

Minutes for March 20, 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>M/S</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>CB</u>	_____
Gov. Shepardson	<input checked="" type="checkbox"/> <u>SP</u>	_____

Minutes of the Board of Governors of the Federal Reserve System
on Thursday, March 20, 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. Robertson
Mr. Shepardson

Mr. Carpenter, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Hackley, General Counsel
Mr. Masters, Director, Division of Examinations
Mr. Hexter, Assistant General Counsel

Advice of Board action on applications. Pursuant to the understanding at the meeting on February 24, 1958, there had been prepared and circulated to the members of the Board a memorandum from the Division of Examinations dated February 27, 1958, reviewing the procedures presently followed in advising applicants of action taken by the Board on various types of applications processed by that Division. The memorandum pointed out that in most instances the advice is transmitted through the Federal Reserve Bank concerned, usually in the form of a letter to the member bank but in some cases in the form of a letter to the Reserve Bank requesting that the member bank be advised of the Board's action. With respect to a voting permit for a holding company affiliate, the Federal Reserve Agent is requested by telegram to issue the permit on behalf of the Board. It was recommended that henceforth advice of Board action on all of the types of applications shown in a schedule attached to the memorandum be in the

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form of a letter to the applicant transmitted through the Federal Reserve Bank concerned, except for certain orders issued under the Bank Holding Company Act. The recommended procedure would extend also to letters prepared in the Division of Bank Operations in connection with applications for permission to maintain reduced reserves. Any official permits, including those issued to holding company affiliates, would be prepared in the Board's offices and transmitted through the Federal Reserve Bank.

Following comments by Mr. Masters, Governor Vardaman, who had raised the question of procedure at the meeting on February 24, said that it had not been his thought to bypass the Federal Reserve Banks. However, he had questioned the advisability of writing to a Reserve Bank and requesting that the Board's decision be relayed to the applicant, since he felt that it was better for the Board to express itself directly to the applicant.

In response to a question as to what was gained by transmitting letters to applicants through the Federal Reserve Banks, Governor Vardaman mentioned the delegation of the examination function by the Board to the Reserve Banks and also the fact that this procedure allows the Reserve Bank to have advice of the Board's action before such advice is received by the applicant. Other points mentioned were that the applications are processed and recommended upon by the Federal Reserve Banks, that the procedure helps to maintain a close relationship between the Reserve Bank and member banks in its district, and that the procedure affords an

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opportunity for the Reserve Bank to review the Board's letter before it reaches the applicant. Mr. Hackley said that it had concerned the Legal Division that in some cases where the law requires approval of a transaction by the Board, the applicant bank would not have a letter from the Board in its files to the extent that the procedure was followed of writing to the Federal Reserve Banks and asking them to advise the applicant bank.

Governor Robertson indicated that he favored the recommendation, particularly because transmittal of the Board's letter through the Federal Reserve Bank provides assurance that the Reserve Bank will have advice of the action taken before the applicant has such advice.

Thereupon, the procedure recommended in the memorandum from the Division of Examinations was approved unanimously.

Visit by Mortgage Bankers Association. Following a statement by Governor Shepardson, it was agreed unanimously to extend an invitation to the Board of Governors of the Mortgage Bankers Association of America to visit the Federal Reserve Building on June 3, 1958, in the afternoon, for a chart show similar to that presented recently to the newly appointed directors of the Federal Reserve Banks and branches.

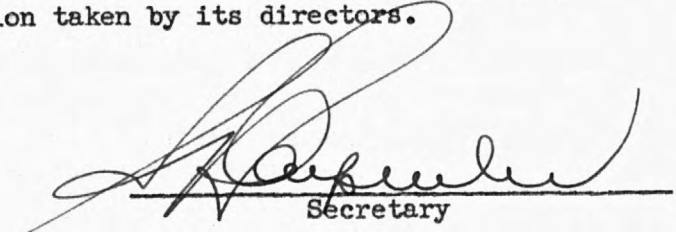
The meeting then adjourned.

Secretary's Notes: During the day advice was received from the Federal Reserve Bank of Minneapolis that the directors of that Bank had established, subject to the approval of the Board of Governors, rates of 2-1/4 per cent (rather than 2-3/4 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, and 3-1/2 per cent on advances under the last paragraph of section 13. Other rates in the Bank's existing schedule were established without change.

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Pursuant to the action taken by the Board on March 6, 1958, the Secretary advised the Minneapolis Bank of approval of the rates established by the directors, effective March 21, 1958. All Federal Reserve Banks and branches were notified by telegram, a press statement was issued in the usual form, and arrangements were made for publication of a notice in the Federal Register.

Advice also was received during the day from the Federal Reserve Banks of New York, Philadelphia, and Chicago that the directors of those Banks had established without change, subject to the approval of the Board of Governors, the rates on discounts and advances in the Banks' existing schedules. Pursuant to the procedure authorized at the meeting on January 24, 1958, the Secretary advised each of those Banks of approval of the action taken by its directors.


Secretary