Minutes for May 29, 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.

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<td>Chm. Martin</td>
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<td>Gov. Szymczak</td>
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<td>Gov. Shepardson</td>
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Minutes of the Board of Governors of the Federal Reserve System on Thursday, May 29, 1958. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Szymczak
Mr. Vardaman
Mr. Robertson
Mr. Shepardson
Mr. Carpenter, Secretary
Mr. Fauver, Assistant Secretary
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. Conkling, Assistant Director, Division of Bank Operations
Mr. Solomon, Assistant General Counsel
Mr. Goodman, Assistant Director, Division of Examinations

Items circulated to the Board. The following items, which had been circulated to the Board and copies of which are attached to these minutes under the respective item numbers indicated, were approved unanimously:

<table>
<thead>
<tr>
<th>Item No.</th>
<th>Description</th>
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<td>1</td>
<td>Letter to Bank of America, New York, New York, advising that the consent to the establishment of four branches in Italy by Banca d'America e d'Italia contained in the Board's letter of April 2, 1958, will be deemed to relate to agencies rather than branches. (For transmittal through the Federal Reserve Bank of New York)</td>
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<td>2</td>
<td>Letter to The Harter Bank &amp; Trust Company, Canton, Ohio, extending the time within which it may establish a branch in Plain Township. (For transmittal through the Federal Reserve Bank of Cleveland)</td>
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Letter to Bank of Dearborn, Dearborn, Michigan, extending the time within which it may establish a branch at 22100 Outer Drive. (For transmittal through the Federal Reserve Bank of Chicago)

Discount rates. Unanimous approval was given to a telegram to the Federal Reserve Bank of San Francisco approving the establishment without change by that Bank on May 28, 1958, of the rates on discounts and advances in its existing schedule.

At this point, Mr. Molony, Special Assistant to the Board, joined the meeting.

Emblem of System membership (Item No. 4). Prior to the meeting, there had been distributed to the members of the Board copies of a proposed letter to the Federal Reserve Banks requesting views on a draft of letter concerning the proposed use by a member bank of an emblem other than one in the usual "diamond-on-a-rectangle" shape to advertise membership in the Federal Reserve System. A question had been raised by a member bank in the Minneapolis Federal Reserve District as to whether the System had any objection to the use of another emblem.

The Secretary reviewed for the Board the history of the emblem which had been originally designed at the Federal Reserve Bank of New York. The emblem had never been formally approved or endorsed by the Board but other Federal Reserve Banks had adopted it and over the years it had been accorded general acceptance as symbolic of System membership.

Governor Vardaman inquired whether after all these years it would not be possible for the Board to take a position and to endorse
the emblem rather than to continue to straddle the issue. The Secretary replied that a similar question had been raised by Governor Shepardson. The question, however, had been of less importance in recent years, and this seemed to justify the course of action proposed. Governor Shepardson commented that he had been surprised to learn that there was no official emblem to indicate System membership. He said he felt that if this were a question that came up from time to time he would deem it appropriate to adopt an official design.

In concurring with this view, Governor Robertson stated he felt the matter ought to be resolved as a System-wide decision and therefore an appropriate first step would be to refer the matter to the Presidents' Conference and in that way arrive at a System-wide agreement.

Governor Vardaman said he favored the idea of an official symbol and that it would be far better to get behind the customary design and to protect it from modification or adaptation for some particular advertising purpose.

Chairman Martin indicated he favored the suggestion of Governor Robertson that the matter be referred to the Presidents' Conference, and it was thereupon agreed to adopt this procedure, to revise the proposed letter in accordance with the discussion, and to direct the letter to Mr. Erickson as Chairman of the Conference of Presidents. A copy of the letter sent to Mr. Erickson is attached as Item No. 4.
Following this discussion, Mr. Molony left the meeting.

Acquisition of stocks by Edge Act corporations (Items 5 and 6).

At the meeting on May 23, 1958, the Board approved a request of the Chase International Investment Corporation for the Board's consent to an investment by Arcturus Investment & Development, Ltd., Montreal, Canada, of an amount not exceeding $250,000 in stock of a Panamanian soap and edible oils corporation and to the acquisition (without cost) of additional shares of such stock (not exceeding 10 per cent of the total outstanding) as compensation for financing to be furnished.

In approving this application, the Board did not impose two conditions which had been applied in similar cases since the effective date of the revised Regulation K. These conditions were (1) that the proposed acquisition and holding of stock of the corporation would be made as an incident to the proposed financing rather than for the primary purpose of making a direct long-term investment in the corporation, and (2) that the stock would be disposed of within a reasonable time after the termination of substantial credit or financing relationships with the corporation. In light of this fact, Governor Szymczak had suggested that it might be desirable to defer sending the letter approved on May 23 to Chase International Investment Corporation until consideration could be given as to whether these conditions should also be waived in earlier cases where they had been applied.

There had been distributed to the members of the Board prior to
the meeting a memorandum from the Division of Examinations dated May 28, 1958, reviewing consents granted by the Board to Edge corporations to acquire stocks. The memorandum pointed out that on December 10, 1957, the Board had granted consent to American Overseas Finance Company to acquire and hold up to 10 per cent of the common stock of Panamerican Commodities, S. A., Lima, Peru, imposing the two conditions indicated above. In the same letter the Board granted its general consent to acquire without additional payment and to hold stock received in connection with loan or credit transactions subject, among other things, to the same two conditions. Likewise, on April 23, 1958, the Board granted its consent to the same company to purchase and hold 23,680 shares of the common stock of Primadera Nepena Peruana, S. A., a Peruvian corporation, again including the two conditions indicated above. The memorandum proposed that a letter be sent to the American Overseas Finance Company waiving the condition that the company dispose of stocks acquired under the consents granted.

Governor Szymczak said he concurred in the recommendation of the memorandum.

In response to a question from Governor Shepardson, Mr. Goodman indicated that in the case of the American Overseas Finance Company the first of these conditions would still stand, namely, that the proposed acquisition and holding of stock would be made as an incident to proposed financing rather than for the primary purpose of making a
direct long-term investment.

With this understanding, the Board unanimously approved the sending of letters to the American Overseas Finance Company, New York, New York, and the Chase International Investment Corporation, New York, New York, copies of which are attached to these minutes as Items 5 and 6.

At this point Mr. Dembitz, Research Associate, Division of Research and Statistics, entered the meeting.

Study of Federal Funds Market (Item No. 7). Prior to the meeting there had been circulated to the members of the Board a memorandum dated May 2, 1958, from Messrs. Dembitz and Conkling commenting on the recommendations of the Presidents' Conference at its meeting on February 10, 1958, (1) that the Study of Federal Funds Market made by a System staff committee be considered for publication, (2) that there be further exploration as to the desirability of publishing regularly a Federal funds rate, (3) that certain other recommendations of the study be pursued as promptly as possible, and (4) that other specific recommendations be held up for the development of more factual information.

Attached to the memorandum was a proposed letter to Mr. Erickson as Chairman of the Conference of Presidents which took the position that the Board agreed with the opinion of the Presidents that publication of an appropriately edited version of the staff committee's report be considered. It pointed out that an authorized procedure for developing
technical staff studies for publication existed through the System Research Advisory Committee and suggested that consideration of the manuscript be handled through this channel. The letter also took the position that the Board agreed that its staff should explore publication of the Federal funds rate along with other relevant rates in System publications. As to the staff committee's "suggestions for further study" numbered 1, 3, and 6, the letter stated it would seem desirable for the committee to give attention to the usefulness of such information in relation to the costs of obtaining it, and that the committee's views be referred to the System Research Advisory Committee to assure consistency with other research objectives of the System before the Conference of Presidents made a final recommendation.

The Board unanimously agreed with the recommendations in the memorandum and approved the sending of the letter, a copy of which is attached to these minutes as Item No. 7, to Mr. Erickson as Chairman of the Presidents' Conference.

Following the discussion of this item Messrs. Leonard and Conkling left the room.

Extension of time in the matter of First New York Corporation (Item No. 8). Prior to the meeting there had been distributed to the members of the Board a memorandum from Mr. O'Connell, Assistant General Counsel, which pointed out that by an order of the Board dated May 22, 1958, the statement of the Department of Justice in this proceeding had been accepted for filing and was made part of the public
This order gave parties to the matter 10 days within which to file a reply statement or brief, which period would expire at the close of business on June 2. Counsel for the applicants had by a telephone call on May 27 requested an extension of time of one week within which to file applicants' reply to the statement of the Department of Justice. It had been determined that there was no objection to the requested continuance from Counsel for the other parties to the proceeding. The memorandum recommended that the time requested be granted.

Mr. Hackley explained that the reason for the request was due to a failure of electric power in the building in which the offices of counsel for the applicants were located. This had made impossible completion of the brief within the time originally specified.

The Board unanimously approved the issuance of an order, a copy of which is attached to these minutes as Item No. 8, extending to the close of business on June 9, 1958, the time within which all parties to the proceeding might file a reply to the statement of the Department of Justice. It was understood that advice would be sent to interested parties.

The meeting then adjourned.

Secretary's Note: Governor Shepardson today approved on behalf of the Board a memorandum dated May 28, 1958, from Mr. Young, Director, Division of Research and Statistics, recommending that the Secretary execute a letter contract
dated May 26, 1958, submitted by the University of Michigan, providing for methodological studies on data collected in the Thirteenth Annual Survey of Consumer Finances. The contract called for an expenditure not exceeding $11,740, with work to be started on or about June 1, 1958, and to be completed on or about September 1, 1958. Pursuant to this action, the contract was executed on May 29, 1958.
May 29, 1958

Mr. Russell G. Smith, Executive Vice President,
Bank of America,
40 Wall Street,
New York, New York.

Dear Mr. Smith:

This will acknowledge your letter of May 6, 1958, advising that, pursuant to the consent granted in the Board's letter of April 2, 1958, for Banca d'America e d'Italia, Milan, Italy, to establish four branches in Italy, to be located in Naples, Genoa (two branches), and Milan, the Genoa Agenzia "C", located at Piazza della Commenda 67/3r-5r, in Zona Darsena, Genoa, was opened on April 14, 1958.

It is noted that the Bank of Italy, which has the exclusive authority to approve the opening of banking offices in Italy, classifies the offices in question as "agenzias". It is also noted that the office just opened, as well as the other three when established, will be agencies of the main branch in the cities concerned, and that they will not be independent accounting units. In the circumstances, the Board's consent to the opening of these offices in its letter of April 2, 1958, will be deemed to relate to agencies rather than branches.

With regard to your comments concerning the six months' time limitation placed on the opening of these offices in the Board's letter of April 2, 1958, the Board will give consideration to your request for an extension of the time limitation in the event circumstances arise which necessitate such a request.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.
May 29, 1958

Board of Directors,
The Harter Bank & Trust Company,
Canton 2, Ohio.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Cleveland, the Board of Governors extends to September 2, 1958, the time within which The Harter Bank & Trust Company, under the authority granted in the Board's letter of June 21, 1957, may establish a branch on the northwest corner of the intersection of 30th Street and Cromer Avenue in Plain Township, Ohio.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.
May 29, 1958

Board of Directors,
Bank of Dearborn,
Dearborn, Michigan.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Chicago, the Board of Governors of the Federal Reserve System further extends to July 2, 1958, the time within which Bank of Dearborn, may, under the authority granted in the Board's letter of February 21, 1957, establish a branch at 22100 Outer Drive, Dearborn, Michigan.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.
May 29, 1958

Mr. J. A. Erickson, Chairman,
Conference of Presidents of the
Federal Reserve Banks,
c/o Federal Reserve Bank of Boston,
Boston 6, Massachusetts.

Dear Mr. Erickson:

The question has been raised with the Board whether the Federal Reserve System would have any objection to a member bank using an emblem other than "the approved diamond-on-a-rectangle shape" to advertise its Federal Reserve membership. The advertising firm which raised the question called attention to advertising put out by one member bank which showed a circular Federal Reserve membership emblem matching their F.D.I.C. emblem.

As you know, the Board has never endorsed any particular form of emblem of Federal Reserve membership. In 1917 the diamond-rectangle emblem was designed by a firm in New York and some of the Federal Reserve Banks sent letters to their member banks calling attention to the emblem and stating: "If member banks all over the country would use the design in their advertising, as well as perhaps on their stationery, we believe it would develop considerable publicity value for them."

In 1938 the Board received a request for permission to reproduce and display the emblem in a catalogue. The reply stated that the Board does not control the use of the emblem and its permission for the purpose stated was not required. In 1933 some members of the Federal Home Loan Bank System began using the diamond-rectangle emblem, and the Board of Governors took the position that the similarity of the emblem to that used by members of the Federal Reserve System could result in misunderstanding and suggested to the Federal Home Loan Bank Board that it be not used. As you know, circular emblems are now being used by insured banks, by members of the Federal Home Loan Bank System, and institutions insured by the Federal Savings and Loan Insurance Corporation.

In discussing the current inquiry here question was raised whether it would be advisable for the System to formally adopt an
official emblem of membership. The Board would like to have the views of the Presidents on this question and will appreciate it if the matter could be put on the agenda for discussion at the next meeting of the Presidents' Conference.

Very truly yours,

S. R. Carpenter,
Secretary.
Mr. N. A. Bogdan, President,
American Overseas Finance Company,
30 Pine Street,
New York, New York.

Dear Mr. Bogdan:

Reference is made to the Board's letter of December 10, 1957, granting consent to your company to acquire and hold up to 10 per cent of the common stock of Panabierican Commodities, S. A., Lima, Peru, and granting general consent, under certain conditions, to your company to acquire and hold stocks of corporations received in connection with loan or credit transactions, and to the Board's letter of April 23, 1958, granting consent to your company to purchase and hold 23,660 shares of the common stock of Primadera Nepena Peruana, S. A., a Peruvian corporation.

The Board's consents were granted with the understanding, among other things, that American Overseas Finance Company would dispose of such stocks within a reasonable time after the termination of substantial credit or financing relationships with such corporations.

After further consideration the Board has concluded to waive this understanding in the above described consents and no time limitations will be imposed as to the holding of such stocks if otherwise permissible under the provisions of Section 25(a) of the Federal Reserve Act or regulations thereunder.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.
Mr. V. E. Rockhill, Executive Vice President,
Chase International Investment Corporation,
16 Pine Street,

Dear Sir:

In accordance with your request and on the basis of the information submitted in your letter of April 16, 1958, transmitted through the Federal Reserve Bank of New York, the Board of Governors grants its consent to the investment by Arcturus Investment & Development, Ltd., Montreal, Canada, a wholly owned subsidiary of Chase International Investment Corporation, of an amount not exceeding $250,000 in stock of Industrias San Antonio, S. A. (or a newly organized Panamanian corporation, if that proves advisable) and the acquisition of additional shares of such stock (not exceeding 10 per cent of the total outstanding) as compensation for financing to be furnished such corporation without the payment by Arcturus of any purchase price. It is understood that such stock will be acquired within one year from the date of this letter.

The Board's consent is granted with the understanding that Arcturus will be expected to dispose of the stock of the Panamanian corporation as promptly as practicable in the event that operations of the Panamanian corporation should at any time be inconsistent with the provisions of Section 25(a) of the Federal Reserve Act or regulations thereunder relating to corporations whose stock is owned by an Edge corporation.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.
Mr. J. A. Erickson, Chairman,  
Conference of Presidents of the Federal Reserve Banks,  
c/o Federal Reserve Bank of Boston,  
Boston 6, Massachusetts.

Dear Mr. Erickson:

This relates to the Study of the Federal Funds Market which was among the topics considered at the Conference of Presidents on February 10, 1958.

The Board agrees with the opinion of the Presidents that publication of an appropriately edited version of the staff committee's report on this subject may be considered. An authorized procedure for developing technical staff studies for publication exists through the channel of the System Research Advisory Committee. This mechanism provides for professional review of the text by an ad hoc subcommittee of that Committee. It is suggested that the next steps in consideration of the manuscript for publication be handled through this authorized channel. Since one chapter of the report has already been published as a special study by the Federal Reserve Bank of Boston, the remaining chapters might be published as special articles in the Federal Reserve Bulletin.

The Board also agrees that its staff should explore publication of the Federal Funds rate along with other relevant rates in System publications.

As to the staff committee's "suggestions for further study" numbered 1, 3, and 6, the Board agrees with the Presidents' opinion that they should be pursued with a view to determining the feasibility of going forward with these studies. The committee should give careful attention to the question of the usefulness of obtaining this information in relation to the direct and indirect costs of doing so. It would seem desirable for the committee's tentative views on this matter to be referred to the System Research Advisory Committee, to assure consistency with other research objectives of the System, before the Conference of Presidents makes its final recommendation.

Very truly yours,

(Signed)  S. R. Carpenter

S. R. Carpenter,  
Secretary.
UNITED STATES OF AMERICA

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

for prior approval of action to become
bank holding companies under Section 3
of the Bank Holding Company Act of 1956

DOCKET NUMBERS

BHC - 1
BHC - 2
BHC - 3

ORDER GRANTING APPLICANTS' REQUEST FOR EXTENSION OF
TIME WITHIN WHICH TO FILE REPLY TO STATEMENT
OF DEPARTMENT OF JUSTICE

This matter coming on this day for consideration on the
request of Applicants for an extension of the time within which
a reply to the Statement of the Department of Justice may be
filed, and it appearing that good cause has been shown and that
the other parties to this proceeding have no objection to such
extension of time, it is ORDERED that,

The time within which all parties to this proceeding may
file a reply to the Statement of the Department of Justice is
hereby extended to the close of business on Monday, June 9, 1958.

This 29th day of May 1958.

By order of the Board of Governors.

(SEAL)

Washington, D. C.
May 29, 1958

S. R. Carpenter,
Secretary.