

Minutes for June 23, 1958



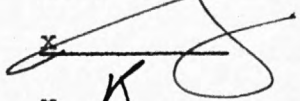
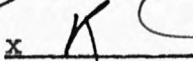
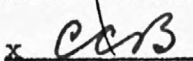
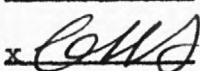
To: Members of the Board

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 | <u>x</u>  | _____ |
| Gov. Szymczak | <u>x</u>  | _____ |
| Gov. Vardaman <u>1/</u> | _____ | <u>x</u> _____ |
| Gov. Mills | <u>x</u>  | _____ |
| Gov. Robertson | <u>x</u>  | _____ |
| Gov. Balderston | <u>x</u>  | _____ |
| Gov. Shepardson | <u>x</u>  | _____ |

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 Monday, June 23, 1958. The Board met in the Board Room at 10:00 a.m.

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

Mr. Carpenter, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Thurston, Assistant to the Board
Mr. Johnson, Director, Division of Personnel
Administration
Mr. Hackley, General Counsel
Mr. Masters, Director, Division of Examinations
Mr. Hexter, Assistant General Counsel

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 Bankers Trust Company, New York, New York, approving the establishment of a branch in the Borough of Queens. (For transmittal through the Federal Reserve Bank of New York) | 1 |
| Letter to the Federal Reserve Bank of Chicago regarding the proposed retirement of preferred stock by The Citizens State Bank of Clare, Clare, Michigan. | 2 |
| Letter to The Cheboygan State Savings Bank, Cheboygan, Michigan, extending the period within which it may operate a seasonal banking office in Indian River, Michigan. (For transmittal through the Federal Reserve Bank of Chicago) | 3 |

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| | <u>Item No.</u> |
|--|-----------------|
| Letter to South Des Moines National Bank, Des Moines, Iowa, granting its request for permission to carry reduced reserves. (For transmittal through the Federal Reserve Bank of Chicago) | 4 |
| Letter to the Federal Reserve Bank of San Francisco approving the payment of salary to Miss Irene Rinks, a head office employee, at the rate of \$295 per month from April 22, 1958, to June 30, 1958. | 5 |

Discount rates. The Board approved unanimously telegrams to the Federal Reserve Banks of New York, Philadelphia, and Kansas City approving the establishment without change by the New York and Philadelphia Banks on June 19, 1958, and by the Kansas City Bank on June 20, 1958, of the rates on discounts and advances in their existing schedules.

Final tax certifications (Item No. 6). There had been distributed to the members of the Board copies of a memorandum from Mr. Hexter dated June 19, 1958, regarding a question that had arisen in connection with pending applications from several bank holding companies for "final tax certifications". This question, according to the memorandum, appeared to call for Board action to clarify the effect of extensions of time heretofore granted under section 4(a) of the Bank Holding Company Act. With respect to situations where the holding company elects not to dispose of its nonbanking interests, but rather to dispose of its bank stocks and thereby cease to be a bank holding company, section 1101(e)(2)(A) of the Internal Revenue Code provides that the distribution

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of bank stocks shall not be tax free "unless the Board certifies that before the expiration of the period specified in subparagraph (B), the corporation has ceased to be a bank holding company." Subparagraph (B) prescribes a period that is identical in all respects with the period prescribed in section 4(a) of the Bank Holding Company Act; that is, a two-year period subject to extension in the discretion of the Board up to a maximum of five years. Pursuant to requests from certain bank holding companies, the Board had granted extensions of time under the provisions of section 4(a) of the Act, but reference had not been made to a similar extension under section 1101(e)(2) of the Internal Revenue Code. It was deemed advisable, therefore, for the Board's records to reflect the intent that the extensions of time were operative with respect to both the provisions of the Bank Holding Company Act and the provisions of the Internal Revenue Code. Submitted with Mr. Hexter's memorandum was a draft of letter along such lines which might be sent to each bank holding company that had been granted an extension of time pursuant to the Bank Holding Company Act.

Following a brief discussion, the course of action suggested in Mr. Hexter's memorandum was approved unanimously. Attached to these minutes as Item No. 6 is a copy of a letter sent to Transamerica Corporation pursuant to this action, and similar letters were sent to the other bank holding companies concerned.

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Charlotte Branch matter (Item No. 7). Pursuant to the understanding at the meeting on June 19, 1958, there had been distributed to the members of the Board copies of a draft of letter to Mr. John Moore, Jr., Clerk of the First Baptist Church, Charlotte, North Carolina, concerning an interview which he and other officials of the church had had with the Vice President in charge of the Charlotte Branch of the Federal Reserve Bank of Richmond concerning employment practices of the branch.

In a discussion of the proposed letter, certain changes were suggested, following which unanimous approval was given to a letter in the form attached as Item No. 7.

Messrs. Hackley, Masters, and Hexter then withdrew from the meeting.

Comments by Governor Balderston. Governor Balderston reported informally on impressions of the current economic and financial situation in Europe that he had gained during his recent trip, which included attendance at the annual meeting of the Bank for International Settlements and brief visits to several European central banks.

The meeting then adjourned.

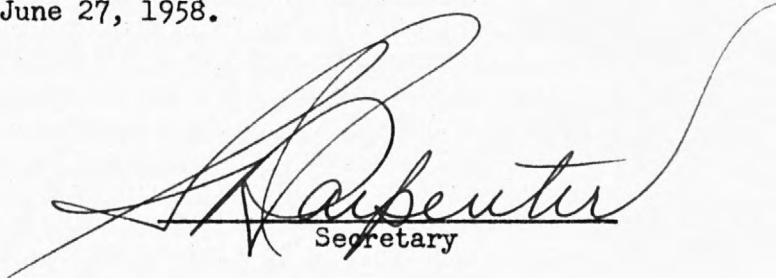
Secretary's Notes: Governor Shepardson approved on behalf of the Board on June 20, 1958, a memorandum dated June 10, 1958, from Mr. Young, Director, Division of Research and Statistics,

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(attached Item No. 8) recommending that three members of the staff of that Division be authorized to attend the 1958 summer sessions at the Merrill Center for Economics, Southampton, Long Island, with the understanding, as stated in a memorandum from the Controller dated June 16, 1958, that reimbursement by the Board for expenses incurred on weekends away from the Center would not exceed the cost of transportation charges from Southampton, Long Island, to Washington, D. C., and return.

Pursuant to the recommendation contained in a memorandum from Mr. Kelleher, Director, Division of Administrative Services, dated June 16, 1958, Governor Shepardson also approved on behalf of the Board on June 20, 1958, acceptance of the resignation of Frances B. Lorenzo, Charwoman in that Division, effective June 27, 1958.



A. Carpenter
Secretary

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

Item No. 1
6/23/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 23, 1958



Board of Directors,
Bankers 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 in the Borough of Queens at 97-03 and 97-05 Queens Boulevard, Rego Park 74, New York, by the Bankers Trust Company, provided the branch is established within six months from the date of this letter, and the approval of the State authorities is in effect as of the date of the establishment of the branch.

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
6/23/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 23, 1958

Mr. W. R. Diercks, Vice President,
Federal Reserve Bank of Chicago,
Chicago 90, Illinois.

Dear Mr. Diercks:

Reference is made to your letter of June 10, 1958, regarding the proposed retirement of \$100,000 preferred stock of The Citizens State Bank of Clare, Clare, Michigan, and the simultaneous increase in common stock in like amount through declaration of a stock dividend.

Although capital funds will be reduced in the amount of \$100,000, through this transaction, it appears that the capital structure of the bank will remain adequate.

While Section 9 of the Federal Reserve Act provides that the capital stock of a State member bank shall not be reduced except with the prior consent of the Board, it would appear that the Board's consent is not required in this case as there will be no reduction in total capital stock because of the concurrent increase in common stock.

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
6/23/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 23, 1958

Board of Directors,
The Cheboygan State Savings Bank,
Cheboygan, Michigan.

Gentlemen:

Reference is made to the Board's letter of December 16, 1957, approving the establishment by The Cheboygan State Savings Bank of a seasonal banking office in Indian River, Michigan, from June 1 to September 15, inclusive, each year, and a seasonal banking office in Mackinac Island, Michigan, from June 1 to October 1, inclusive, each year.

We have been advised by the Federal Reserve Bank of Chicago that you desire to extend the period of operation of the seasonal agency in Indian River, Michigan, from September 15 to October 1 each year, and that you have advised the State Banking Department of the withdrawal of your application to establish the seasonal agency at Mackinac Island, Michigan.

The Board of Governors approves the operation of the seasonal agency in Indian River, Michigan, from June 1 to October 1, inclusive, each year.

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
6/23/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 23, 1958

Mr. C. S. Johnson, President,
South Des Moines National Bank,
Des Moines, Iowa.

Dear Mr. Johnson:

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. 5
6/23/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 23, 1958

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

Dear Mr. Mangels:

In the light of the circumstances detailed in your letter of June 13, 1958, the Board approves the payment of salary to Miss Irene Rinks at the rate of \$295 per month, from April 22, 1958 to June 30, 1958.

It is noted that Miss Rinks attained age 65 on January 22, 1958, and will retire from service with your Bank effective July 1, 1958.

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. 6
6/23/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 25, 1958



Mr. F. N. Belgrano, Jr., President,
Transamerica Corporation,
Montgomery Street at Columbus Avenue,
San Francisco 11, California.

Dear Mr. Belgrano:

In its letter of October 3, 1957, the Board of Governors granted to your corporation an extension of time until December 31, 1958, within which to comply with the provisions of the Bank Holding Company Act of 1956 with respect to divorcement of banking interests and nonbanking interests.

The Board recently received an inquiry from a bank holding company regarding the scope of such extensions. Accordingly, in order to avoid any possible misunderstanding, you are hereby informed that the Board's action in granting such extension to your corporation is effective with respect to the period of time specified in section 1101(e)(2)(B) of the Internal Revenue Code of 1954 (as amended by section 10(a) of the Bank Holding Company Act) as well as the period specified in section 4(a) of the Bank Holding Company Act.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 7
6/23/58

OFFICE OF THE CHAIRMAN

June 24, 1958

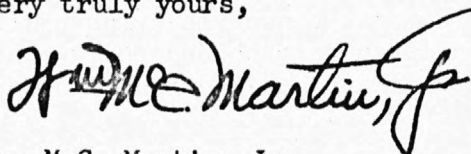
Mr. John Moore, Jr.,
Church Clerk,
First Baptist Church,
1024 South Church Street,
Charlotte 2, North Carolina.

Dear Mr. Moore:

The Board has received your letter of April 28, 1958, with which you enclosed a communication of the same date to the Federal Reserve Bank of Richmond in regard to an interview with Mr. Cherry, Vice President in charge of the Charlotte Branch of that Bank. The letter was delayed in transmission to the Board and did not reach my office until just a few days ago, so that this reply is also delayed for that reason.

We appreciate having this matter brought to our attention because of our deep desire that there shall be no discrimination, based on race, color or creed, in employment practices within the Federal Reserve System.

Very truly yours,



Wm. McC. Martin, Jr.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Item No. 8
6/23/58

Office Correspondence

Date June 10, 1958

To Board of Governors

Subject: Board staff participation at

From Ralph A. Young

the Merrill Center for Economics

The Merrill Center for Economics will conduct its usual summer discussion sessions at Southampton, Long Island for a period of six weeks. In general, the sessions will deal with questions which center about the future level of prices and of investment. Participation by staff members, as in previous years, should be beneficial to the Board.

It is recommended that the following members of the staff of the Division of Research and Statistics be authorized to attend the two-week sessions indicated:

| | |
|--------------------|---|
| July 7 - 18 | Clayton Gehman, Chief, Business Conditions Section |
| July 21 - August 1 | Louis Weiner, Chief, National Income, Labor Force and Trade Section |
| August 4 - 15 | Albert R. Koch, Associate Adviser |

It is also recommended that actual necessary travel expenses, including such expenses incurred on weekends away from the Merrill Center, and reimbursement on a mileage basis if a privately owned automobile is used, be paid by the Board in accordance with the Board's travel regulations. (Room and meals at Southampton would be provided by the Merrill Center, at no expense to the Board.)

Mr. Willard L. Thorp, Director of the Merrill Center, has invited those listed above to participate in the particular sessions indicated.

Ray

*OK
EMA*