

Minutes for May 2, 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><i>WM</i></u>	_____
Gov. Szymczak	x <u><i>MS</i></u>	_____
Gov. Vardaman	x <u><i>CV</i></u>	_____
Gov. Mills	x <u><i>J</i></u>	_____
Gov. Robertson	x <u><i>R</i></u>	_____
Gov. Balderston	x <u><i>CCB</i></u>	_____
Gov. Shepardson	x <u><i>SS</i></u>	_____

Minutes of the Board of Governors of the Federal Reserve System
on Friday, May 2, 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. Solomon, Assistant General Counsel
Mr. Hostrup, Assistant Director, Division of
Examinations
Mr. Nelson, Assistant Director, Division of
Examinations

Items circulated or distributed 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 proposed Saddle Brook State Bank, Saddle Brook, New Jersey, approving its application for membership in the Federal Reserve System. (For transmittal through the Federal Reserve Bank of New York)	1
Letter to the Southgate National Bank of Milwaukee, Milwaukee, Wisconsin, granting its request for permission to maintain reduced reserves. (For transmittal through the Federal Reserve Bank of Chicago)	2

The following letter, which had been distributed to the members of the Board and a copy of which is attached under Item No. 3, also was approved unanimously:

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Letter to the Federal Reserve Bank of New York approving its acting as fiscal agent in respect to a proposed issue of bonds of the International Bank for Reconstruction and Development.

Discount rates. Unanimous approval was given to telegrams to the Federal Reserve Banks of New York, Philadelphia, Chicago, and St. Louis approving the establishment without change by those Banks on May 1, 1958, of the rates on discounts and advances in their existing schedules.

Mr. Nelson then withdrew from the meeting and Mr. Young, Director, Division of Research and Statistics, entered the room.

Possible amendment to Regulation T (Item No. 4). Pursuant to the understanding at the meeting on April 24, 1958, there had been distributed to the members of the Board a draft of letter to the Chairman of the Board of Governors of the National Association of Securities Dealers concerning a suggestion which had been made to members of the Board's staff by representatives of the Association looking toward a possible amendment to Regulation T under which certain commitments by securities dealers with "institutional purchasers" might be granted the privileges now allowed for bona fide transactions in a special cash account. The proposed letter would state that the Board had been impressed with the problems involved in the suggestion, particularly the difficulty of achieving a suitable definition of the transactions and purchasers to be granted the special treatment. It would also state that in addition to questions of language and phraseology, such a

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proposal might well involve serious problems of substance on which a conclusion could not be reached without considerable additional information regarding the magnitude of present difficulties intended to be relieved and any new difficulties which might be created.

Discussion of the draft of letter disclosed a desire on the part of the Board to take a more definite position than set forth therein and to state to the National Association of Securities Dealers that on the basis of the information presented thus far about the possible amendment to Regulation T the Board did not see its way clear to accept the suggestion. Accordingly, unanimous approval was given to a letter to the Chairman of the Board of the Association in the form attached under Item No. 4, with the understanding that a copy would be sent to the Executive Director of the Association.

Request of First Bank Stock Corporation (Item No. 5). By letter dated April 28, 1958, Counsel for First Bank Stock Corporation, Minneapolis, Minnesota, requested an extension from May 5 to May 26, 1958, of the time allowed for submitting to the Hearing Examiner proposed findings and conclusions and supporting brief in connection with the hearing under section 4(c)(6) of the Bank Holding Company Act relating to First Banccredit Corporation and First Service Agencies, Inc. The letter had been distributed to the members of the Board along with a memorandum from Mr. Solomon dated May 1, 1958, which recommended that

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the request be granted. The memorandum noted that the Hearing Examiner had recommended informally to the same effect.

Pursuant to this recommendation, unanimous approval was given to an order in the form attached hereto under Item No. 5, with the understanding that copies would be sent to the appropriate parties.

Request of Bank Shares Incorporated for determination (Item No. 6). A memorandum from Mr. Solomon dated April 30, 1958, which had been distributed to the members of the Board, discussed the request of Bank Shares Incorporated, Minneapolis, Minnesota, for a determination under section 4(c)(6) of the Bank Holding Company Act with respect to all four of its nonbanking subsidiaries. It was recommended that the Board (1) issue an order setting down the hearing for May 20, 1958, (2) assign Mr. Arthur Leff to conduct the hearing, and (3) confirm tentative arrangements for Messrs. Ueland and Strothman of the Federal Reserve Bank of Minneapolis to act as counsel in this matter, with reimbursement to the Reserve Bank for any travel or expenses but not for the salaries of Messrs. Ueland and Strothman.

Following comments by Mr. Solomon, the arrangements recommended in his memorandum were approved unanimously, with the understanding that the procedural steps appropriate to this action would be taken. A copy of the order issued pursuant to this action is attached as Item No. 6.

In addition, it was understood that efforts would be made to obtain counsel from one of the other Reserve Banks, possibly Richmond,

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to participate in the hearing as an "observer" in order to help build a reserve of experience for future hearings.

Permission for Northeast National Bank of Houston to maintain reduced reserves. By unanimous vote, the Board ratified the action taken on April 23, 1958, with four members of the Board present, authorizing the Northeast National Bank of Houston, Houston, Texas, to maintain the same reserves as are required for banks located outside of central reserve and reserve cities.

The meeting then adjourned.

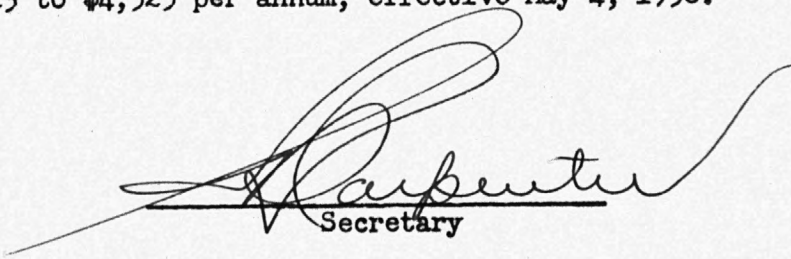
Secretary's Note: Pursuant to the recommendations contained in memoranda from appropriate individuals concerned, Governor Shepardson approved today on behalf of the Board the following items affecting the Board's staff:

Appointment

Daniel H. MacDonald as Assistant Federal Reserve Examiner in the Division of Examinations, with basic annual salary at the rate of \$4,930, effective the date he assumes his duties.

Salary increase

Priscilla S. Goodby, Research Assistant, Division of Research and Statistics, from \$4,345 to \$4,525 per annum, effective May 4, 1958.



Secretary

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

Item No. 1
5/2/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 2, 1958



Organization Committee,
Saddle Brook State Bank,
Saddle Brook, New Jersey.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the application made on behalf of the Saddle Brook State Bank, Saddle Brook, New Jersey, for stock in the Federal Reserve Bank of New York, effective if and when the bank opens for business under appropriate State authorization, 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.
3. At the time of admission to membership, such bank shall have paid-in and unimpaired capital stock of not less than \$150,000, and other capital funds of not less than \$345,000.

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.

Saddle Brook State Bank

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Attention is invited to the fact that if the 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 after the bank's Certificate of Authority to Commence Business has been issued. The Board of Directors should also adopt, at the same time, a resolution ratifying the action which has been taken in the bank's behalf in making application for membership in the Federal Reserve System. A certified copy of each resolution, together with advice of compliance with the provisions of condition numbered 3, should be transmitted to the Federal Reserve Bank of New York. 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) S. R. Carpenter

S. R. Carpenter,
Secretary.

Enclosure

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

Item No. 2
5/2/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 2, 1958



Mr. L. Striegl, Vice President,
Southgate National Bank of Milwaukee,
Milwaukee, Wisconsin.

Dear Mr. Striegl:

Pursuant to your request submitted through the Federal Reserve Bank of Chicago, the Board of Governors, acting under the provisions of Section 19 of the Federal Reserve Act, grants permission to your bank to maintain the same reserves against deposits as are required to be maintained by banks located outside of central reserve and reserve cities, effective as of the date of its opening for business.

Your attention is called to the fact that such permission is subject to revocation by the Board of Governors of the Federal Reserve System.

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
5/2/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 2, 1958



Mr. H. A. Bilby, Vice President,
Federal Reserve Bank of New York,
New York 45, New York.

Dear Mr. Bilby:

This refers to your letter of April 29, 1958, and its enclosures, concerning the proposed issue by the International Bank for Reconstruction and Development of its Ten Year Bonds of 1958, due May 15, 1968. In that letter you state that it is proposed to amend Schedule A of the Fiscal Agency Agreement dated as of February 6, 1950, between the International Bank and your Bank to include the bonds in question.

The Board of Governors approves of your Bank acting as Fiscal Agent in respect of the proposed issue by the International Bank of Ten Year Bonds of 1958, due May 15, 1968, and approves the execution and delivery by your Bank of an Agreement with the International Bank in the form or substantially in the form of Supplement No. 14 to the Fiscal Agency Agreement dated as of February 6, 1950, between your Bank and the International Bank, enclosed with 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. 4
5/2/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 5, 1958



Mr. Charles L. Bergmann,
Chairman,
Board of Governors,
National Association of Securities Dealers, Inc.,
48 Wall Street,
New York, New York.

Dear Mr. Bergmann:

Messrs. Ralph Young, Frederic Solomon and Daniel Brill of the Board's staff have reported to the Board their informal discussion with you and your associates regarding your tentative suggestions looking toward a possible amendment to Regulation T.

It is understood that you suggested the possibility that certain commitments by securities dealers with "institutional purchasers" might be granted the privileges now allowed bona fide cash transactions in the special cash account. Commitments that met three conditions would receive the privileges: the dealer must have the securities on hand in his inventory, the securities involved must be fixed-interest, nonconvertible debt securities of the three highest investment ratings, and the purchaser must be an "eligible" institution. The suggestion would not be limited to cases in which the delay in payment is due to legal limitations on the purchaser (such as a requirement that the security be certified for a "legal list"), but would go considerably beyond such a relatively clear-cut situation.

The Board would, of course, give careful consideration to any proposal you might wish to present at any time for improving the operation of the regulation or otherwise serving the public interest. On the basis of the information presented, however, the present suggestion would seem to raise serious problems, particularly as to the definition of the transactions and purchasers to be granted the special treatment. In addition to uncertainties of language or phraseology, there appear to be grave questions of substance as to the magnitude of present difficulties sought to be relieved and of new difficulties that might be created.

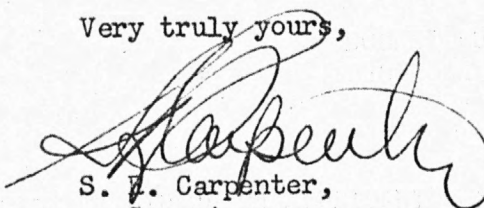
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Mr. Charles L. Bergmann

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The Board appreciates your interest in the problems relating to the regulation and is grateful for the attention you have given this matter. For the reasons indicated above, however, on the basis of available information adoption of an amendment such as that proposed does not appear to the Board to be warranted.

Very truly yours,



S. F. Carpenter,
Secretary.

cc: Mr. Wallace H. Fulton,
Executive Director,
National Association of
Securities Dealers, Inc.,
1625-K Street, N. W.,
Washington, D. C.

Item No. 5
5/2/58

UNITED STATES OF AMERICA
BEFORE THE
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, D. C.

IN THE MATTER OF
THE APPLICATIONS OF
FIRST BANK STOCK
CORPORATION

DOCKET NUMBERS
BHC-36 AND BHC-37

ORDER EXTENDING TIME WITHIN WHICH APPLICANT
MAY SUBMIT TO HEARING EXAMINER PROPOSED FINDINGS
AND CONCLUSIONS, AND SUPPORTING BRIEF

Additional time having been requested by the Applicant, First Bank Stock Corporation, within which to submit to the Hearing Examiner proposed findings and conclusions, and supporting brief, and it appearing to the Board that such request should be granted, it is hereby ORDERED that the time within which the Applicant may file such proposed findings and conclusions, and supporting brief, be, and the same hereby is, extended to and including May 26, 1958.

This 2nd day of May 1958.

By order of the Board of Governors.

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.

(SEAL)

Washington, D. C.
May 2, 1958.

Item No. 6
5/2/58

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

NOTICE OF REQUEST FOR DETERMINATION

PURSUANT TO SECTION 4(c)(6) OF
BANK HOLDING COMPANY ACT OF 1956 AND
ORDER FOR HEARING THEREON

Notice is hereby given that request has been made to the Board of Governors of the Federal Reserve System, pursuant to section 4(c)(6) of the Bank Holding Company Act of 1956 [12 U.S.C. 1843] and section 5(b) of the Board's Regulation Y [12 CFR 222.5(b)], by Bank Shares Incorporated, Minneapolis, Minnesota, a bank holding company, for a determination by said Board that each of the companies listed below and the activities thereof are of the kind described in those provisions of the Act and the regulation so as to make it unnecessary for the prohibitions of section 4 of the Act with respect to retention of shares in nonbanking organizations to apply in order to carry out the purposes of the Act:

1. Chicago-Lake Agency, Incorporated
2. Columbia Heights Agency, Incorporated
3. Marquette Insurance Agency, Incorporated
4. University National Agency, Incorporated

Inasmuch as section 4(c)(6) of the Bank Holding Company Act of 1956 requires that any determination pursuant thereto be made by the Board after due notice and hearing and on the basis of the record made at such hearing,

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IT IS HEREBY ORDERED That pursuant to section 4(c)(6) of the Bank Holding Company Act of 1956 and in accordance with sections 5(b) and 7(a) of the Board's Regulation Y [12 CFR 222.5(b), 222.7(a)], promulgated under the Bank Holding Company Act of 1956, a hearing with respect to this matter be held commencing on May 20, 1958, at 10 o'clock a.m., at the office of the Federal Reserve Bank of Minneapolis, 73 South Fifth Street, in the City of Minneapolis, State of Minnesota, before a hearing examiner selected by the Civil Service Commission pursuant to Sec. 11 of the Administrative Procedure Act, such hearing to be conducted in accordance with the Rules of Practice for Formal Hearings of the Board of Governors of the Federal Reserve System [12 CFR Part 263]. The Board's Rules of Practice for Formal Hearings provide, in part, that "all such hearings shall be private and shall be attended only by respondents and their representatives or counsel, representatives of the Board, witnesses, and other persons having an official interest in the proceedings; Provided, however, That on the written request of one or more respondents or counsel for the Board, or on its own motion, the Board, when not prohibited by law, may permit other persons to attend or may order the hearing to be public."

Any person desiring to give testimony in this proceeding should file with the Secretary of the Board, directly or through the Federal Reserve Bank of Minneapolis, on or before May 15, 1958,

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a written request relative thereto, said request to contain a statement of the reasons for wishing to appear, the nature of the petitioner's interest in the proceeding, and a summary of the matters concerning which said petitioner wishes to give testimony. Such request will be presented to the designated hearing examiner for his determination in the matter at the appropriate time. Persons submitting timely requests will be notified of the hearing examiner's decision in due course.

(SEAL)

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.

Dated: May 2, 1958