

Minutes of the Board of Governors of the Federal Reserve System
on Monday, July 14, 1958. The Board met in the Board Room at 10:00 a.m.

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

Mr. Carpenter, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Riefler, Assistant to the Chairman
Mr. Thomas, Economic Adviser to the Board
Mr. Young, Director, Division of Research and
Statistics
Mr. Johnson, Director, Division of Personnel
Administration
Mr. Hackley, General Counsel
Mr. Goodman, Assistant Director, Division of
Examinations
Mr. Benner, Assistant Director, Division of
Examinations

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 Depositors Trust Company, Augusta, Maine, consenting to its absorption of the Knox County Trust Company, Rockland, Maine, and approving the establishment of branches in Rockland, Camden, Union, and Vinalhaven. (For transmittal through the Federal Reserve Bank of Boston)	1
Letter to the Federal Reserve Bank of Boston noting the withdrawal of an application by Bristol County Trust Company, Taunton, Massachusetts, to establish a branch in Raynham, Massachusetts.	2
Letter to Citizens State Bank, Waterloo, Indiana, granting its request for permission to exercise fiduciary powers. (For transmittal through the Federal Reserve Bank of Chicago)	3

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Item No.

Letters to Bank of America, New York, New York, (1) authorizing the establishment of a branch in Kuala Lumpur, Federation of Malaya, and (2) granting consent to the purchase of shares of Malaya Industrial Development Finance Limited. (For transmittal through the Federal Reserve Bank of New York)

4, 5

Letter to the Presidents of all Federal Reserve Banks requesting that reports of credit extended to real estate mortgage lenders as of August 13, 1958, be obtained from weekly reporting member banks.

6

Letter to the Department of Justice regarding whether deposits by the Federal Government in national banks create contractual relationships that require the inclusion of a nondiscrimination clause. 1/

7

Prior to approval of the foregoing Item No. 1, Governor Robertson stated that although, on the basis of the information presented, he would have no objection to the proposed absorption of the Knox County Trust Company by Depositors Trust Company, the situation in the State of Maine should be watched closely over a period of time because it could develop rapidly to the point where the banking facilities of the State were dominated by large rival banking organizations, as had happened in the States of Arizona and Oregon.

Approval of Items 4 and 5 was preceded by a discussion during which Governor Mills referred to the scope and various aspects of the operations of Bank of America, New York, as revealed by reports of examination of the Edge Act corporation and its foreign branches. He said there was some concern in his mind, which had not yet crystallized, however, that possibly the management of the parent bank (Bank of America

1/ The approved letter was in a form reflecting a suggestion at this meeting for elimination, as nonessential, of a reference to the nature of the funds used to defray the expenses of the Board of Governors.

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National Trust and Savings Association) might not be keeping in as close contact with the kinds of business transacted by the Edge Act subsidiary as would be desirable.

Governor Mills also referred to a letter addressed to the Federal Reserve Bank of New York by the New York Clearing House Association under date of May 29, 1958, a copy of which was sent by the Reserve Bank to the Board on June 19, 1958, in which the Clearing House Association expressed concern about certain features associated with the operation of an Edge Act subsidiary in a State different from that where its parent bank is located, and recommended amendment of both the Edge Act and the Board's Regulation K. The New York Bank had indicated in transmitting the letter that it was preparing a reply and would send the Board a copy.

Following comments by Mr. Goodman in the light of the remarks made by Governor Mills, it was suggested by Governor Szymczak that the Board might like to have from Mr. Goodman a memorandum reviewing the scope of the operations of Bank of America, New York.

Agreement being expressed with this suggestion, the current applications were approved with the understanding that a memorandum of the kind mentioned would be submitted.

Discount rates. Unanimous approval was given to a telegram to the Federal Reserve Bank of Kansas City approving the establishment without change by that Bank on July 11, 1958, of the rates on discounts and advances in its existing schedule.

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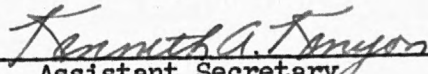
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All of the members of the staff except Mr. Johnson then withdrew from the meeting.

Officer salaries at Philadelphia Bank (Item No. 8). There had been circulated to the members of the Board a file relating to the request of the Federal Reserve Bank of Philadelphia for approval of the payment of salaries to Messrs. Catanach, Barrie, and Vergari, officers of the Bank, at rates fixed by the Board of Directors.

The Secretary's Office was later informed that during the executive session the request of the Bank was approved. A copy of the letter sent to the Bank pursuant to this action is attached as Item No. 8.

The meeting then adjourned.


Assistant Secretary

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

Item No. 1
7/14/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 14, 1958

Board of Directors,
Depositors Trust Company,
Augusta, Maine.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Boston, the Board of Governors hereby gives its written consent, under the provisions of Section 18(c) of the Federal Deposit Insurance Act, to the absorption by the purchase of assets of the Knox County Trust Company, Rockland, Maine, by the Depositors Trust Company, Augusta, Maine, and approves the establishment by the latter bank of a branch in each of the following locations: Rockland, Camden, Union, and Vinalhaven, Maine, provided (1) the absorption is effected substantially in accordance with the agreement dated June 9, 1958, between the two banks, (2) formal approval of the appropriate State authorities is obtained, (3) the absorption and the establishment of the branches are effected within six months from the date of this letter, and (4) no securities or stocks are acquired from the Knox County Trust Company which are ineligible for purchase by a member bank.

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
7/14/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 14, 1958

Mr. B. F. Groot, Vice President,
Federal Reserve Bank of Boston,
Boston 6, Massachusetts.

Dear Mr. Groot:

Reference is made to your letter of June 30, 1958, withdrawing the application of Bristol County Trust Company, Taunton, Massachusetts, for permission to establish a branch in Raynham, Massachusetts, on U. S. Route No. 44 near the junction of the Fall River Expressway.

In accordance with your letter, the application is considered as withdrawn and our files have been marked accordingly.

It is not in accordance with established practice to return the application as requested by you.

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
7/14/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 14, 1958

Board of Directors,
Citizens State Bank,
Waterloo, Indiana.

Gentlemen:

This refers to your request for permission, under applicable provisions of your condition of membership numbered 1, to exercise fiduciary powers.

Following consideration of the information submitted, the Board of Governors of the Federal Reserve System grants permission to the Citizens State Bank to exercise the fiduciary powers now or hereafter authorized under the terms of its Articles of Incorporation and the laws of the State of Indiana.

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
7/14/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 15, 1958

Bank of America,
40 Wall Street,
New York, New York.

Gentlemen:

The Board of Governors of the Federal Reserve System authorizes Bank of America, New York, New York, pursuant to the provisions of Section 25(a) of the Federal Reserve Act and the Board's Regulation K, to establish a branch in Kuala Lumpur, Federation of Malaya, and to operate and maintain such branch subject to the provisions of such Section and regulation; upon condition that, unless the branch is actually established and opened for business on or before July 1, 1959, all rights granted hereby shall be deemed to have been abandoned and the authority hereby granted shall automatically terminate on such date. The authorization is made with the understanding that the approval of the appropriate Malayan authorities will be obtained prior to the establishment of the branch.

Please advise the Board of Governors in writing, through the Federal Reserve Bank of New York, (1) when the establishment of the branch has been approved by the authorities in Malaya, and (2) when the branch is established and opened for business, furnishing information as to the exact location of the branch. It is understood that no change will be made in the location of the branch after establishment without the prior approval of the Board of Governors.

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
7/14/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 15, 1958

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

Dear Mr. Smith:

In accordance with the request contained in your letter of June 5, 1958, transmitted through the Federal Reserve Bank of New York, and on the basis of the information furnished, the Board of Governors grants its consent to your bank to purchase within one year from the date of this letter, and to hold, 1,500 ordinary shares of the Malaya Industrial Development Finance Limited, Kuala Lumpur, Malaya, for M\$150,000, (equivalent to approximately US\$50,000).

It is understood that, so long as Bank of America owns stock in the Malayan corporation, the Malayan corporation will not engage in issuing, underwriting, selling or distributing securities in the United States; and will not engage in the general business of buying or selling goods, wares, merchandise, or commodities in the United States or transact any business in the United States except such as would be incidental to its international or foreign business. It is also understood that Bank of America will dispose of its holdings of stock in the Malayan corporation as promptly as practicable in the event that the operations of the Malayan corporation should at any time be inconsistent with these understandings, Section 25(a) of the Federal Reserve Act, or regulations thereunder. Accordingly, the Board's consent to purchase and hold stock in the proposed Malayan corporation is granted with such understandings.

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
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(On
office copies only)

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 14, 1958



Dear Sir:

It will be appreciated if your Bank will obtain reports of credit extended to real estate mortgage lenders as of August 13, 1958, from weekly reporting member banks in your District in accordance with the attached form. The coverage and content will be the same as in the August 1955, 1956 and 1957 surveys; other surveys have omitted the banks that reported less than \$1 million in loans and commitments at the preceding August surveys and the memorandum items on FHA and VA loans.

Please mail or telegraph the District survey figures for all items and sub-items in the report, 1.a through 4.e, inclusive, to reach the Board's offices by Monday, August 25; the reports of the individual banks need not be forwarded.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

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

Item No. 7
7/14/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 14, 1958

Mr. Malcolm R. Wilkey,
Assistant Attorney General,
Office of Legal Counsel,
Department of Justice,
Washington 25, D. C.

Dear Mr. Wilkey:

This is in reply to your letter of June 26 with respect to the question whether deposits by the Federal Government in national banks create contractual relationships that require the inclusion of a nondiscrimination clause in accordance with Executive Order 10479, as amended.

It is believed that the subject of deposits of Government funds in national banks is principally within the jurisdiction of the Treasury Department. In this connection attention is directed to Section 5153 of the Revised Statutes and the Act of September 3, 1954 (12 U.S.C. 90, 265), which relate to the designation of national banks and insured banks as depositaries of public money and financial agents of the Government. The Board of Governors of the Federal Reserve System does not maintain deposits in national banks.

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. 8
7/14/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 14, 1958

Mr. Karl R. Bopp, President,
Federal Reserve Bank
of Philadelphia,
925 Chestnut Street,
Philadelphia 1, Pennsylvania.

Dear Mr. Bopp:

The Board of Governors approves payment of salaries to the following officers of the Federal Reserve Bank of Philadelphia at their new titles for the period August 1, 1958 through December 31, 1958, at the rates indicated, which are the rates fixed by your board of Directors as reported in your letter dated June 20, 1958:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
James V. Vergari	Vice President and Cashier	\$13,000
Wallace Catanach	Vice President	15,000
Hugh Barrie	Asst. Vice Pres- ident	13,000

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.