

Minutes for March 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 | _____ | x <u>(M)</u> |
| Gov. Szymczak | x <u>(MS)</u> | _____ |
| Gov. Vardaman | x <u>(V)</u> | _____ |
| Gov. Mills | x <u>(M)</u> | _____ |
| Gov. Robertson | x <u>(R)</u> | _____ |
| Gov. Balderston | x <u>(CB)</u> | _____ |
| Gov. Shepardson | x <u>(S)</u> | _____ |

Minutes of the Board of Governors of the Federal Reserve System
on Thursday, March 27, 1958. The Board met in the Board Room at 10:00
a.m.

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

Mr. Carpenter, Secretary
Mr. Kenyon, Assistant Secretary
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. Masters, Director, Division of Examinations
Mr. Shay, Legislative Counsel
Mr. Conkling, Assistant Director, Division of
Bank Operations

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 Cleveland waiving the requirement of six months' notice of withdrawal from membership in the Federal Reserve System for the Citizens' Bank of Follansbee, Follansbee, West Virginia. | 1 |
| Letter to the Chairman of the House Subcommittee to Study Federal Printing and Paperwork regarding H. R. 11042, a bill relating to depository libraries. <u>1/</u> | 2 |

1/ The approved letter reflects a minor change of an editorial nature
which was agreed upon at this meeting.

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Discount rate. Unanimous approval was given to a telegram to the Federal Reserve Bank of San Francisco approving the establishment without change by that Bank on March 26, 1958, of the rates on discounts and advances in its existing schedule.

Designation of Miami as a reserve city. Pursuant to the Board's rule for the classification of central reserve and reserve cities, as amended effective March 1, 1957, the Board on May 15, 1957, designated the city of Miami, Florida, as a reserve city effective May 15, 1958. The question of a possible deferment of the effective date of the designation was discussed in a memorandum prepared at Governor Vardaman's request by the Division of Bank Operations under date of March 26, 1958, and distributed to the members of the Board before this meeting. As reasons which might be regarded as favoring such action, the memorandum cited the serious damage to the Florida economy as a result of the unusually cold weather this past winter, the Board's recent actions to reduce reserve requirements, and the possible effect of the general economic recession and the bad weather on the ability of the Miami member banks to adjust their positions to the higher reserve requirements incident to the classification of the city as a reserve city. It was noted that the designation would increase the Miami member banks' required reserves by about \$14-1/2 million. Arguments cited against deferment of the designation included the volume and trend of interbank demand deposits at Miami banks and the time already afforded the banks to prepare for

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the higher requirements. Submitted with the memorandum was a table showing deposits of Miami member banks as of December 31, 1957, along with the prospective increase in their required reserves.

Governor Vardaman said he would like the record to show that he had requested preparation of the memorandum for the Board's information after he had received an indication from bankers in the Atlanta area that a request for deferment might be made and after he had subsequently discussed the matter with Chairman Martin. In the circumstances, he suggested that it would seem desirable to postpone a final determination of the matter by the Board until Chairman Martin was present.

Mr. Leonard reported that the Division of Bank Operations had received a telegram from the Federal Reserve Bank of Atlanta stating that the Miami banks had requested certain figures from the two most recent call reports, as yet unpublished, and that the Division had suggested deferring a response to that request in order that the data might be submitted by the Reserve Bank to the Division for review. Later, he said, First Vice President Clark of the Atlanta Bank called Mr. Conkling on the telephone and said that Mr. Comer J. Kimball, Chairman of the First National Bank of Miami, had raised the question whether the Bank or the Board would be embarrassed by the submission of a request for deferment of the designation.

Mr. Conkling said he told Mr. Clark that personally he did not see any reason for embarrassment. He went on to say that, according to

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Mr. Clark, Mr. Kimball made the following points: (1) the recent indictment of certain bank and savings and loan officials in Miami had caused the First National Bank to furnish the affected institutions rather large sums of money, with the possibility that more would be furnished, and (2) the possibility of action on the plan of the American Bankers Association for a change in the structure of member bank reserve requirements raised the question whether the Miami banks would have to make more than one change in their reserve requirements. In response to a question by Governor Vardaman, Mr. Conkling said that Mr. Clark did not mention any specific period of time for which deferment of the designation might be requested.

Following a suggestion by Governor Vardaman that it might be well for the Board to reach a determination of the matter promptly in order that its position would be clear in the event pressure was brought to bear from any source, Governor Mills requested from Mr. Conkling certain information relating to the current position of the Miami banks in the light of the prospective increase in their reserve requirements. On the basis of the response made by Mr. Conkling, Governor Mills said that, at least superficially, these figures seemed to suggest that the principal Miami member banks had already made adjustments in preparation for the effective date of the designation of Miami as a reserve city to such an extent that the increased reserve requirements would not result in embarrassment to them.

Governor Vardaman agreed with Governor Mills and said that the matter appeared to him to involve entirely a question of policy.


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It was then agreed that the matter would receive further consideration at the meeting of the Board on Monday, March 31, and that in the meantime the Division of Bank Operations would submit additional pertinent information for the Board's use.

Financial Institutions Act. At the request of Governor Vardaman, Mr. Shay made an informal report on such information as had become available regarding the progress of the proposed Financial Institutions Act within the House Banking and Currency Committee. From this information, it appeared likely that the bill might not be reported out of Committee for some time in view of the opposition of certain Committee members, the forthcoming Easter recess, and other items of proposed legislation which the Committee was scheduled to consider.

The meeting then adjourned.



Secretary

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

Item No. 1
3/27/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 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 March 14, 1958, enclosing a resolution adopted by the board of directors of Citizens' Bank of Follansbee, Follansbee, West Virginia, signifying its intention to withdraw from membership in the Federal Reserve System and a letter requesting waiver of the six months' notice of such withdrawal and setting forth reasons therefor.

In accordance with the bank's request, the Board of Governors waives the requirement of six months' notice of withdrawal. Accordingly, upon surrender of the Federal Reserve Bank stock issued to the bank, you are authorized to cancel such stock and make appropriate refund thereon. Under the provisions of section 10(c) of Regulation H, as amended effective September 1, 1952, the bank may accomplish termination of its membership at any time within eight months after notice of intention to withdraw is given. Please advise when cancellation is effected and refund is made.

The certificate of membership issued to the bank should be obtained, if possible, and forwarded to the Board. The State banking authorities should be advised of the bank's proposed withdrawal from membership and the date such withdrawal becomes effective.

It is understood that the Federal Deposit Insurance Corporation has been contacted with regard to the continuance of deposit insurance.

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
3/27/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 27, 1958.



The Honorable Wayne L. Hays, Chairman,
Subcommittee to Study Federal Printing
and Paperwork, Committee on House
Administration, Room G-53, The Capitol,
House of Representatives,
Washington 25, D. C.

Dear Mr. Hays:

This is in response to your communication of March 1, 1958, requesting the Board's views on H. R. 11042, a bill relating to depository libraries. In brief the bill would revise the laws relating to such libraries and would place certain administrative responsibility on the Superintendent of Documents of the Government Printing Office with respect to the distribution of publications and for determining that libraries maintain adequate standards.

The bill in its present form apparently is intended to apply to publications of Government agencies which operate on appropriated monies, since section 5 requires that the cost of printing and binding those publications which are to be distributed to depository libraries shall be charged to the appropriation of the particular Government agency. The expenses of the Board of Governors are defrayed not by appropriations but by assessments levied upon the Federal Reserve Banks and, under the provisions of section 10 of the Federal Reserve Act, funds derived from such assessments are not to be construed as Government funds or appropriated monies. However, section 1 of the bill defines the term "Government publications" as "informational matter which is published as an individual document at Government expense, or as required by law." Since certain publications of the Board are required by law, section 1 of the bill would appear, at least technically, to apply to the Board. In this connection you may wish to refer to the information supplied to your Subcommittee with the Board's letter of August 13, 1956.

It has been the Board's policy for a number of years to supply free of charge any of the Board's publications, to such public and educational libraries as may request them. For this reason, enactment of the bill would have very little effect on the Board's operations.

Very truly yours,

S. F. Carpenter,
Secretary.