

Minutes for August 6, 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>	<u>                    </u>
Gov. Szymczak	<u>                    </u>	x <u>MS</u>
Gov. Vardaman	x <u>(V)</u>	<u>                    </u>
Gov. Mills	x <u>                    </u>	<u>                    </u>
Gov. Robertson	<u>                    </u>	x <u>R</u>
Gov. Balderston	x <u>CCB</u>	<u>                    </u>
Gov. Shepardson	x <u>(S)</u>	<u>                    </u>

Minutes of the Board of Governors of the Federal Reserve System  
on Wednesday, August 6, 1958. The Board met in the Board Room at 10:45  
a.m.

PRESENT: Mr. Martin, Chairman  
Mr. Balderston, Vice Chairman  
Mr. Vardaman 1/  
Mr. Mills  
Mr. Shepardson

Mr. Kenyon, Assistant Secretary  
Mr. Fauver, Assistant Secretary  
Mr. Leonard, Director, Division of Bank  
Operations  
Mr. Young, Director, Division of Research  
and Statistics  
Mr. Johnson, Director, Division of Personnel  
Administration  
Mr. Noyes, Adviser, Division of Research and  
Statistics  
Mr. Solomon, Assistant General Counsel  
Mr. Hostrup, Assistant Director, Division of  
Examinations  
Mr. Nelson, Assistant Director, Division of  
Examinations  
Mr. Smith, Assistant Director, Division of  
Examinations  
Mr. Huning, 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:

Item No.

Letter to the Federal Reserve Bank of Boston regarding  
service by Mr. John C. Volpe as a director of the Malden  
Trust Company and The National Shawmut Bank of Boston.

1

1/ Withdrew from meeting and reentered at points indicated in  
minutes.

8/6/58

-2-

	<u>Item No.</u>
Letter to the Wachovia Bank and Trust Company, Winston-Salem, North Carolina, approving the establishment of an additional branch in Salisbury. (For transmittal through the Federal Reserve Bank of Richmond)	2
Letter to Union Bank and Trust Company, Grand Rapids, Michigan, approving the establishment of a branch in Wyoming Township. (For transmittal through the Federal Reserve Bank of Chicago)	3
Letter to Central State Bank, Elkader, Iowa, consenting to its proposed absorption of Farmers State Bank, St. Olaf, Iowa, and approving the establishment of a branch in St. Olaf. (For transmittal through the Federal Reserve Bank of Chicago)	4
Letter to the Fidelity Bank and Trust Company, Minneapolis, Minnesota, approving its request for permission to exercise fiduciary powers. (For transmittal through the Federal Reserve Bank of Minneapolis)	5
Letter to the Roswell State Bank, Roswell, New Mexico, approving its request for permission to exercise fiduciary powers. (For transmittal through the Federal Reserve Bank of Dallas)	6
Letter to Wells Fargo Bank, San Francisco, California, approving the establishment of a branch in Santa Clara. (For transmittal through the Federal Reserve Bank of San Francisco)	7
Letter to The First National Bank of Wallace, Wallace, Idaho, approving its application for authority to act in a specific fiduciary capacity. (For transmittal through the Federal Reserve Bank of San Francisco)	8
Letter to the City National Bank of Anchorage, Anchorage, Alaska, denying its application for fiduciary powers. (For transmittal through the Federal Reserve Bank of San Francisco)	9

8/6/58

-3-

Item No.

10

Letter to the Bureau of the Budget requesting clearance for two forms to be used in obtaining information on service station credit card accounts and retail fuel oil accounts from the major gasoline and oil distributors.

Approval of Item No. 2 above was preceded by a discussion of the expansionist activities of the Wachovia Bank and Trust Company, of Winston-Salem, North Carolina, which now holds a dominant position in the banking structure of the entire State through its extensive branch banking system. As a result of the discussion it was understood that the Federal Reserve Bank of Richmond would be asked to talk with representatives of the Wachovia Bank and to determine from them a more complete picture of the intentions and longer-range plans of this institution. The Richmond Bank was then to report to the Board on the results of this inquiry. Concern was expressed that although standards under the Bank Holding Company Act require consideration of certain specified factors, including effects on competition, before approval of applications thereunder, the banking law is not specific with regard to the factors to be considered where the approval of branches of a State member bank is concerned.

During this discussion Mr. Molony, Special Assistant to the Board, entered the room, and following the approval of the items which had been circulated to the Board Mr. Huning left the meeting.

Discount rates. Unanimous approval was given to a telegram to the Federal Reserve Bank of Richmond approving the establishment

8/6/58

-4-

without change by that Bank on August 5, 1958, of the rates on discounts and advances in its existing schedule.

Expenses of wives accompanying officers on foreign travel

(Item No. 11). The Board then turned to the consideration of an aide memoire submitted by Mr. Hayes, President of the Federal Reserve Bank of New York, which had been distributed prior to the meeting, expressing the view of that Bank that it would be professionally useful to arrange on some occasions for officers engaged on foreign travel to be accompanied by their wives. The memorandum stated that the Bank had been tending to the view that inasmuch as the Bank and the System would benefit from the presence of wives, the costs of the wives' travel and maintenance abroad ought to be considered a Bank expense. It pointed out that an increasing tendency had been noted for central bankers of a number of countries to travel accompanied by their wives both to the United States and to other areas and that the aspect of reciprocity was an important one in the Bank's relations with other central banks. It added that this was the practice among certain New York commercial banks importantly engaged in foreign business.

Along with copies of the aide memoire there had been distributed a copy of a proposed reply expressing the view that, while the Board was not unmindful of advantages that might accrue on occasion from having the wife of a Bank officer accompany her husband on visits to foreign central banks, the Board was unable to persuade itself that the payment of such expenses would represent an appropriate use of funds by a Federal Reserve Bank.

8/6/58

-5-

Following a discussion of the matter, it was unanimously agreed to send a letter to the Federal Reserve Bank of New York in the form attached to these minutes as Item No. 11.

Reserve Bank budget procedures (Item No. 12). Governor Shepardson referred to earlier discussions of the Board regarding revised procedures for the review of Federal Reserve Bank budgets. These new procedures would be designed to bring participation by the Board and its staff into the budget process before Reserve Bank budgets were finalized by their own directors' actions.

The staff had been working on this problem under the direction of Governor Shepardson, and prior to this meeting of the Board there had been distributed a draft of letter to the Presidents of the Federal Reserve Banks which would request an opportunity to discuss informally with each President the significant aspects of proposals to be reflected in the upcoming budgets. It was contemplated that the discussions should touch on major changes in policy or activities in such matters as bank relations, research, the employee relations program, construction or modernization activities, and salary administration programs.

Governor Shepardson pointed out that because the time schedule called for presentation and approval of Bank budgets at the directors' meetings in September, there was some urgency in getting a letter to the Presidents as soon as possible.

After a brief discussion in which Governor Balderston emphasized the importance of receiving information from the Presidents which could

8/6/58

-6-

be studied in advance of such discussions, a letter to the Presidents in the form attached to these minutes as Item No. 12 was unanimously approved.

At this point Governor Vardaman left the meeting, but before departing he indicated that he had no comments to make with regard to the memorandum on problem banks which had been scheduled for discussion later in the meeting.

Governor Shepardson raised a question as to which member or members of the Board would be designated to meet with the Reserve Bank Presidents following receipt of the information called for in the Board's budget letter. He indicated that because of his responsibility for the Board's internal administration he would prefer not to be included in this process. Thereupon it was agreed that Governors Balderston, Szymczak, and Mills would constitute a committee to review the material received from the Reserve Bank Presidents and to discuss budget matters with them in accordance with the new procedure outlined in the letter. At Governor Shepardson's suggestion, it was also agreed that this same committee should give consideration to problems involved in the coordination of System research activities. This matter, it was noted, had been discussed by the Board and the Presidents' Conference on several occasions, most recently at the joint meeting on February 11, 1958. Thereafter, at the meeting of the Presidents' Conference on June 16, 1958, the Committee on Research and Statistics had been

8/6/58

-7-

relieved, at its own request, from further responsibility for developing a simplified program for clearing research projects.

At this point all the members of the staff withdrew except Messrs. Kenyon, Fauver, Hostrup, and Smith.

Examination reports of the Federal Reserve Banks of Kansas City and Atlanta. At this point the Chairman asked Mr. Smith to review for the Board the highlights of the 1958 examination reports of the Federal Reserve Banks of Kansas City and Atlanta.

Mr. Smith reviewed both reports, emphasizing developments in personnel, member bank borrowing, expenditures, and conformity thereof with Board policies. Neither examination, he said, had revealed expenditures of such a nature as to warrant the Board's attention or action.

Governor Mills questioned Mr. Smith as to whether there had been any evidence that the field force examination reports might have been inhibited in any way by the fact that such reports were now made available to Congressional committees. Governor Mills felt this was added reason for more searching reports of expenditures and for determination that expenditures were for appropriate purposes. He felt that if the reports should tend to minimize any questionable expenses, the System would be laid open to additional criticism if such expenditures were revealed at some later date. Mr. Hostrup assured the Board that in his opinion the examination force had not pulled

8/6/58

-8-

any punches because of recent Congressional developments related to Reserve Bank expenditures. The discussion made it clear that the examiners should be encouraged to comment on any expenditures of a Reserve Bank which they felt might be subject to criticism as to purpose or nature, even though a general item covering such expenditures had been included in the Reserve Bank's annual budget.

Problem banks. Because Mr. Masters was unable to attend this morning's meeting, it was agreed that the discussion of the problem bank memorandum of the Division of Examinations, which had been set for this date, would be held over for a later meeting.

Nonofficial entertainment of persons not employed by Federal Reserve Banks. Prior to the meeting of the Board there had been distributed copies of Mr. Erickson's memorandum of June 17, 1958, regarding the use of Federal Reserve funds for nonofficial entertainment of persons not employed by the Federal Reserve Banks. This memorandum from Mr. Erickson, as Chairman of the Conference of Presidents, reflected the views of the Reserve Bank Presidents as expressed at their June meeting. The memorandum stated that it was the unanimous opinion of the Presidents that inclusion of wives and husbands of Federal Reserve Bank employees at appropriate Bank functions was an integral, necessary, and highly desirable part of the Reserve Banks' personnel relations programs. It added that the Presidents felt that a prohibition of this type of expenditure would not only work hardships on personnel activities but would restrict the Reserve Banks in filling their proper roles in the banking community.

8/6/58

-9-

The Chairman stated that in view of the difficult nature of this question he would prefer to defer consideration until all the members of the Board were present. Governor Shepardson called attention to the fact that the Reserve Banks were presently engaged in budget planning for the coming year and that if the Board had any guidance to offer on this matter and wished it to affect next year's budgets, it was important that the Banks be informed as soon as possible.

Chairman Martin stated that so far as the question of guidance was concerned, he felt the proper approach was to minimize such expenditures wherever it was possible to do so. He recognized, however, that to eliminate such expenditures entirely would raise many difficult problems, especially where certain kinds of activities had become an established part of a Bank's personnel relations program.

At this point the meeting recessed. The Board reconvened at 2:45 p.m. with Chairman Martin and Governors Balderston, Vardaman, Mills, and Shepardson present. Messrs. Kenyon, Fauver, Riefler, Leonard, and Allison of the staff also were present.

Defense planning matters. At the Chairman's request, Messrs. Riefler and Allison reported to the Board on a meeting which they had attended during the morning at the Office of Defense and Civilian Mobilization. As a result of the meeting, the Board had been requested to have full-time liaison representation at High Point.

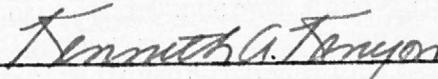
Following discussion of the request and other aspects of the defense planning program, Governor Shepardson was asked to take this

8/6/58

-10-

matter under consideration and to report his recommendation to the Board on Monday, August 11.

Thereupon the meeting adjourned.

A handwritten signature in cursive script, reading "Kenneth A. Fenyo", is written over a horizontal line.

Assistant Secretary

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

Item No. 1  
8/6/58

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

August 6, 1958

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

Dear Mr. Groot:

Reference is made to your letter of July 7, 1958, and enclosures, regarding the question whether under the provisions of the Clayton Act Mr. John C. Volpe may serve as a director of the Malden Trust Company and as a director of The National Shawmut Bank of Boston.

It appears from the information submitted that the national bank has a branch in Revere, and that the cities of Malden and Revere have a common corporate boundary for a distance of approximately a mile and a half. In the circumstances, the exception contained in section 8(5) of the Clayton Act and in the corresponding provision in section 2(d)(5) of Regulation L is not applicable. It therefore appears that the statute prohibits the interlocking relationship described above.

On July 22 Mr. Schermerhorn, President of The National Shawmut Bank of Boston telephoned the Board's offices stating that he wished to discuss the matter orally before a final decision was reached. On July 28 he telephoned again, saying that the Federal Reserve Bank of Boston had explained the statutory situation to him and that, as a consequence, he had decided that it would be futile for him to come to Washington and that he would await receipt of a letter advising him that the relationship was within the prohibitions of the statute. It will be appreciated if your Bank will so advise him.

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  
8/6/58

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

August 6, 1958



Board of Directors,  
Wachovia Bank and Trust Company,  
Winston-Salem, North Carolina.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Richmond, the Board of Governors of the Federal Reserve System approves the establishment of a branch by Wachovia Bank and Trust Company, Winston-Salem, North Carolina, at the intersection of Grove and West Innes Streets, Salisbury, North Carolina, provided the branch is established within one year from the date of this letter, and approval of the State authorities is effective as of the date the branch is established.

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  
8/6/58

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

August 6, 1958

Board of Directors,  
Union Bank and Trust Company,  
Grand Rapids, Michigan.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Chicago, the Board of Governors of the Federal Reserve System approves the establishment of a branch in the vicinity of Chicago Drive, S. W., and Godfrey Avenue, S. W., in Wyoming Township, Kent County, Michigan, by Union Bank and Trust Company, Grand Rapids, Michigan, 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) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.

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

Item No. 4  
8/6/58

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

August 6, 1958

Board of Directors,  
Central State Bank,  
Elkader, Iowa.

Gentlemen:

The Board of Governors of the Federal Reserve System hereby gives its consent under the provisions of Section 18(c) of the Federal Deposit Insurance Act to the absorption of Farmers State Bank, St. Olaf, Iowa, by Central State Bank, Elkader, Iowa, and approves the establishment of a branch in St. Olaf, at the present location of Farmers State Bank, by Central State Bank, provided

- (1) the proposed absorption and establishment of the branch are effected within six months from the date of this letter and substantially in accordance with the agreement between the parties as submitted to the Federal Reserve Bank,
- (2) investment securities and banking premises acquired from Farmers State Bank are not placed on the books of Central State Bank, in excess of market value and depreciated value for Federal income tax purposes, respectively, and
- (3) formal approval is obtained from the State authorities.

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  
8/6/58

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

August 6, 1958

Board of Directors,  
Fidelity Bank and Trust Company,  
Minneapolis, Minnesota.

Gentlemen:

This refers to your request for permission,  
under applicable provisions of your condition of mem-  
bership 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 Fidelity Bank and Trust  
Company to exercise the fiduciary powers now or hereafter  
authorized under the terms of its Articles of Incorporation  
and the laws of the State of Minnesota.

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  
8/6/58

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

August 6, 1958

Board of Directors,  
Roswell State Bank,  
Roswell, New Mexico.

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 Roswell State Bank to exercise the fiduciary powers now or hereafter authorized under the terms of its Certificate of Incorporation and the laws of the State of New Mexico. It is understood, in this connection, that the bank will increase its capital and surplus to the extent required under State law.

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. 7  
8/6/58

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

August 6, 1958

Board of Directors,  
Wells Fargo Bank,  
San Francisco, California.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of San Francisco, the Board of Governors approves the establishment of a branch on El Camino Real in the vicinity of Gould Street, Santa Clara, California, by Wells Fargo Bank, San Francisco, California. This approval is given provided the branch is established within six months from the date of this letter and that formal approval of the State authorities is effective at the time the branch is established.

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. 8  
8/6/58

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

August 6, 1958

Board of Directors,  
The First National Bank of Wallace,  
Wallace, Idaho.

Gentlemen:

The Board of Governors of the Federal Reserve System has given consideration to your supplemental application for fiduciary powers and grants you authority to act, when not in contravention of State or local law, as registrar and transfer agent of the stocks and bonds of the Lucky Friday Silver Lead Mines, Inc. The exercise of such authority, in addition to that heretofore granted to act as trustee, restricted to the mere holding of title to real estate for local mining companies, shall be subject to the provisions of section 11(k) of the Federal Reserve Act and Regulation F of the Board of Governors of the Federal Reserve System.

A certificate indicating the fiduciary authority herein granted to The First National Bank of Wallace is enclosed.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.

Enclosure

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

Item No. 9  
8/6/58

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

August 6, 1958

Board of Directors,  
City National Bank of Anchorage,  
Anchorage, Alaska.

Gentlemen:

The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers which was forwarded through the Federal Reserve Bank of San Francisco.

Your bank has enjoyed considerable growth in recent years and it appears that you have been successful in expanding most phases of your internal operations to accommodate the increased volume of business. It is noted also that although loan volume is somewhat heavy, aggressive collection efforts have resulted in a decrease of criticized paper, and the condition of the loan portfolio, as a whole, is not unsatisfactory. The capital accounts of the bank, however, have not increased in proportion to the expansion in loan volume and thus your statement reflects a lack of capital adequacy when compared to that which is ordinarily considered necessary for a bank of your size and nature. It is likely, in addition, that your capital position appears more favorable than it actually is, since interest which has been collected but not earned on instalment loans has not been segregated from capital accounts. A review of the earnings of the bank from 1953 through 1956, as shown in the report of examination dated September 6, 1957, disclosed that the unusually high operating expenses with which the bank is burdened have led to low net earnings; thus with the advent of dividend payment in 1956, retained earnings are nominal for a bank of this size and cannot be regarded, under the circumstances, as an important source of capital accretion.

The administration of the various kinds of fiduciary accounts which the bank may be called upon to accept requires special technical knowledge on the part of those responsible for the operation and supervision of the trust department. No one in the bank, however, who is to be connected with the proposed department has background or experience in connection with fiduciary undertakings.

The peculiar responsibility which is assumed in accepting trust business can lead to unexpected liability and a resulting charge against capital funds, even under the guidance of experienced trust management.

City National Bank of Anchorage - 2 -

Initial costs in establishing a department, as well as operating losses which are ordinarily encountered until considerable volume is obtained, are likely to cause some drain on earnings. In view of such inherent problems in trust department operation, it is believed that until such time as the bank has obtained adequate capital and has attained reasonably sound earning power, the bank is not warranted in embarking on a new, unfamiliar, and possibly costly venture.

After consideration of all the circumstances, it is the view of the Board that your request for authority to exercise fiduciary powers should not be granted at this time.

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. 10  
8/6/58

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

August 6, 1958

Mr. Paul F. Krueger,  
Clearance Officer,  
Office of Statistical Standards,  
Bureau of the Budget,  
Washington 25, D. C.

Dear Mr. Krueger:

We are enclosing two copies each of forms R&S 2410 and F.R. 580 proposed for use in obtaining information on the outstanding amount of service station credit card accounts and retail home-heating fuel oil accounts from the major gasoline and oil distributors. Form R&S 2410 would be used only once to obtain retrospective data from most of the important companies. Form F.R. 580 would be used to obtain monthly information from a smaller sample of companies. We are also enclosing copies of your form 83, Request for Clearance.

The information requested in these forms will provide a basis for estimates of the amount of service station credit card accounts and home fuel oil heating accounts for inclusion in the consumer credit statistics. The consumer portion of these accounts has increased rapidly in size and should be included in the statistics.

This project has been discussed with representatives of the American Petroleum Institute and several large distributing companies. They have indicated that it is feasible and that the requested information can be provided by most companies with very little effort.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.

Enclosures



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON

Item No. 11  
8/6/58

OFFICE OF THE CHAIRMAN

August 6, 1958.

Mr. Alfred Hayes, President,  
Federal Reserve Bank of New York,  
New York 45, New York.

Dear Al:

I have brought to the attention of the Board the aide memoire which you handed to me recently discussing the possible adoption of a policy providing in certain circumstances for the payment of travel expenses of wives of Reserve Bank officers accompanying their husbands who are assigned to official foreign travel.

While not unmindful of the advantages that may accrue on occasion from having the wife of the Bank officer accompany her husband, particularly when visits to foreign central banks are concerned, the Board is unable to persuade itself that the payment of expenses in such circumstances would represent an appropriate use of the funds of a Federal Reserve Bank, whose functions are so closely related in character to those of a public institution.

Sincerely yours,

*Bill*

Wm. McC. Martin, Jr.

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

Item No. 12  
8/6/58

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

August 6, 1958.



Dear Sir:

During a recent review of procedures relating to Federal Reserve Bank budgets, the Board came to the conclusion that there were some advantages to be gained if it had an opportunity to discuss informally with each President the significant aspects of the proposals that would be reflected in the budgets, and that it would probably be most helpful if these discussions could take place before the budgets were put into final form.

These discussions might, for example, touch upon such matters as contemplated changes in policy and type or level of activities in connection with Bank Relations, Research, and Employee Relations programs, particularly with respect to substantial new projects or substantial expansion or reduction of existing projects; changes under consideration with regard to Bank publications; selectivity of salary increases to be recommended for officers, and possible changes in salary structures of employees; consideration that is being given to sizeable purchases of furniture, fixtures and mechanical equipment; and contemplated major repair and alteration projects that will not be capitalized.

It seems logical to expect that at the Federal Reserve Banks, as in any business enterprise, proposals will be made from time to time throughout the year with respect to matters of this kind, and that to the extent they receive tentative approval the proposals will be reflected in the preliminary budget planning. The Board's thought was that there would be better mutual understanding of policy position and operating needs if such matters could be discussed before they become firmly entrenched in a budget that has been put into final form.

It is recognized that there is not much time left in which to put this program into effect this year. The Board would therefore appreciate receiving from you as soon as possible a letter outlining the matters of the nature indicated above which you feel might be appropriately discussed. Upon receipt of this information, the Board will undertake to arrange for a discussion at a mutually agreeable time.

Sincerely yours,

Wm. McC. Martin, Jr.

TO THE PRESIDENTS OF ALL  
FEDERAL RESERVE BANKS