

Minutes for July 24, 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>(M)</u>	_____
Gov. Szymczak	x <u>[Signature]</u>	_____
Gov. Vardaman	x <u>(V)</u>	_____
Gov. Mills	x <u>[Signature]</u>	_____
Gov. Robertson	x <u>R</u>	_____
Gov. Balderston	x <u>CCB</u>	_____
Gov. Shepardson	x <u>[Signature]</u>	_____

Minutes of the Board of Governors of the Federal Reserve System
on Thursday, July 24, 1958. The Board met in the Board Room at 9:30 a.m.

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

Mr. Kenyon, Assistant Secretary
Mr. Fauver, Assistant Secretary
Mr. Riefler, Assistant to the Chairman
Mr. Thomas, Economic Adviser to the Board
Mr. Young, Director, Division of Research
and Statistics
Mr. Masters, Director, Division of Examinations
Mr. Molony, Special Assistant to the Board
Mr. Koch, Associate Adviser, Division of Research
and Statistics
Mr. Solomon, Assistant General Counsel
Mr. Hexter, Assistant General Counsel
Mr. Hostrup, Assistant Director, Division of
Examinations
Mr. Thompson, Supervisory Review Examiner,
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 The Cleveland Trust Company, Cleveland, Ohio, extending the time within which it may establish a branch in North Olmsted, Ohio. (For transmittal through the Federal Reserve Bank of Cleveland)	1
Letter to The Peoples Bank & Trust Company, Selma, Alabama, approving an investment in bank premises. (For transmittal through the Federal Reserve Bank of Atlanta)	2
Letter to Southgate Bank, Southgate, Michigan, granting an extension of time within which it may accomplish membership in the Federal Reserve System. (For transmittal through the Federal Reserve Bank of Chicago)	3

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Item No.

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| Letter to The Saint Charles Savings Bank, St. Charles, Missouri, approving an investment in bank premises. (For transmittal through the Federal Reserve Bank of St. Louis) | 4 |
| Letter to American Trust Company, San Francisco, California, extending the time within which it may establish a branch in Santa Rosa, California. (For transmittal through the Federal Reserve Bank of San Francisco) | 5 |
| Letter to the Ohio Bankers Association, Columbus, Ohio, regarding deposits in banks of public funds of the State of Ohio. (With a copy to the Federal Reserve Bank of Cleveland) | 6 |

Discount rates. Unanimous approval was given to telegrams to the Federal Reserve Banks of Richmond and San Francisco approving the establishment without change by those Banks on July 23, 1958, of the rates on discounts and advances in their existing schedules.

Application of First Bank Stock Corporation. At the meeting on July 15, 1958, a majority of the members of the Board (Messrs. Martin, Balderston, Vardaman, and Mills) expressed a tentative disposition to approve the application of First Bank Stock Corporation, Minneapolis, Minnesota, to acquire shares of a proposed new bank, the First Eastern Heights State Bank of St. Paul, St. Paul, Minnesota. Pursuant to the understanding at that meeting, there had been sent to the members of the Board copies of a memorandum from the Legal Division dated July 23, 1958, submitting drafts of a majority statement and a minority statement. In view of the discussion at the July 15 meeting with respect to the

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applicant's statement that in the "greater St. Paul area" its percentage of commercial bank deposits had decreased from 69 per cent to 53.9 per cent in the period since 1930, there had also been sent to the members of the Board copies of a memorandum from the Division of Examinations dated July 23, 1958, presenting further information with regard to that and related points. In the light of the information that had now been compiled, the draft of the majority statement referred to a decline from 67 per cent in 1930 to 55 per cent as of December 31, 1957, for the "greater St. Paul area."

Chairman Martin began the discussion by stating that after further study of the application and related papers, including the analysis submitted by the Division of Examinations, he had now concluded that he must vote to deny the application. Among other things, he referred to the fact that an independent bank located in the general area where the proposed new bank would be situated was only about two and one-half years old and said that it was his view that whatever doubt might exist about an application of this kind must be resolved in the direction of preservation of competition. After thorough review of the whole file, Chairman Martin continued, he could not persuade himself that arguments based on the convenience, needs, and welfare of the community to be served were sufficient to outweigh the adverse factors. The Chairman went on to say that he was prepared to accept entirely the reasoning of the minority statement which, assuming that

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no other member of the Board wished to change the position he had expressed tentatively, would now become the majority statement.

Governor Shepardson, who indicated during the July 15 meeting that he had not yet had an opportunity to review the file thoroughly, stated that after a complete study of the matter it was still his view that the application should be denied.

Governor Balderston said that the draft submitted to the Board as the majority statement was not convincing to him while the other statement (submitted as the minority statement) seemed to have been prepared more effectively. He went on to say that, since the draft of "majority statement" did not reflect his own views, he had dictated a possible substitute for a portion of it. The proposed revision was now being typed, he said, and should be available shortly.

Governor Mills stated that he had had no occasion to change his tentative position but that he concurred in Governor Balderston's comment about the character of the "majority opinion" as drafted.

After a brief interval, during which it was agreed that if it should be the Board's decision to deny the application the Federal Reserve Bank of Minneapolis should be advised informally in order that it might have an opportunity to submit further views if it so desired, Governor Balderston received a transcript of the suggested substitute

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version for a portion of the "majority statement" and read it to the Board. When he had finished, Governor Balderston said he realized that part of his arguments ran counter to his arguments on the application of Northwest Bancorporation to acquire shares of a proposed new bank in Rochester, Minnesota. In that case, he recalled, the applicant was advised in effect that it must wait until it could be seen whether an independent bank would be formed to meet the needs of the outlying community. Governor Balderston said it was now his feeling that his position in that case was an incorrect one. He now felt that in the absence of some active proposal to form an independent bank the Board of Governors was rather naive in the Rochester case in holding the area open.

At this point Governors Vardaman and Mills stated that they concurred in the statement which Governor Balderston had read.

In further comments in amplification of his position, Governor Balderston said that the Board had not ventured into the meaning of the word "extent" as applied to a bank holding company system. This point had come up in the Baystate case, of course, and he had argued to himself that the holding company was not extending its operations because it already had a bank in the city of Springfield. In the case now before the Board, he said, it would have made a difference to

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him if the applicant had leapfrogged into new territories before the passage of the Bank Holding Company Act. However, this application merely involved moving into a territory contiguous to that already served.

Governor Balderston went on to say that in the Rochester, Minnesota, case the issue turned largely upon whether the convenience, needs, and welfare of the community were already evident or whether they were merely potential. Personally, he would dislike giving permission to a holding company to pre-empt a choice location simply because it had the financial resources to tie up such a location. In the present case, however, the banking needs were so close as to be called proximate and so definite as to be more actual than potential. It seemed to him that the Board should take account of the emerging needs of the community and make provision to take care of them rather than to force the community actually to develop and then have a case of crying need proven.

Chairman Martin stated that essentially this involved a question of the intent of the Bank Holding Company Act, which would not be resolved until the Board obtained clarification from the Congress. Governor Balderston, he said, had made a very good case, assuming that his interpretation of the intent of the statute was correct.

After Governor Balderston had indicated that he would want to have his statement, as read at this meeting, checked by the staff for accuracy of factual details, reference was made to some of the technical

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problems that would be created in converting the original minority statement into a majority statement, and vice versa.

Chairman Martin then inquired whether, assuming that these technical problems would be dealt with adequately, the statement which had originally been submitted as a draft of minority statement would be agreeable to those who now constituted the majority of the Board.

In response, Governor Shepardson said that he would accept the arguments on the points at issue. While, as indicated, there would have to be a certain amount of technical reorganization, it seemed to him that the arguments included in the statement afforded a satisfactory explanation of the majority position.

Governor Robertson agreed, stating that he would accept the arguments and that what remained to be done was essentially a matter of editing.

It being the unanimous view that the votes cast today should be those recorded in the Board's order, the application of First Bank Stock Corporation was denied by majority vote, Messrs. Martin, Szymczak, Robertson, and Shepardson constituting the majority and Messrs. Balderston, Vardaman, and Mills the minority. This action was taken with the understanding that the Board's order would be dated as of the date on which it was actually issued and with the further understanding that President Deming of the Federal Reserve Bank of Minneapolis would be advised of

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the Board's decision informally in order to ascertain whether the Reserve Bank wished to make any further representations concerning the matter.

Policy record of Federal Open Market Committee. In accordance with the requested procedure, drafts of policy record entries covering the meetings of the Federal Open Market Committee on May 6 and May 27, 1958, had been prepared for tentative approval, subject to final approval and review by the Board at the end of the calendar year. In the form in which they were submitted to the Board with a memorandum from Mr. Riefler dated July 23, 1958, these entries incorporated certain suggestions, principally of an editorial nature, which were received following the distribution of preliminary drafts to members of the Open Market Committee and the Presidents not currently serving on the Committee.

Following a brief discussion, the entries for the meetings on May 6 and May 27, 1958, were tentatively approved in the form submitted.

Revised examining procedures. Governor Robertson referred to the Board's approval on July 9, 1958, of certain procedures which he had recommended for examining Edge Act corporations, their foreign branches, and foreign branches of State member banks. He reported that in accordance with the understanding at that meeting he had discussed the proposed procedures with the Federal Reserve Bank of New York, and that the Bank was thoroughly satisfied. The Superintendent of Banks for the State of New York was away from the city but representatives of the

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New York Reserve Bank were going to get in touch with him about the matter.

Governor Robertson also reported that he had been in touch with the Office of the Comptroller of the Currency, where the only point for discussion was the proposal to exchange the services of national bank examiners and Federal Reserve Bank examiners on certain occasions in connection with the examination of foreign branches. While this point was not yet settled, Governor Robertson did not believe that there was reason to delay the program on that account. Therefore, he said, a letter would be prepared and submitted to the Board for approval which would authorize the Federal Reserve Bank of New York to begin immediately an examining program of the kind that the Board had approved.

Messrs. Masters, Hexter, Hostrup, and Thompson then withdrew and Messrs. Leonard, Director, and Conkling and Daniels, Assistant Directors, Division of Bank Operations, entered the room.

Weekly Federal Reserve Bank condition statement. During informal discussion which followed the meeting of the Board yesterday, and also during the telephone meeting of the Federal Open Market Committee held yesterday at 11:00 a.m., question was raised with regard to what should be stated in the weekly Federal Reserve Bank statement of condition to be issued this Thursday, as of the close of business Wednesday, concerning transactions for the System Open Market Account following the

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announcement by the Federal Open Market Committee last Friday afternoon that it had instructed the Manager of the Account to purchase for the Account, in the open market, United States Government securities in addition to short-term securities.

Before this meeting there had been distributed to the members of the Board copies of a memorandum from Mr. Conkling dated July 23, 1958, suggesting several alternatives. According to the first alternative, there would appear in the text accompanying the statement of condition sentences reading as follows: "As of Wednesday, July 23, holdings of U. S. Government securities bought outright were \$_____ million higher than a week earlier and member bank borrowings were \$_____ million lower. Holdings of U. S. Government securities do not include \$_____ million of the new issue of certificates purchased on a when-issued basis for delivery on August 1." This contemplated that the figure to be filled in in the last sentence would include all such purchases through Wednesday, July 23. Another alternative would be to add to the second sentence "nor do they include Wednesday transactions for regular delivery on Thursday, July 24." Still another alternative would be to add further: "The latter include \$_____ million purchases of U. S. Government securities, which will be more than offset by the redemption of \$_____ million of maturing bills on Thursday." A fourth possibility would be to expand the contingent liability section on the second page of the statement

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to show, possibly in some detail, the purchases or sales for future delivery (ordinarily for regular delivery the following day), and the changes in bill holdings as a result of maturities the following day. The memorandum indicated that Mr. Conkling would prefer the minimum statement in the first alternative, or else to go as far as the third alternative.

At this meeting Mr. Thomas suggested a further possible alternative as follows: "As of Wednesday, July 23, holdings of U. S. Government securities bought outright were \$___ million less than a week earlier and member bank borrowings were \$___ lower. Holdings of U. S. Government securities do not include \$___ million of the new issue of certificates purchased on a when-issued basis for delivery on August 1 or \$___ million of Treasury bonds purchased for delivery July 24; they do include, however, \$___ million of maturing bills redeemed on July 24."

A full discussion of the matter was begun by Mr. Leonard, who indicated that he would prefer the first proposal in Mr. Conkling's memorandum so as not to bring into the statement and the accompanying text the question of purchases for regular delivery after the statement date or any reference to the runoff of maturing bills after the statement date. Mr. Leonard expressed apprehension that a more inclusive presentation would provoke questions on occasions in the future from the standpoint of the precedent which had been established.

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He said that if the objective was to provide information to the market it appeared that there would be a good basis for a separate press release regarding open market activities which would present the information considered appropriate for release at the time, rather than to go too far in the very limited text which accompanies the weekly statement of condition.

Mr. Riefler, who was among those staff members favoring full disclosure, expressed the view that the Wednesday purchases of securities for future delivery would be an item of significant interest to the market. He suggested that its omission would be apt to raise questions and that, since the purchases yesterday were made as part of the program in support of the Government securities market, reference to them should properly be made in the statement.

At the instance of Governor Robertson, there followed some discussion concerning the possibility of a separate press release following which Governor Mills expressed concurrence in the point of view stated by Mr. Leonard. He suggested that disclosure of the redemption of maturing Treasury bills on Thursday would result in losing some of the strength in System open market operations that is provided by the element of doubt and uncertainty, thereby creating additional difficulty for the Manager of the Account.

Governor Robertson then suggested again that consideration be given to the first alternative in Mr. Conkling's memorandum plus a special press release. He questioned whether the form of the usual

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weekly release should be revised to any great extent even because of an unusual situation. It seemed to him that careful study of the statement should precede any substantial revision.

Governor Mills suggested that a special press release would give still greater emphasis in a disturbed market to what the System had been doing. He stated that the first alternative would show what had already been done by the System in the market as of the date of the statement, and it seemed to him that it was not necessary to refer in the weekly statement to relatively minor items.

Governor Vardaman said he was inclined toward Mr. Leonard's position but that he could see logic in Mr. Riefler's arguments in favor of full disclosure. Among other things, he raised a question as to what interpretation might be made next week if the statement of condition did not contain language similar to that found in this week's statement.

At this point, Chairman Martin restated the various alternatives. He said that personally he had no strong view, although as a general rule he favored full disclosure whenever that was feasible.

As the discussion of alternatives progressed, sentiment within the Board developed, for the reasons stated by Governor Mills and others, against a separate press release and in favor of divulging whatever information might be deemed appropriate through the text accompanying the weekly statement of condition. At the same time,

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sentiment shifted toward the principle of full disclosure or none at all, and it was observed that in any event a certain amount of information would be divulged through the weekly statement in its usual form.

Accordingly, at the conclusion of the discussion, it was agreed to proceed on the basis of the suggestion by Mr. Thomas, although Governor Vardaman agreed reluctantly and Governor Mills did not favor reference to the maturing Treasury bills redeemed on July 24. It was understood that the agreement on procedure did not constitute the establishment of a precedent with regard to the handling of the weekly statement, but rather that it reflected a deviation due to the unusual circumstances which had prevailed on this occasion. It was also understood that the Board's decision would be referred to during the ensuing telephone meeting of the Federal Open Market Committee. In view of that understanding, it was agreed that the text of the proposed statement would be sent by telegram immediately to the New York Reserve Bank.

Secretary's Note: The discussion during the telephone meeting of the Open Market Committee resulted in agreement on a slight change in the statement. When it appeared in the text accompanying the weekly statement of condition, the statement read as follows:

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As of Wednesday, July 23, holdings of U. S. Government securities bought outright were \$92 million lower than a week earlier and member bank borrowings were \$40 million lower. Holdings of U. S. Government securities do not include \$1,090 million of the new issue of certificates purchased on a when-issued basis for delivery on August 1 or \$51 million of Treasury bonds purchased for delivery July 24; they do include, however, \$197 million of maturing bills subsequently redeemed on July 24.

The meeting then recessed and reconvened in the Board Room at 2:30 p.m. with all of the members of the Board present along with Mr. Kenyon and Mr. Kelleher, Director, Division of Administrative Services.

Application of First Bank Stock Corporation. Mr. Kenyon reported that in accordance with the understanding at the morning session, he called President Deming of the Federal Reserve Bank of Minneapolis on the telephone and told him of the action contemplated by the Board with regard to the application of First Bank Stock Corporation to acquire shares of the proposed First Eastern Heights State Bank. Mr. Deming, he said, expressed a desire to meet with the Board before the Board's order was issued, not with a view to attempting to change the minds of the members of the Board as much as to underline certain factors in respect to the application that he considered of importance, including the fact that a savings and loan association had been approved by the State authorities for the community in question if a bank was not established in the area.

It was agreed to arrange a meeting with Mr. Deming following the meeting of the Federal Open Market Committee on Tuesday, July 29.

Mr. Kenyon then withdrew from the meeting.

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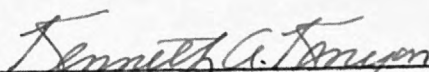
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Acoustical treatment of Board Room (Item No. 7). Attached to these minutes as Item No. 7 is a memorandum from Mr. Kelleher dated July 22, 1958, copies of which had been distributed to the members of the Board prior to this meeting, outlining a program for acoustical treatment of the Board Room.

After the meeting the Secretary's Office was informed by Governor Shepardson that the Board had approved the proposed program. The Board referred to Governor Shepardson with power to act the question of a performance bond and fire insurance, as mentioned in the memorandum, along with the question of using curtains at the windows to replace the Venetian blinds, with the understanding that an additional expenditure would be involved if the curtains were used. The Board's action contemplated that Wm. P. Lipscomb Co., Inc., would do the construction work on a cost plus fixed fee basis, with a guaranteed outside cost of \$14,192, and that bids would be called for on the draperies and the rug, along with the curtains if it were decided to use them. This action constituted approval of an overexpenditure in the 1958 budget of the Division of Administrative Services in the amount necessary to accomplish the program.

The meeting then adjourned.

Secretary's Note: Pursuant to the recommendation contained in a memorandum from Mr. Solomon, Assistant General Counsel, dated July 23, 1958, Governor Shepardson today approved on behalf of the Board an increase in the basic annual salary of Wilson L. Hooff, Assistant Counsel, from \$11,090 to \$11,355, effective July 27, 1958.


Assistant Secretary

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

Item No. 1
7/24/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 24, 1958

Board of Directors,
The Cleveland Trust Company,
Cleveland, Ohio.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Cleveland, the Board of Governors extends to February 13, 1959, the time within which The Cleveland Trust Company, under the authority granted in the Board's letter of August 12, 1957, may establish a branch at the intersection of Lorain and Brookpark Roads in North Olmsted, Ohio.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

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

Item No. 2
7/24/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 24, 1958

Board of Directors,
The Peoples Bank & Trust Company,
Selma, Alabama.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Atlanta, the Board of Governors of the Federal Reserve System approves an additional investment in bank premises by The Peoples Bank & Trust Company, Selma, Alabama, of not to exceed \$425,000 for the purpose of constructing new banking quarters, which amount includes cost of land. It is assumed that upon completion of the new quarters the old building will be disposed of within a reasonable period and the proceeds applied to the bank premises account.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

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

Item No. 3
7/24/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 24, 1958

Board of Directors,
Southgate Bank,
Southgate, Michigan.

Gentlemen:

In accordance with a request submitted through the Federal Reserve Bank of Chicago, the Board of Governors extends to November 1, 1958, the time within which Southgate Bank, Southgate, Michigan, may accomplish membership as outlined in the Board's letter of May 23, 1958.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

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

Item No. 4
7/24/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 24, 1958

Board of Directors,
The Saint Charles Savings Bank,
St. Charles, Missouri.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of St. Louis, the Board of Governors approves, under the provisions of section 24A of the Federal Reserve Act, an additional investment by The Saint Charles Savings Bank, of \$191,700.31, in addition to the \$16,000 expended for purchase of a lot, for the purpose of modernizing and expanding its banking premises. It is understood that this proposed investment includes some furniture and equipment which will be allocated to the Furniture and Fixtures account and that the aggregate investment of the bank in fixed assets will not exceed \$240,000.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.



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

Item No. 5
7/24/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 24, 1958



Board of Directors,
American Trust Company,
San Francisco, California.

Gentlemen:

In accordance with the request submitted through the Federal Reserve Bank of San Francisco, the Board of Governors extends to May 1, 1959, the time within which American Trust Company may, under the authority granted in the Board's letter of August 12, 1957, establish a branch in the vicinity of the intersection of Farmers Lane and Sonoma Highway, Santa Rosa, California.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

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

Item No. 6
7/24/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 24, 1958

Mr. Belford P. Atkinson,
Executive Manager,
Ohio Bankers Association,
33 North High Street,
Columbus 15, Ohio.

Dear Mr. Atkinson:

This refers to your letter of July 1, 1958, addressed to Governor Robertson, on the subject of deposits in banks of public funds of the State of Ohio.

Your letter refers: (1) to the Uniform Public Depository Act, which requires that public deposits shall be evidenced by negotiable certificates of deposit or contracts payable upon written notice to be given 30 days before the date of repayment; (2) to an opinion of the Attorney General of Ohio, issued December 29, 1955, which holds that a public officer may not enter into a contract for the inactive deposit of public funds whereby withdrawals are subject to notice in excess of 30 days; (3) to a form of certificate of deposit under which funds are payable on return of the certificate properly endorsed twelve months after date with interest at 1-1/2 per cent, but which also provides that such funds or any part thereof, may be withdrawn at any time upon 30 days written notice with interest at 1 per cent; and (4) to an interpretation by the Board, published in the 1953 Federal Reserve Bulletin, page 721, which held that a certificate, of the type described above, providing for alternate maturities with increasing rates of interest, complies with the requirements of Regulation Q relating to the payment of interest on deposits by member banks.

Your specific question is whether, in the light of the State statute and the opinion of the Attorney General, the Board's interpretation should be regarded as applicable only to the usual certificates of deposit and whether it needs to be qualified in connection with certificates covering deposits of inactive public funds of the State of Ohio.

Mr. Belford P. Atkinson

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As the Board understands the situation, a public deposit, in order to comply with State law, must be available for repayment at any time upon written notice of 30 days, neither more nor less. This is so in the case of the certificate under consideration regardless of whether the deposit is made by an individual, corporation, or public official, as the depositor has the right at any time to demand payment upon 30 days written notice. If such notice is not given, the deposit will be repayable at the end of twelve months. The only difference is that interest of 1 per cent will be paid if the 30 days notice is given, whereas 1-1/2 per cent interest will be paid if the deposit remains for twelve months.

Accordingly, it is the Board's opinion that a certificate of deposit in the form indicated above would comply with the provisions of Regulation Q. The Board, of course, has no authority to determine whether the certificate would comply with the requirement of the Uniform Depository Act of the State of Ohio that inactive deposits must be withdrawable upon written notice to be given 30 days before the date of repayment, although it would appear to do so.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Item No. 7
7/24/58

Office Correspondence

Date July 22, 1958

To Board of Governors

Subject: Acoustical treatment of

From J. E. Kelleher

Board Room -

The acoustical situation in the Board Room has continued to be a problem. All previous approaches to this problem have been deferred because of concern over the effect on the architectural beauty of the room. We have now been successful in procuring the services of Mr. John Harbeson, member of the original firm of architects who designed the building. As a result of his study of the reports of both the acoustical engineers engaged by the Board in 1955 and Mr. Livingston, Architect, he has developed a plan which will attain acoustical improvements in ways that will also be satisfactory from an appearance point of view. He plans to place acoustical tile in the center portion of the ceiling and remove the plaster from the main central portion of the north and south walls. The wall plaster will be replaced by a one-inch thick glass-fibre blanket covered with damask, all mounted on wood frames, the final surface to be approximately in the same plane as at present. Full-width traverse draperies and a slightly larger rug will be installed. He further recommends, because of the nature of the work and the character of the Board's building that the construction work be awarded to Wm. P. Lipscomb Co. Inc., a reputable contractor, for a fixed fee plus reimbursement of his costs of subcontracts. If this procedure is followed, Mr. Harbeson has advised that the architectural fees would remain at the nominal sum proposed by Mr. Livingston when this subject was discussed in 1955.

Accordingly, Mr. Harbeson has submitted specifications to Wm. P. Lipscomb Co. Inc., and we have procured estimates on the draperies and the rug. Wm. P. Lipscomb Co. Inc., has submitted a firm bid of \$14,192 for its work as a guaranteed outside cost but is willing to do the work, at the Board's option, on a cost plus fixed fee guaranteed outside cost basis with all savings to revert to the owner. The draperies are estimated to cost approximately \$2,300; the rug, depending upon the final selection, would be in the range of \$2,000-\$4,500; and approximately \$80 will be paid for removing and storing the Board Room table during the period of construction. (The rug that Mr. Harbeson had recommended before he left for Europe is not available and another selection will have to be made.) The estimated total outside cost for this work would be:

Construction work-Wm.P.Lipscomb Co.Inc.	-\$14,192.
Draperies-	2,300.
Rug-	4,500.
Table storage-	80.
Total-	<u>\$21,072.</u>

It should also be noted that there are two other factors that may increase the cost of this project, depending on the wishes of the Board, i.e., (1) the matter of a Performance Bond which would cost approximately \$210, and (2) Fire Insurance with limits of \$100,000 at a premium of \$50.

Board of Governors

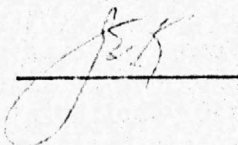
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7/22/58.

It is thought, however, that the reputation of the Wm. P. Lipscomb Co.Inc., and the rather small size of the job would eliminate the need for a Performance Bond and, since the Board is self-insured as to fire for the entire building which, at present day construction figures would cost about \$8,743,577, the Board might well wish to self-insure for the proportionately small risk involved here. In addition, other Government buildings self-insure in such instances, and we also have fire protection in the form of a 24-hour guard force.

If the Board were to approve this program it is expected that the work would be started by August 1, 1958 and be completed within six to eight weeks.

The plan as recommended by Mr. Harbeson appears to be the best plan that can be developed and is submitted for the Board's consideration.



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