

Minutes for March 10, 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>M</u>	_____
Gov. Szymczak	X <u>MS</u>	_____
Gov. Vardaman	X <u>V</u>	_____
Gov. Mills	X <u>J</u>	_____
Gov. Robertson	_____	X <u>R</u>
Gov. Balderston	X <u>CRB</u>	_____
Gov. Shepardson	X <u>SS</u>	_____

Minutes of the Board of Governors of the Federal Reserve System  
on Monday, March 10, 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. Thurston, Assistant to the Board  
Mr. Riefler, Assistant to the Chairman  
Mr. Thomas, Economic Adviser to the Board  
Mr. Leonard, Director, Division of Bank Operations  
Mr. Young, Director, Division of Research and  
Statistics  
Mr. Hackley, General Counsel  
Mr. Shay, Legislative Counsel  
Mr. Noyes, Adviser, Division of Research and  
Statistics  
Mr. Williams, Associate Adviser, Division of  
Research and Statistics  
Mr. Solomon, Assistant General Counsel  
Mr. Solomon, Economist, Division of Research  
and Statistics

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 Federal Reserve Bank of San Francisco interposing no objection to acceptance of the low bid for improving the lighting of the main banking room at the Los Angeles Branch.	1
Letter to the Presidents of all Federal Reserve Banks regarding attendance by Reserve Bank officers and employees at banking schools in 1958.	2

3/10/58

-2-

Extension of time in First National City Bank matter (Item No. 3).

Pursuant to the recommendation contained in a memorandum from Mr. Solomon, Assistant General Counsel, dated March 7, 1958, copies of which had been distributed to the members of the Board, the Board approved unanimously an extension from March 10 to March 24, 1958, of the time for the applicants and County Trust Company to file exceptions, with briefs in support thereof, to the supplemental report and recommended decision of the Hearing Examiner in connection with the applications of The First National City Bank of New York and others filed under the Bank Holding Company Act of 1956. The order issued pursuant to this action, of which copies were sent to appropriate parties, is attached as Item No. 3.

Alleged leak of information with respect to change in discount rate. Chairman Martin referred to charges made in the press by Congressman Patman of Texas and Congressman Multer of New York to the effect that there had been an advance leak of information to the market with regard to the reduction in the discount rates at the Federal Reserve Banks of New York, Philadelphia, and Chicago which became effective March 7, 1958, and that certain private interests therefore were in a position to profit. He said he had told Chairman Spence of the House Banking and Currency Committee that the matter would be brought to the Board's attention today in order to ascertain whether any of the members of the Board had any information that a leak had occurred.

3/10/58

-3-

During a discussion which followed, members of the Board brought out that whenever financial conditions suggest a strong possibility of a change in the discount rate it is customary for rumors to circulate in the market, particularly before the date on which a meeting of the directors of the Federal Reserve Bank of New York is scheduled. It was also pointed out that in this case there had been speculation about a discount rate reduction as far back as the latter part of February. Agreement was expressed with the position of Chairman Martin that those alleging a leak concerning the discount rate change should assume the burden of setting forth evidence of such a leak.

At the conclusion of the discussion, it was understood that Chairman Martin would state to Mr. Spence that the members of the Board had no information or evidence of a leak of information but that they would, of course, be available for any investigation of the matter that might be undertaken by the Banking and Currency Committee.

Reserve requirements. Pursuant to the understanding at the meeting last Friday, March 7, there was a further discussion of possible reserve requirement legislation but no additional views of substance were presented. At Governor Vardaman's suggestion, it was agreed that the Legal Division would submit as a matter of information a document showing changes which would be made in the text of section 19 of the Federal Reserve Act by the revised draft bill which was sent to the Board under date of March 7, 1958.

3/10/58

-4-

Chairman Martin again expressed the view that it would be desirable to have the full Board available before a final decision was made on a legislative recommendation.

Mr. Noyes then withdrew from the meeting.

Draft of Annual Report. With a memorandum from Mr. Young dated March 5, 1958, there had been sent to the members of the Board a draft of the introductory, policy action, and financial review sections of the Board's Annual Report for 1957.

A number of suggestions by the members of the Board and staff for minor changes in the draft were referred to Mr. Young for consideration in the preparation of a revised draft and Chairman Martin then suggested further review of the material next week when all of the members of the Board would be available.

In view of questions which were raised regarding the content of the Annual Report, Mr. Young discussed efforts which had been made by the staff to develop a distinctive form of report which would provide not only a summary of the year's economic and financial developments but also a review of the instruments used in carrying out System credit policy.

Additional items circulated to the Board. The following additional 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:

3/10/58

-5-

	<u>Item No.</u>
Letter to the Federal Reserve Bank of New York interposing no objection to a leave of absence for Walter J. Sedwitz to enable him to assist the Central Bank of El Salvador in a reorganization of its research and statistical department.	4
Letter to the Federal Reserve Agent at Richmond approving the appointment of Frank D. Stinnett, Jr., as Assistant Federal Reserve Agent.	5
Letter to the Center for Latin American Monetary Studies proposing attendance of Robert F. Emery (Board) and John Reed (New York Bank) at the 1958 course of the Center. (With an appropriate letter to the Federal Reserve Bank of New York)	6

In connection with approval of the foregoing Item No. 6, the Board authorized a per diem in lieu of subsistence for Mr. Emery at the rate of \$12 in connection with this assignment.

Letter from Congressman Patman. In a letter dated March 5, 1958, Congressman Patman called attention to a report in the press of a rise in the rate on Federal funds to 2-1/2 per cent on March 4 and inquired about the circumstances involved, particularly since the press report attributed the development in part to the fact that country banks were said to be withholding funds from the market and it had been his impression that such banks do not normally participate in the purchase and sale of Federal funds. There had been distributed to the members of the Board a draft of reply which would deal with the specific questions raised by Mr. Patman in relation to recent trends in the money market against the background of Federal Reserve policy.

3/10/58

-6-

In view of questions raised by Governor Vardaman as to whether the reply should go beyond the specific inquiries made by Mr. Patman, it was understood that a revised draft of letter would be prepared for the Board's consideration.

The meeting then adjourned.

Secretary's Notes: 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:

#### Appointments

Katherine Ellis Olson as Records Clerk in the Office of the Secretary, with basic salary at the rate of \$3,415 per annum, effective the date she assumes her duties.

Paula R. Hauprich as Stenographer in the Legal Division, with basic salary at the rate of \$3,755 per annum, effective the date she assumes her duties.

Judith J. McGrain as Clerk-Typist in the Division of Personnel Administration on a part-time (4 hours each Tuesday and Thursday) basis, with salary based on a full-time rate of \$3,345 per annum, effective the date she assumes her duties.

#### Transfer

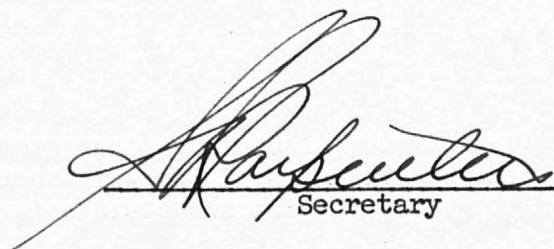
Margaret O. Tucker from the position of Clerk-Typist in the Division of Research and Statistics to the position of Stenographer in the Legal Division, with an increase in her basic annual salary from \$3,430 to \$3,585, effective the date she assumes her new duties.

During the day a telegram was received from the Federal Reserve Bank of Boston advising that the directors of that Bank had established, subject to approval by the Board of Governors,

3/10/58

-7-

rates of 2-1/4 per cent on discounts and advances under sections 13 and 13a of the Federal Reserve Act, 2-3/4 per cent on section 10(b) advances, 3-1/4 per cent on advances under the last paragraph of section 13, and other rates in the Bank's existing schedule without change. Pursuant to the action taken by the Board on March 6, 1958, the Secretary advised the Boston Bank by telegram of approval of these rates, effective March 11, 1958. All Federal Reserve Banks and branches were notified of this action by telegram, a press statement was issued in the usual form, and arrangements were made for publication of a notice in the Federal Register.



Secretary



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

Item No. 1  
3/10/58

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

March 10, 1958



Mr. H. N. Mangels, President,  
Federal Reserve Bank of San Francisco,  
San Francisco 20, California.

Dear Mr. Mangels:

This refers to the proposal outlined in your letter of February 26, 1958, for improving the lighting of the main banking room of the Los Angeles Branch building.

The Board will interpose no objection to the acceptance of the low bid for this improvement at a cost of approximately \$11,300 as stated in your letter.

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. 2  
3/10/58

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ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

March 10, 1958

Dear Sir:

The reports relative to the number of officers and employees selected by the Federal Reserve Banks to attend the various banking schools during the summer sessions of 1958 have now been received.

From the information submitted, it appears that the total number of officers and employees selected to attend these schools conforms to the policy outlined in the Board's letter on this subject, S-1489, dated February 26, 1953.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,  
Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS



## UNITED STATES OF AMERICA

Item No. 3  
3/10/58

## BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

In the Matter of the Applications of

FIRST NEW YORK CORPORATION,

THE FIRST NATIONAL CITY BANK OF NEW YORK  
and

INTERNATIONAL BANKING CORPORATION

Pursuant to the Bank Holding Company Act  
of 1956.

## DOCKET NUMBERS

BHC - 1

BHC - 2

BHC - 3

ORDER GRANTING REQUEST FOR EXTENSION OF TIME  
WITHIN WHICH EXCEPTIONS AND BRIEFS TO SUPPLEMENTAL  
REPORT AND RECOMMENDED DECISION MAY BE FILED

This matter coming on this day for consideration on the request of Applicants and County Trust Company for an extension of time within which to file exceptions, with briefs in support thereof, to the Supplemental Report and Recommended Decision of the Hearing Examiner, and it appearing that good cause has been shown and that no objection to such extension of time has been raised, it is ORDERED that:

1. The time within which Applicants and County Trust Company may file exceptions to the Supplemental Report and Recommended Decision of the Hearing Examiner in this proceeding, with briefs in support thereof, is hereby extended to the close of business on Monday, March 24, 1958.

This 10th day of March 1958.

By order of the Board of Governors.

(Signed) S. R. Carpenter

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S. R. Carpenter,  
Secretary.

(SEAL)

Washington, D. C.  
March 10, 1958.

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

Item No. 4  
3/10/58

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

March 10, 1958



Mr. William H. Braun, Jr.,  
Secretary,  
Federal Reserve Bank of New York,  
New York 45, New York.

Dear Mr. Braun:

This letter is in response to your letter of February 28, 1958, concerning a leave of absence for Mr. Walter J. Sedwitz to enable him to go to El Salvador to assist the Central Bank of that country in undertaking the reorganization of its Research and Statistical Department. It is noted that Mr. Sedwitz has been granted leave of absence without pay for a period of up to one year, plus travel time for this purpose, and that the Central Bank will pay Mr. Sedwitz for his services, plus transportation for himself and for his family.

The Board of Governors interposes no objection to the arrangements with respect to Mr. Sedwitz, described in your letter.

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. 5  
3/10/58

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

March 10, 1958



Mr. J. B. Woodward, Jr.,  
Federal Reserve Agent,  
Federal Reserve Bank of Richmond,  
Richmond 13, Virginia.

Dear Mr. Woodward:

In compliance with the request contained in your letter of February 17, 1958, the Board of Governors approves the appointment of Mr. Frank D. Stinnett, Jr. as Assistant Federal Reserve Agent at the Federal Reserve Bank of Richmond to succeed Mr. Robert L. Shepherd.

This approval is given with the understanding that Mr. Stinnett will be solely responsible to the Federal Reserve Agent and the Board of Governors for the proper performance of his duties, except that, during the absence or disability of the Federal Reserve Agent or a vacancy in that Office, his responsibility will be to the Board of Governors.

When not engaged in the performance of his duties as Assistant Federal Reserve Agent Mr. Stinnett may, with the approval of the Federal Reserve Agent and the President, perform such work for the Bank as will not be inconsistent with his duties as Assistant Federal Reserve Agent.

It will be appreciated if Mr. Stinnett is fully informed of the importance of his responsibilities as a member of the staff of the Federal Reserve Agent and the need for maintenance of independence from the operations of the Bank in the discharge of these responsibilities.

It is noted from your letter that, upon the approval of the appointment of Mr. Stinnett by the Board of Governors, he will execute the usual oath of office which will be forwarded to the Board of Governors.

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  
3/10/58

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

March 10, 1958



AIR MAIL

Mr. Javier Marquez, Director,  
Center for Latin American  
Monetary Studies,  
San Juan de Letran # 2, Piso 32,  
Mexico 1, D. F.

Dear Mr. Marquez:

I am glad to inform you that the Board of Governors has approved the attendance of two persons from the Federal Reserve System at the 1958 course of the Center for Latin American Monetary Studies. These are Mr. Robert F. Emery, Economist, Division of International Finance, Board of Governors, and Mr. John Reed, Economist, Foreign Research Division, Federal Reserve Bank of New York.

It is understood that the Federal Reserve System would bear any additional out-of-pocket costs that might be incurred as a result of the participation by Messrs. Reed and Emery as students.

Very truly yours,  
  
(Signed) S. R. Carpenter

S. R. Carpenter,  
Secretary.