and President Williams.

The meeting then adjourned.

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Secretary's Note: Pursuant to the recommendations contained in memoranda from appropriate individuals concerned, Governor Shepardson approved on behalf of the Board on February 14, 1958, the following items affecting the Board's staff:

Appointments

Grace Stewart as Clerk in the Division of International Finance, with basic annual salary at the rate of \$3,415, effective the date she assumes her duties.

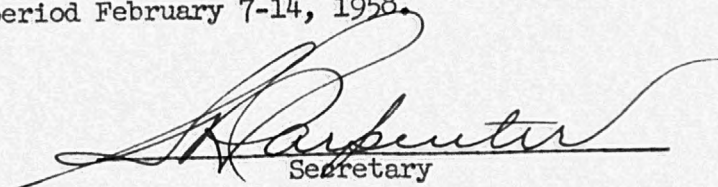
Evelyn P. Walsh as Statistical Clerk, Division of Bank Operations, on a temporary basis, with basic annual salary at the rate of \$3,515, effective the date she assumes her duties.

Transfer and salary increase

Anne Townes Roberson from the position of Stenographer in the Legal Division to the position of Secretary in the Division of International Finance, with an increase in her basic annual salary from \$3,670 to \$3,805, effective February 23, 1958.

Governor Shepardson today approved on behalf of the Board a memorandum from the Division of Examinations dated February 14, 1958, recommending that the annual Conference of Representatives of Bank Examination Departments of the Federal Reserve Banks be held in Washington March 31-April 2, 1958, and that a dinner for selected invitees be held at a local hotel on March 31 at a cost not to exceed \$8.75 per person.

Pursuant to the recommendation contained in a memorandum from Mr. Johnson, Director, Division of Personnel Administration, dated February 17, 1958, Governor Shepardson also approved today on behalf of the Board an advance of sick leave to M. Callie Wickline, Nurse in that Division, covering the period February 7-14, 1958.


Secretary

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

Item No. 1
2/17/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 17, 1958.

The Chase Manhattan Bank,
Eighteen Pine Street,
New York 15, New York.

Gentlemen:

The Board of Governors of the Federal Reserve System authorizes The Chase Manhattan Bank, New York, New York, pursuant to the provisions of Section 25 of the Federal Reserve Act, to establish a branch at the intersection of Highway #2 and Comerio Avenue (State highway #167) in the municipality of Bayamon, Puerto Rico, and to operate and maintain such branch subject to the provisions of such Section; upon condition that, unless the branch is actually established and opened for business on or before February 1, 1959, all rights granted hereby shall be deemed to have been abandoned, and the authority hereby granted shall automatically terminate on such date.

It has been noted from the photographic copy furnished of a letter dated November 5, 1957, from Acting Secretary of the Treasury Rodriguez of the Commonwealth of Puerto Rico that permission has been granted by that authority to establish a branch in Bayamon.

It is understood, of course, that no change will be made in the location of such branch without the prior approval of the Board of Governors.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

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

Item No. 2
2/17/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 17, 1958.

Board of Directors,
The Chase Manhattan Bank,
New York 15, New York.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of New York, the Board of Governors of the Federal Reserve System approves the establishment of a branch of The Chase Manhattan Bank, New York, New York, at 410 Park Avenue, New York, provided the branch is established within twelve months from the date of this letter.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

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

Item No. 3
2/17/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 17, 1958.

Board of Directors,
Lincoln Rochester Trust Company,
Rochester 3, New York.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of New York, the Board of Governors of the Federal Reserve System approves the establishment of a branch at 140 Main Street, Penn Yan, New York, by Lincoln Rochester Trust Company, Rochester, New York, incident to the proposed merger of The Citizens Bank of Penn Yan, New York, with and into Lincoln Rochester Trust Company, provided (a) the merger is effected substantially in accordance with the merger agreement dated December 12, 1957, submitted through the Federal Reserve Bank of New York, and (b) the merger and establishment of the branch is accomplished within six months from the date of this letter.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

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

Item No. 4
2/17/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 17, 1958.

Board of Directors,
Security Trust Company of Rochester,
Rochester 4, New York.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of New York, the Board of Governors of the Federal Reserve System approves the establishment of a branch at 127 Main Street, Penn Yan, New York, by Security Trust Company of Rochester, Rochester, New York, incident to the proposed merger of Baldwin's Bank of Penn Yan, Penn Yan, New York, with and into Security Trust Company of Rochester, provided (a) the merger is effected substantially in accordance with the merger agreement dated December 11, 1957, submitted through the Federal Reserve Bank of New York, and (b) the merger and establishment of the branch is accomplished within six months from the date of this letter.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

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

Item No. 5
2/17/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 17, 1958.

Board of Directors,
The Toledo Trust Company,
Toledo, Ohio.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Cleveland, the Board of Governors of the Federal Reserve System approves the establishment of a branch in the vicinity of the intersection of Glanzman and Byrne Roads, Adams Township, Lucas County, Ohio, by The Toledo Trust Company, Toledo, Ohio, provided the branch is established within one year from the date of this letter, and the approval of the State authorities is in effect as of the date the branch is established.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

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

Item No. 6
2/17/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 17, 1958.

Board of Directors,
Farmers and Merchants National Bank
of Monticello,
Monticello, Indiana.

Gentlemen:

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

A formal certificate indicating the fiduciary powers which the Farmers and Merchants National Bank of Monticello is now authorized to exercise will be forwarded to you in due course.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 7
2/17/58

OFFICE OF THE CHAIRMAN

February 18, 1958

The Honorable John E. Moss,
Chairman, Government Information Subcommittee,
Committee on Government Operations,
House of Representatives,
Washington 25, D. C.

Dear Mr. Moss:

This refers to your letter of January 28, 1958, regarding the availability for public inspection of loan applications filed with Federal agencies and departments.

The Board of Governors of the Federal Reserve System does not make any loans and, accordingly, does not receive any loan applications.

The Federal Reserve Banks do, of course, make loans and receive applications. While they are subject to supervision by the Board of Governors, the Reserve Banks are not agencies or departments of the Federal Government in the sense of your inquiry; and it would appear therefore that loans made by the Reserve Banks do not come within the scope of your letter. However, the following information is submitted regarding the lending operations of the Federal Reserve Banks.

The lending activities of the Federal Reserve Banks consist essentially of extensions of credit to member banks of the Federal Reserve System, and such credits are normally made for temporary periods to enable member banks to adjust their reserve positions. For your information, there is enclosed a copy of the Board's Regulation A regarding Federal Reserve Bank advances and discounts. The Reserve Banks are authorized, subject to certain strict limitations, to make loans and commitments to provide working capital to industrial or commercial businesses; but for many years such credits have represented only a very small portion of the loans made by the Reserve Banks. The only loans made by the Reserve Banks to public organizations are occasional loans secured by gold made to foreign central banks or official international banking organizations.

Consistent with the usual banking practice of treating relations between a bank and its customer as confidential, the Reserve Banks do not make available for public inspection loan applications received by them, nor do they make public the fact that a specific loan has been granted or denied. For the same reasons, it has not been the practice

The Honorable John E. Moss

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to furnish information regarding specific loan applications to members of Congress or Congressional committees. As far as inspection of applications is concerned, all loans are handled alike without regard to the nature of the borrower.

While, as above indicated, information as to specific loans is regarded as confidential, extensive information is published with respect to the volume and nature of the lending operations of the Federal Reserve Banks. A statement showing in detail the assets and liabilities of each of the twelve Federal Reserve Banks is published weekly pursuant to section 11(a) of the Federal Reserve Act. In addition, information as to the operations of the Reserve Banks is published in monthly issues of the Federal Reserve Bulletin and in the Board's annual report to Congress. A copy of the latest weekly statement showing the condition of the Federal Reserve Banks is enclosed for your information.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.

Enclosures.

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

Item No. 8
2/17/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 17, 1958

CONFIDENTIAL (FR)

Mr. Alfred Hayes, President,
Federal Reserve Bank of New York,
New York 45, New York.

Dear Mr. Hayes:

The Board of Governors approves payment of salaries to Charles A. Coombs and Frederick L. Smedley as Assistant Vice Presidents of the Federal Reserve Bank of New York, for the period January 1, 1958 through December 31, 1958, at the rates of \$18,000 and \$16,000 per annum, respectively. While the 1958 rates indicated are the same as those approved for Messrs. Coombs and Smedley as reported in the Board's letter, dated December 13, 1957, to Mr. Bierwirth, the previous approval was in their former capacities as Managers.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.

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

Item No. 9
2/17/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 17, 1958

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

Dear Mr. Supplee:

This refers to Mr. Wilgus' letter of February 6, 1958, enclosing a resolution of your Board of Directors and two copies of a supplemental agreement dated February 6, 1958, between your Bank and President Williams covering special payments to President Williams after his retirement.

The Board of Governors approves the supplemental agreement to the original contract between the Federal Reserve Bank of Philadelphia and President Williams dated January 11, 1951, and the Secretary of the Board has affixed his signature at the place indicated in the supplemental agreement. The two executed copies are returned herewith.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.

Enclosures.

This Supplemental Agreement made and entered into this 6th day of February, 1958, by and between ALFRED H. WILLIAMS (hereinafter called Williams) and FEDERAL RESERVE BANK OF PHILADELPHIA (hereinafter called Bank);

WHEREAS, the parties hereto entered into an agreement dated January 11, 1951, and because of changes in economic conditions, salary adjustments, and retirement provisions, now desire to change the amount of \$10,000. stated in Paragraph 2 of said agreement;

NOW THEREFORE THIS AGREEMENT WITNESSETH, That the parties hereto, intending to be legally bound hereby mutually agree as follows:

1. - Paragraph 2 of said agreement of January 11, 1951, is hereby amended so that the amount of \$10,000 per annum stated in Paragraph 2 of said agreement is changed to \$12,500 per annum.

2. - Said agreement of January 11, 1951, shall remain in full force and effect in all other respects.

IN WITNESS WHEREOF, Williams has hereunto set his hand and seal and Bank has caused these presents to be executed by its proper corporate officers and its corporate seal to be hereunto affixed.

(Signed) Alfred H. Williams (SEAL)
Alfred H. Williams

FEDERAL RESERVE BANK OF PHILADELPHIA

By (Signed) H. Supplee, Jr.
Chairman of Board of Directors

(SEAL)

Attest: :

(Signed) Richard G. Wilgus
Secretary

The foregoing agreement has been approved by the Board of Governors of the Federal Reserve System and, in witness thereof, the seal of the said Board is attached and its Secretary has affixed his signature.

(SEAL)

(Signed) S. R. Carpenter
Secretary

February 17, 1958

(Date)