

Minutes for February 27, 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	<u>X</u> <i>mm</i>	_____
Gov. Szymczak	<u>X</u> <i>mm</i>	_____
Gov. Vardaman <u>1/</u>	_____	<u>X</u>
Gov. Mills	<u>X</u> <i>[Signature]</i>	_____
Gov. Robertson	_____	<u>X</u> <i>R</i>
Gov. Balderston	<u>X</u> <i>CCB</i>	_____
Gov. Shepardson	<u>X</u> <i>LES</i>	_____

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 27, 1958. The Board met in the Board Room at
10:00 a.m.

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

Mr. Carpenter, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Riefler, Assistant to the Chairman
Mr. Thomas, Economic Adviser to the Board
Mr. Young, Director, Division of Research and
Statistics
Mr. Hackley, General Counsel
Mr. Masters, Director, Division of Examinations
Mr. Noyes, Adviser, Division of Research and
Statistics
Mr. Goodman, 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:

Item No.

- | | |
|---|---|
| Letter to the Federal Reserve Bank of Richmond approving
the appointments of Overton D. Dennis, Edwin Hyde, and
Walker D. Stuart as members of the Industrial Advisory
Committee. | 1 |
| Letter to the Federal Reserve Bank of Atlanta approving
the appointments of Luther H. Randall, Shannon M. Gamble,
and Dean S. Paden as members of the Industrial Advisory
Committee. | 2 |
| Letter to Chase International Investment Corporation, New
York, New York, transmitting the report of examination made
as of November 29, 1957. (With a copy to the Federal
Reserve Bank of New York) | 3 |

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Item No.

Letter to the Federal Reserve Bank of Cleveland approving an investment in bank premises by The Peoples Savings Bank Company, Mount Gilead, Ohio.

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Letter to The Peoples Bank, Beaufort, South Carolina, approving the establishment of an in-town branch. (For transmittal through the Federal Reserve Bank of Richmond)

5

Letter to Peoples State Bank of Bloomingdale, Bloomingdale, Michigan, approving its application for membership in the Federal Reserve System. (For transmittal through the Federal Reserve Bank of Chicago)

6

Letter to Riley Company, Inc., East Chicago, Indiana, granting its request for an extension of the period within which it may retain its direct ownership of shares of the Harbor Parking Corporation and continue to engage in certain nonbanking activities. (For transmittal through the Federal Reserve Bank of Chicago)

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Discount rates. Unanimous approval was given to telegrams to the Federal Reserve Banks of Minneapolis and San Francisco approving the establishment without change by those Banks on February 26, 1958, of the rates on discounts and advances in their existing schedules.

Report on S. 2995. The Board had been requested by the Senate Banking and Currency Committee to comment on S. 2995, a bill which would amend the Servicemen's Readjustment Act of 1944 in certain respects. Except for a provision extending the mortgage loan guaranty program, the bill was similar to S. 4602, on which the Board had reported by letter to the Senate Banking and Currency Committee dated April 3, 1957. There had been circulated to the members of the Board a proposed letter which

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would quote pertinent paragraphs from the 1957 letter and, in addition, would suggest that careful consideration be given to whether further extension of the loan guaranty program would be consistent with the development of a sound over-all program of Government mortgage insurance.

Governor Mills noted that the 1957 letter was written at a time when the economic situation was somewhat different and, therefore, raised the question whether the position taken by the Board in that letter should be modified in any respect. He also asked whether it would seem desirable to clear any letter which might be decided upon with the Bureau of the Budget before transmitting it to the Banking and Currency Committee and suggested that the tone of the proposed letter might be regarded as expressing opposition without citing reasons for the Board's objections, particularly in so far as reference was made to extension of the loan guaranty program.

In view of the questions raised by Governor Mills, the staff was requested to study the bill further and to submit a revised draft of letter for the Board's consideration.

Bank holding company legislation. Chairman Martin stated that just before this meeting he received a telephone call from Mr. Joseph H. Colman, President of First Bank Stock Corporation, Minneapolis, Minnesota, who expressed a desire to meet with the Board next week, apparently in company with other representatives of bank holding companies, to discuss certain problems in the light of existing bank holding company legislation.

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The Chairman said he told Mr. Colman that the Board's schedule would not permit a meeting next week but that he would bring the request to the attention of the Board.

Mr. Hackley recalled having been informed by Governor Robertson of a conversation with Mr. Colman in which the latter spoke of a possible meeting such as the Chairman had described. It was Mr. Hackley's understanding that the principal objective of the meeting would be to allow the bank holding company representatives to express views about possible amendments to the Bank Holding Company Act. He then said that the staff had been working diligently on a list of amendments to the Act which the Board might wish to suggest to the Congress in connection with the report on that Act which the Board would be required to submit not later than May 9, 1958.

Question was raised whether it would be beneficial to have the views of the bank holding company group at this time or whether it would be preferable to wait until the Board's staff had crystallized its thinking, and Mr. Hackley stated that the staff probably would have its position fairly well fixed after the middle of March. He felt that a meeting about that time might be helpful.

Accordingly, it was agreed that Chairman Martin would get in touch with Mr. Colman and tell him that the Board would be willing to meet with the bank holding company group on March 19 or 20.

Reserve requirements. Chairman Martin reported that yesterday he received a telephone call from Mr. Daniel W. Bell, Chairman of the

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Committee on Legal Reserve Requirements of the American Bankers Association, who advised that the Association had decided to submit to the Congress its proposed reserve requirement legislation and said that, in accordance with the invitation which had been extended, the Committee would like to meet again with the Board at 10:00 a.m. on March 6. Before that meeting the Committee would send a copy of its draft bill to the Board for review and it would like, if possible, to have a memorandum from the Board outlining in what respects the Board disagreed with the ABA reserve requirement plan. Chairman Martin said he told Mr. Bell that he did not think the Board would wish, at this time, to furnish such a memorandum but that each member of the Board would of course be free to say anything he wished at the meeting on March 6.

Governor Balderston then offered certain procedural suggestions, the first being that Mr. Thomas and other members of the staff proceed with the preparation of a comprehensive statement on the reserve requirement problem, the Board's proposed legislation, and the reasons underlying such an approach, with the thought that the statement would then be available as needed for testimony before the Congress or other purposes. He also raised the question whether the draft bill and explanatory statement heretofore furnished to the Committee on Legal Reserve Requirements, and to the members of the Federal Advisory Council and the Presidents of the Federal Reserve Banks, should not be sent also to all Federal Reserve Bank and branch directors for their information. Another suggestion was

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that, depending on developments at the meeting on March 6, the Board might want to consider releasing those documents to the press. Also, in order that all interested parties might have information available concerning the Board's position, he felt that it might be advisable to have an article on the subject in a forthcoming issue of the Federal Reserve Bulletin.

During a discussion of when the Board might be in a position to submit the draft legislation to the Congress, Governor Mills suggested proceeding in a careful and cautious manner so as to avoid as much as possible the appearance that the Board and the American Bankers Association were in directly competitive positions with respect to reserve requirement legislation. While there was no disagreement with that suggestion in principle, there were shades of opinion regarding the nature and timing of actions that might be taken by the Board. The thought was expressed, for example, that introduction in the Congress of the bill proposed by the American Bankers Association would be likely to precipitate inquiries almost immediately regarding the Board's views on such legislation. It was agreed that it would be advisable for the Board to be prepared to meet such a situation.

Along these lines, Mr. Thomas said that he had sent yesterday to appropriate members of the Board's staff an outline of a complete statement on the reserve requirement problem of the nature mentioned by Governor Balderston. However, it would not be possible to have the

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statement finished by the time of the meeting with the American Bankers Association next week.

Governor Szymczak then suggested that as a next step the Board discuss the whole problem with the Presidents of the Federal Reserve Banks when they were in Washington for the meeting of the Federal Open Market Committee on March 4 and 5, and agreement was expressed with this suggestion.

The remaining discussion concerned the possibility of handing the representatives of the American Bankers Association a statement, pursuant to their request, outlining the Board's principal objections to the Association's reserve requirement plan. No final conclusions were reached on this point.

The members of the staff then withdrew and the Board went into executive session.

Actions relating to the Board's official staff. Governor Shepardson later informed the Secretary that during the executive session the Board approved, effective March 1, 1958, the following actions which he had recommended in a memorandum addressed to the Board under today's date:

Transfer of M. B. Daniels from the position of Assistant Controller in the Office of the Controller to that of Assistant Director in the Division of Bank Operations, with salary at the rate of \$12,750 per annum.

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Promotion of J. J. Connell from the position of Budget and Planning Officer to that of Controller; with continuing responsibility as Budget and Planning Officer and with salary at the rate of \$12,750 per annum.

Promotion of S. H. Bass from the position of Chief of the Fiscal Section to that of Assistant Controller, with continuing responsibility for the Fiscal Section and with salary at the rate of \$10,500 per annum.

Staff development program. On January 31, 1957, the Board designated Mr. Sherman, Assistant Secretary, to undertake the first assignment under the staff development program. This assignment was to extend over a period of six months, with the understanding that Mr. Sherman would pursue a program involving attendance at a session of The Administrative Staff College at Henley-on-Thames, England, and visits to European central banks and other fiscal and monetary agencies. At Governor Shepardson's request, Mr. Sherman submitted a program and an estimated budget of his expenses, which indicated that he expected to leave Washington on March 18, 1958, and that, after attending The Administrative Staff College from April 11 to July 2, he would begin his visits to central banks and other agencies.

Governor Shepardson informed the Secretary that during the executive session the Board, pursuant to the recommendation contained in his memorandum dated February 25, 1958, authorized: Mr. Sherman's absence on official leave beginning March 18 for a period of six months, plus travel time to and from England; payment of the Administrative Staff College fee (which covers tuition, accommodations, and other living

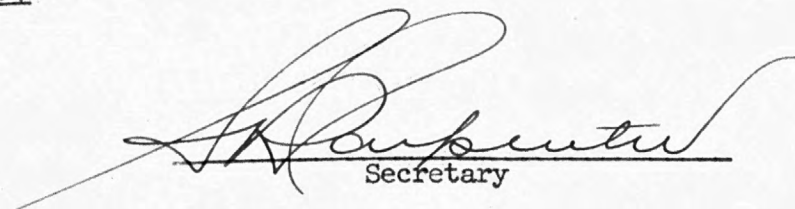
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expenses except gratuities and incidentals); an allowance of approximately \$150 to cover gratuities and incidental expenses at the College; reimbursement for travel and other expenses during three long weekends in the course of the session; a per diem allowance of \$15 a day when in a travel status; use of privately-owned automobile in official travel, with an allowance of 10 cents per mile in lieu of actual operating expenses; reimbursement of the cost of automobile public liability insurance; and other items of expense which would be allowable under the Standardized Government Travel Regulations.

The meeting then adjourned.

Secretary's Note: Governor Shepardson today approved on behalf of the Board a letter to the Federal Reserve Bank of Boston approving the appointment of William C. Baldwin as assistant examiner (attached Item No. 8), and a letter to the Federal Reserve Bank of Chicago approving the appointment of Chris J. Pappas as assistant examiner (attached Item No. 9).



Secretary

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

Item No. 1
2/27/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 27, 1958

Mr. C. B. Strathy, Secretary,
Federal Reserve Bank of Richmond,
Richmond 13, Virginia.

Dear Mr. Strathy:

The Board of Governors approves the appointments of Messrs. Overton D. Dennis, Edwin Hyde, and Walker D. Stuart as members of the Industrial Advisory Committee for the Fifth Federal Reserve District to serve for terms of one year each beginning March 1, 1958, in accordance with the action taken by the Board of Directors as reported in your letter of February 13, 1958.

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
2/27/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 27, 1958

Mr. George Hibbert, Assistant Secretary,
Federal Reserve Bank of Atlanta,
Atlanta 3, Georgia.

Dear Mr. Hibbert:

The Board of Governors approves the appointments of Messrs. Luther H. Randall, Shannon M. Gamble, and Dean S. Paden as members of the Industrial Advisory Committee for the Sixth Federal Reserve District to serve for terms of one year each beginning March 1, 1958, in accordance with the action taken by the Board of Directors as reported in your letter of February 17, 1958.

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
2/27/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 27, 1958



REGISTERED MAIL

Mr. John J. McCloy,
Chairman of the Board of Directors,
Chase International Investment Corporation,
18 Pine Street,
New York 15, New York.

Dear Sir:

There is enclosed a copy of the report of examination of the Home Office of Chase International Investment Corporation, New York, New York, made as of November 29, 1957, by examiners for the Board of Governors of the Federal Reserve System. The figures for the foreign branches shown in the combined statement of condition (as well as the figures for Arcturus Investment & Development, Ltd., The Chase Manhattan Executor and Trustee Corporation Limited, and Union Provinciale Immobiliere) were supplied by the Home Office.

Your courtesy in acknowledging receipt of the report will be appreciated.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Assistant Secretary.

Enclosure.

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

Item No. 4
2/27/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 27, 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 February 7, 1958, with respect to the request of The Peoples Savings Bank Company, Mount Gilead, Ohio, for approval under the provisions of Section 24A of the Federal Reserve Act of an investment in bank premises in excess of the amount of its capital stock.

After considering the information submitted, the Board approves an investment by The Peoples Savings Bank Company of \$235,000 for the purpose of constructing new banking premises, including the cost of land. It is understood that the bank's total investment in banking premises will be reduced to \$225,000 and that a further reduction will be effected from the proceeds of sale of the present main office building.

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
2/27/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 27, 1958

Board of Directors,
The Peoples Bank,
Beaufort, South Carolina.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Richmond, the Board of Governors of the Federal Reserve System approves the establishment of a branch at the corner of Church and Boundary Streets, Beaufort, South Carolina, by The Peoples Bank, Beaufort, South Carolina, 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 of the establishment of the branch.

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
2/27/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 27, 1958

Board of Directors,
Peoples State Bank of Bloomingdale,
Bloomingdale, Michigan.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the application of Peoples State Bank of Bloomingdale, Bloomingdale, Michigan, for stock in the Federal Reserve Bank of Chicago, subject to the numbered conditions hereinafter set forth:

1. Such bank at all times shall conduct its business and exercise its powers with due regard to the safety of its depositors, and, except with the permission of the Board of Governors of the Federal Reserve System, such bank shall not cause or permit any change to be made in the general character of its business or in the scope of the corporate powers exercised by it at the time of admission to membership.
2. The net capital and surplus funds of such bank shall be adequate in relation to the character and condition of its assets and to its deposit liabilities and other corporate responsibilities.

In connection with the foregoing conditions of membership, particular attention is called to the provisions of the Board's Regulation H, as amended effective September 1, 1952, regarding membership of State banking institutions in the Federal Reserve System, with especial reference to Section 7 thereof. A copy of the regulation is enclosed.

It appears that the bank is authorized to exercise trust powers under its charter, but that it does not engage in such activities. Attention is invited to the fact that if the

Peoples State Bank of Bloomingtondale - 2 -

bank desires to exercise trust powers it will be necessary, under condition of membership numbered 1, to obtain the permission of the Board of Governors before exercising them.

If at any time a change in or amendment to the bank's charter is made, the bank should advise the Federal Reserve Bank, furnishing copies of any documents involved, in order that it may be determined whether such change affects in any way the bank's status as a member of the Federal Reserve System.

Acceptance of the conditions of membership contained in this letter should be evidenced by a resolution adopted by the Board of Directors and spread upon its minutes, and a certified copy of such resolution should be filed with the Federal Reserve Bank. Arrangements will thereupon be made to accept payment for an appropriate amount of Federal Reserve Bank stock, to accept the deposit of the required reserve balance, and to issue the appropriate amount of Federal Reserve Bank stock to the bank.

The time within which admission to membership in the Federal Reserve System in the manner described may be accomplished is limited to 30 days from the date of this letter, unless the bank applies to the Board and obtains an extension of time. When the Board is advised that all of the requirements have been complied with and that the appropriate amount of Federal Reserve Bank stock has been issued to the bank, the Board will forward to the bank a formal certificate of membership in the Federal Reserve System.

The Board of Governors sincerely hopes that you will find membership in the System beneficial and your relations with the Reserve Bank pleasant. The officers of the Federal Reserve Bank will be glad to assist you in establishing your relationships with the Federal Reserve System and at any time to discuss with representatives of your bank means for making the services of the System most useful to you.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Assistant Secretary.

Enclosure

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

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Item No. 7
2/27/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 27, 1958



Mr. William J. Riley,
Chairman of the Board of Directors,
Riley Company, Inc.,
900 East Chicago Avenue,
East Chicago, Indiana.

Dear Mr. Riley:

This refers to the application of Riley Company, Inc., pursuant to section 4(a) of the Bank Holding Company Act of 1956, for an extension of the period, for one year from May 9, 1958, within which it may retain its direct ownership of 40 of the 181 shares of the Harbor Parking Corporation, and during which it may continue to engage in business activities other than that of banking or of managing or controlling banks or of furnishing services to or performing services for any bank of which it owns or controls 25 per cent or more of the voting shares.

In accordance with the provisions of section 4(a) of the Act, the Board has granted the requested extension.

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. 8
2/27/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 27, 1958

Mr. Benjamin F. Groot, Vice President,
Federal Reserve Bank of Boston,
Boston 6, Massachusetts.

Dear Mr. Groot:

In accordance with the request contained in your letter of February 17, 1958, the Board approves the appointment of William C. Baldwin as an assistant examiner for the Federal Reserve Bank of Boston. Please advise as to the date upon which the appointment is made effective.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Assistant Secretary.

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

Item No. 9
2/27/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 27, 1958

Mr. W. R. Diercks, Vice President,
Federal Reserve Bank of Chicago,
Chicago 90, Illinois.

Dear Mr. Diercks:

In accordance with the request contained in your letter of February 24, 1958, the Board approves the appointment of Chris J. Pappas as an assistant examiner for the Federal Reserve Bank of Chicago. Please advise as to the date upon which the appointment is made effective.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Assistant Secretary.