

Minutes for April 16, 1958

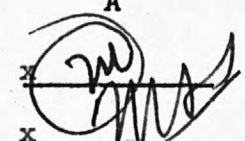
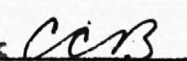
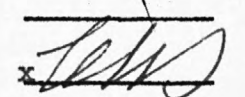
To: Members of the Board

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"/> 	_____
Gov. Szymczak	<input checked="" type="checkbox"/> _____	_____
Gov. Vardaman <u>1/</u>	<input type="checkbox"/> _____	<input checked="" type="checkbox"/> _____
Gov. Mills	<input checked="" type="checkbox"/> _____	_____
Gov. Robertson	<input checked="" type="checkbox"/> _____	_____
Gov. Balderston	_____	<input checked="" type="checkbox"/> 
Gov. Shepardson	<input checked="" type="checkbox"/> 	_____

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 Wednesday, April 16, 1958. The Board met in the Board Room at 10:15 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Szymczak
Mr. Mills
Mr. Robertson
Mr. Shepardson

Mr. Carpenter, Secretary
Mr. Fauver, Assistant Secretary
Mr. Thurston, Assistant to the Board
Mr. Young, Director, Division of Research and
Statistics
Mr. Hackley, General Counsel
Mr. Molony, Special Assistant to the Board
Mr. Farrell, Assistant Director, Division of
Bank Operations
Mr. Noyes, Adviser, Division of Research and
Statistics
Mr. Koch, Associate Adviser, Division of Research
and Statistics
Mr. Solomon, Assistant General Counsel
Mr. Hostrup, Assistant Director, Division of Exami-
nations
Mr. Nelson, Assistant Director, Division of Examinations
Mr. Brill, Chief, Capital Markets Section, 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 Manufacturers Trust Company, New York, New York, approving the establishment of a branch in Astoria, Queens County. (For transmittal through the Federal Reserve Bank of New York)	1
Letter to the Federal Deposit Insurance Corporation regarding the application of the Saddle Brook State Bank, Saddle Brook, New Jersey, a proposed State bank in process of being organized, for membership in the Federal Reserve System.	2

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	<u>Item No.</u>
Letter to The Detroit Bank and Trust Company, Detroit, Michigan, approving the establishment of two branches, one in Wayne County and the other in Nankin Township. (For transmittal through the Federal Reserve Bank of Chicago)	3
Letters to the Federal Reserve Banks of Atlanta and San Francisco concerning the classification of member banks for the purpose of electing Class A and Class B directors.	4 and 5

Inquiry from Congressman Patman regarding discount rate changes

(Item No. 6). In accordance with the understanding reached at the meeting on March 31, 1958, a revised draft of proposed reply to Congressman Patman in response to his letter of March 12, 1958, with respect to changes in the discount rate of the Federal Reserve Banks since the first of 1953, had been distributed to the members of the Board prior to this meeting.

The proposed draft, attached to these minutes as Item No. 6, was approved unanimously with the understanding that the letter would not be sent to Congressman Patman until the day on which the Board's Annual Report for 1957 was submitted to the Congress. It was anticipated that this would be on Monday, April 21.

Subsequent to the consideration of this item, Messrs. Farrell and Nelson departed and Messrs. Riefler, Assistant to the Chairman, and Thomas, Economic Adviser to the Board, joined the meeting.

Draft of statement on small business finance. Prior to the meeting, there had been circulated to the members of the Board copies

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of a memorandum dated April 11, 1958, from Mr. Brill on the "Small Business Investment Administration Act of 1958", and a proposed statement (draft dated April 14, 1958) to be used by Chairman Martin before a hearing of the Senate Banking and Currency Committee on small business finance scheduled to be held on April 21. A general discussion followed of the provisions of the act to create a Small Business Investment Administration as well as other current proposals for legislation specifically designed to aid the financing of small business. The discussion was designed to provide background information for the members of the Board who had been requested by Congressman Patman to appear individually before the House Select Committee on Small Business this afternoon and the afternoon of April 17. No agreements were reached as to a Board position on matters related to this subject so that the Board members testifying would be free to express their own individual opinion.

Consideration of the draft of the statement to be used by Chairman Martin brought forth several minor points for revision; particularly, it was felt that the ending of the statement could be strengthened. It was understood that a revised draft would be presented to the Board for consideration on Friday, April 18.

In a final reference to the hearing this afternoon before Congressman Patman's committee, Governor Szymczak indicated that in a conversation with Mr. Patman it had been developed that the Board members were to feel free to take any member of the staff with them if they

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desired. Governor Szymczak said that he had arranged for Mr. Koch to accompany him. It was understood that each member should decide for himself whether he wanted members of the staff to accompany him or not.

All of the members of the staff, except Messrs. Carpenter, Fauver, Hackley, Hostrup, and Solomon, then withdrew from the meeting and Messrs. Hexter and O'Connell, Assistant General Counsel, joined the meeting at this point.

Proposed amendments to Bank Holding Company Act. The Board then resumed its consideration of Mr. Hackley's memorandum of March 31, 1958, relating to proposed amendments to the Bank Holding Company Act. No agreements were reached with respect to the recommendations, and it was understood that the Board would resume its consideration at a meeting tomorrow, April 17.

Thereupon, all of the members of the staff withdrew and the Board went into executive session.

The meeting then adjourned.

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

Extension of term of service on field staff

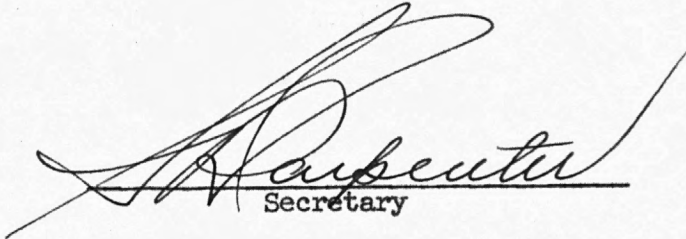
Ann C. Tompros, Special Assistant Federal Reserve Examiner, Division of Examinations, for approximately 12 months, effective June 2, 1958, with no change in her basic annual salary at the rate of \$3,805.

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Acceptance of resignation

Irene D. Lewis, General Assistant, Office of the Secretary,
effective May 3, 1958.



Secretary

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

Item No. 1
4/16/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 16, 1958

Board of Directors,
Manufacturers Trust Company,
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 Manufacturers Trust Company, New York, New York, at 2121 Broadway, Astoria, Queens County, New York, provided the branch is established within one year from the date of this 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
4/16/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 16, 1958

Honorable Jesse P. Wolcott, Chairman,
Federal Deposit Insurance Corporation,
Washington 25, D. C.

Dear Mr. Wolcott:

The Board of Governors has given consideration to the application of the Saddle Brook State Bank, Saddle Brook, New Jersey, a proposed State bank in process of being organized, for membership in the Federal Reserve System.

It is understood that the organizers' first applied for deposit insurance as a nonmember bank on April 11, 1955, and that this application was disapproved by your Corporation on February 16, 1956. We are informed also that a second application for insurance was filed on November 19, 1956, and that this application was also denied.

It is our understanding that the unfavorable factors upon which your denials were largely predicated were: (a) an unacceptable proposed executive officer, (b) inaccessibility of the proposed site, (c) inadequacy of the proposed banking house, and (d) questioned capital adequacy, earnings projections, and need for banking facilities.

It appears that effective steps have been taken by the organizers which, together with subsequent developments, have substantially eliminated the objections previously raised. Briefly, (a) the person originally proposed as the bank's executive officer is no longer being considered and the presently proposed executive officers appear to be capable and experienced, (b) the Mayhill Street extension, which will make Market Street easily accessible from all points in town is scheduled for completion this summer, (c) a new modern banking house will be erected instead of attempting to renovate an inadequate building, and (d) the proposed capital of \$495,000 is \$165,000 greater than originally



Mr. Wolcott

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proposed, a more realistic approach has been taken in projecting earnings and expenses, and it is pointed out that Saddle Brook is one of the few communities in this area of Bergen County which does not have its own banking facilities.

On the basis of all available information, it would seem that the application on behalf of the proposed bank for membership in the Federal Reserve System should be approved. However, before taking final action on the application, the Board of Governors would like to be advised as to any factors or circumstances to which you feel special consideration should be given.

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. 3
4/16/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 16, 1958

Board of Directors,
The Detroit Bank and Trust Company,
Detroit 31, Michigan.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Chicago, the Board of Governors of the Federal Reserve System approves the establishment by The Detroit Bank and Trust Company of a branch at the intersection of Joy Road and Beech Road, Wayne County, Michigan, and a branch on the north side of Ann Arbor Trail, near and to the east of Merriman Road, Nankin Township, Michigan, provided the branches are established within nine months from the date of this letter, and approval of the State authorities is effective as of the date the branches are established.

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. 4
4/16/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 16, 1958



Mr. Malcolm Bryan, President,
Federal Reserve Bank of Atlanta,
Atlanta 3, Georgia.

Dear Mr. Bryan:

As recommended in Mr. Patterson's letter of March 21, 1958, the Board of Governors has changed the classification of member banks in the Sixth District, for the purpose of electing Class A and Class B directors, to the following:

<u>Group</u>	<u>Banks with Capital and Surplus of:</u>
1	\$3,000,000 and over
2	\$600,000 and over, but under \$3,000,000
3	Under \$600,000

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
4/16/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 16, 1958

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

Dear Mr. Mangels:

Your letter of March 17 with regard to the classification of member banks for the purpose of electing directors indicates that the movement of banks from one group to another has been minor since the last reclassification, and states that, accordingly, your Directors on March 12 voted to continue the present classification.

In the light of these circumstances, the Board will make no change at this time in the classification of member banks for the purpose of electing Class A and Class B directors in the Twelfth District.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 6
4/16/58

OFFICE OF THE CHAIRMAN

April 21, 1958

The Honorable Wright Patman,
House of Representatives,
Washington 25, D. C.

Dear Mr. Patman:

This letter is in response to yours of March 12, 1958, requesting information with respect to discount rate changes recommended by the Federal Reserve Banks and approved by the Board since the first of 1953.

(1) The exact time of day of receipt of advice of action by the Board of Directors of a Federal Reserve Bank with respect to a change in rate, is not a matter of record for the reason that frequently advice of a proposed change was conveyed to the Board by telephone and subsequently confirmed by wire and it is not possible to distinguish such cases in the Board's records. However, except as noted below, advice of action by the directors of a Bank was received on the same day that public announcement of the change was made:

	<u>Date Received</u>	<u>Date of Announcement</u>
Philadelphia	1- 8-53	1-15-53
Cleveland	1- 8-53	1-15-53
St. Louis	1-12-53	1-15-53
Atlanta	1-14-53	1-15-53
San Francisco	2- 3-54	2- 4-54
Minneapolis	2- 4-54	2- 5-54
Chicago	4- 8-54	4-13-54
Cleveland	4-22-54	4-23-54
Kansas City	4-22-54	4-23-54
Dallas	4-22-54	4-23-54
San Francisco	4-20-55	4-21-55
Atlanta	4-28-55	4-29-55
Cleveland	7-27-55	8- 3-55
Chicago	7-28-55	8- 3-55

The Honorable Wright Patman

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	<u>Date Received</u>	<u>Date of Announcement</u>
Boston	8- 1-55	8- 3-55
San Francisco	8- 3-55	8- 4-55
Minneapolis	8- 4-55	8- 5-55
San Francisco	9- 7-55	9- 8-55
Atlanta	4- 2-56	4-12-56
Philadelphia	4- 5-56	4-12-56
Boston	4- 9-56	4-12-56
San Francisco	4-11-56	4-12-56
Philadelphia	8-16-56	8-23-56
St. Louis	8-19-57	8-20-57
Philadelphia	1-16-58	1-21-58

(2) Except for the changes in March 1958, the rate changes since the first of 1953 are shown in the table "Federal Reserve Bank Discount Rates" in the monthly issues of the Federal Reserve Bulletin, copies of which you have. The effective dates of the March 1958 changes are shown on page 298 of the March Bulletin.

(3) Except in two instances, the rates fixed by the directors were approved by the Board. On July 26, 1956, the directors of the Federal Reserve Bank of Minneapolis fixed a rate of 2-3/4 per cent (the rate then in effect was 3 per cent). The Board deferred action on this rate and at the meeting of the directors on August 9, action was taken to fix a rate of 3 per cent, which was approved by the Board.

As stated on page 69 of the Board's annual report for 1957, which is being submitted to the Congress today, on November 14, 1957, the Federal Reserve Bank of New York advised by telephone that the directors had fixed a rate of 3-1/4 per cent (the rate then in effect was 3-1/2 per cent). The Board voted to take no action on this rate and the Bank was so advised by telephone. A few minutes later the Bank advised, again by telephone, that the directors had fixed a rate of 3 per cent. This rate was approved by the Board.

(4) The exact time of day of the public announcement by the Board of a new rate is not available from our records. However, in almost all cases, the releases were given to the press after 3:30 p.m. or after the closing of the principal markets. In the few instances

The Honorable Wright Patman

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where the change was announced earlier in the day, the same change had already been announced by other Reserve Banks. The rates thus announced were effective on the day of announcement or the first business day following the day of announcement.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.

cc: Chairman Brent Spence