

Minutes for August 7, 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>                    </u>
Gov. Vardaman	x <u>(V)</u>	<u>                    </u>
Gov. Mills	x <u>                    </u>	<u>                    </u>
Gov. Robertson	<u>                    </u>	x <u>                    </u>
Gov. Balderston	x <u>                    </u>	<u>                    </u>
Gov. Shepardson	x <u>                    </u>	<u>                    </u>

Minutes of the Board of Governors of the Federal Reserve System on  
Thursday, August 7, 1958. The Board met in the Board Room at 9:15 a.m.

PRESENT: Mr. Martin, Chairman 1/  
Mr. Balderston, Vice Chairman  
Mr. Vardaman  
Mr. Mills  
Mr. Shepardson 2/

Mr. Kenyon, Assistant Secretary  
Mr. Fauver, Assistant Secretary  
Mr. Thurston, Assistant to the Board  
Mr. Riefler, Assistant to the Chairman  
Mr. Leonard, Director, Division of Bank  
Operations  
Mr. Molony, Special Assistant to the Board  
Mr. Shay, Legislative Counsel  
Mr. Solomon, Assistant General Counsel  
Mr. Hostrup, Assistant Director, Division  
of Examinations  
Mr. Nelson, Assistant Director, Division  
of Examinations

Providing quarters for State bankers associations in Reserve Bank  
buildings. At Governor Balderston's request, Mr. Kenyon read an excerpt  
from the minutes of the meeting on July 30, 1958, regarding the Board's  
discussion of correspondence received from Congressman Multer relating  
to quarters occupied by the New York State Bankers Association in the  
building of the Federal Reserve Bank of New York and by the Maryland State  
Bankers Association in the building of the Baltimore Branch of the Federal  
Reserve Bank of Richmond. At that meeting it was understood that Governor  
Balderston would contact the two Reserve Banks involved and inform them of

1/ Withdrew at point indicated in minutes.  
2/ Entered at point indicated in minutes.

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the Board's view that occupancy by such organizations should be terminated as soon as the necessary arrangements could be made.

Governor Balderston then reported to the Board the results of his conversations with Messrs. Hayes and Treiber, of the Federal Reserve Bank of New York, and Mr. Leach at the Federal Reserve Bank of Richmond. He indicated that Mr. Hayes had stated that the New York Bank was extremely reluctant to disrupt its long-standing arrangement with the New York State Bankers Association but had expressed the view that, while the Bank thought the Board's decision was incorrect, it would abide by it if the Board should insist. Later Mr. Treiber had called, indicating that he had learned from President Leach that the Board intended to discuss the matter with representatives of the Richmond Bank following the Open Market Committee meeting on August 19. Mr. Treiber wondered whether the New York Bank could also have its "day in court."

Mr. Leach had pointed out in his conversation that he felt the situation with regard to the Maryland Bankers Association was somewhat different from that in New York inasmuch as the lease which the Bank held was with the Clearing House Association and not with the State bankers group. He said it was true, of course, that the same individual served as secretary of the Clearing House Association and the State bankers association. Governor Balderston had said in reply that the Board had no desire to evict the Clearing House but that it did feel the offices of the Maryland Bankers Association should in no way be associated with the Federal Reserve branch building.

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Governor Balderston stated he had brought the matter back to the Board because he wanted to make certain the Board was firm in its position of opposing the occupancy by bankers' groups of any space in a Federal Reserve building. With regard to the inquiry of the New York Bank as to whether it would receive a directive in this regard, his reply had been that, while this should not be necessary, if the New York Bank felt it needed such direction he was sure the Board would be glad to provide it. He told Mr. Treiber the Board's hope had been that the matter could be handled on a friendly basis with the bankers' association so that the situation could be corrected with a minimum of inconvenience.

During Governor Balderston's explanation of the developments Chairman Martin left the room and Governor Shepardson joined the meeting. Before leaving, Chairman Martin indicated that he continued to be in sympathy with the position previously taken by the Board.

Governor Vardaman said that the reluctant attitude on the part of the Reserve Banks toward terminating the existing arrangements with the bankers' associations was further indication to him that several of the Reserve Banks, and the New York Bank in particular, regarded themselves as creatures of the commercial banks. He said he had come to the conclusion that the Federal Reserve Banks were acting in such manner as to serve bankers first and the public second. By acting thusly, he felt the Federal Reserve Banks were forcing a fundamental revision of the Federal Reserve Act and, in his view, the sooner it came the better. With regard to a



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reply to Congressman Multer, he felt the letter should contain a paragraph which would point out that under the law the Board exercises only general supervision over the operations of the Federal Reserve Banks and that it does not attempt to engage in the detailed management of Reserve Bank operations such as, for example, the management of Reserve Bank buildings.

Governor Mills commented that he felt most certainly the New York Bankers Association should leave the Reserve Bank building and that the same principle should apply to the Maryland group. He questioned, however, whether as a matter of law the Board could enforce an order to a Reserve Bank to evict a given tenant. He recognized that the Board did have the statutory power of general supervision but wondered whether such power would carry through to a specific matter such as the one before the Board.

In reply, Mr. Solomon pointed out that this is a different situation than in the matter of personnel compensation, for example, where the law is specific with respect to the Board's authority. There might be some question, he said, with regard to the Board's authority and for this reason it might be better to phrase any letter in terms of the Board's view or the Board's opinion.

In this regard Governor Shepardson stated that he felt the Board had ample authority to issue an order to a Reserve Bank. On this, Mr. Solomon commented that he had not meant to imply that the Board lacked authority, but simply that the authority was not clear-cut because it was not spelled out in the law.

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Governor Balderston suggested that (1) he be authorized to call Messrs. Treiber and Leach again and tell them that the Board had reaffirmed its decision in a discussion of the matter in a Board meeting this morning; and (2) Messrs. Leonard and Solomon prepare a draft of a reply to Congressman Multer's letter which, when approved, would also be sent to the New York and Richmond Federal Reserve Banks as an indication of the Board's position.

Governor Shepardson stated that perhaps it would be advisable to send the other Reserve Banks copies of the correspondence so that they would be advised as to the Board's policy, which would help to guard against any future arrangements of this type at any of the other Reserve Banks. By sending them notice at this time there would be an opportunity, if they wished, for the Banks to raise questions at the Presidents' Conference scheduled for early September.

Governor Vardaman said he would like to see a survey made by the Division of Bank Operations of arrangements by the Federal Reserve Banks with the various clearing house associations. He would like to know, for example, whether they have only a "clearing room" where the checks change hands, or whether there is also provided in some of the Banks office space for the records and permanent personnel, if there are any, of the local clearing house associations.

It was unanimously agreed to proceed on the basis of the suggestions made by Governors Balderston, Shepardson, and Vardaman.

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At this point Messrs. Thurston, Molony, and Shay left the meeting.

Discount rates. Unanimous approval was given to a telegram to the Federal Reserve Bank of San Francisco approving the establishment without change by that Bank on August 6, 1958, of the rates on discounts and advances in its existing schedule.

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 Peoples-Merchants Trust Company, Canton, Ohio, approving the establishment of an additional branch in Massillon. (For transmittal through the Federal Reserve Bank of Cleveland)	1
Telegram to the Federal Reserve Bank of St. Louis interposing no objection to an expenditure of funds in connection with the Louisville Branch building.	2

At this point Mr. Leonard withdrew from the meeting.

First Bank Stock Corporation matter (Item No. 3). At Governor Balderston's request, Mr. Solomon outlined the contents of his memorandum of August 6, 1958, which had been distributed prior to this meeting of the Board. This memorandum reported the receipt of a request from counsel for First Bank Stock Corporation that the date for filing exceptions and supporting brief to the hearing examiner's report and recommended decision be extended to September 15, 1958. Under the Board's Rules of Practice for

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Formal Hearings, the time for such filing would expire on August 9 unless extended. This would be 15 days after receipt of a copy of the hearing examiner's report on July 23.

Counsel for the applicant had stated that the considerable length of the hearing examiner's report required careful review, and that consultation between the applicant and counsel and preparation of a brief could not reasonably be expected to be completed within a 15-day period.

The Legal Division recommended granting the extension of time requested by the applicant, as did the Board's counsel in this matter, Mr. Strothman of the Federal Reserve Bank of Minneapolis.

Thereupon the Board unanimously agreed to the issuance of an Order in the form attached to these minutes as Item No. 3 extending the time for filing exceptions and brief to the hearing examiner's report and recommended decision by First Bank Stock Corporation to and including September 15, 1958.

Procedural matter concerning examination of the Continental Bank and Trust Company of Salt Lake City. Also, at Governor Balderston's request, Mr. Solomon discussed a procedural matter relating to a recent examination by the Federal Reserve Bank of San Francisco of the Continental Bank and Trust Company of Salt Lake City. In the course of the examination certain facts were developed which pointed either to a Section 30 proceeding or to a reference to the Department of Justice as a possible criminal violation. The San Francisco Bank had not been able to develop all of the



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facts it desired in the matter and was seeking advice as to whether it would be desirable for representatives of the Bank to go to Salt Lake City and to discuss the matter with Mr. Cosgriff and other officers of the bank. Mr. Solomon said Mr. O'Kane, of the San Francisco Bank, had talked with members of both the Legal Division and the Examinations Division to keep them informed of the developments.

Mr. Solomon pointed out that essentially this was a matter which should be resolved at the Reserve Bank level. He felt, however, that the Bank was anxious to have the Board's view as to the appropriate procedure because of its possible effect on the administrative proceeding already in process. Mr. Solomon said he personally would question the desirability of additional personal contacts with the member bank at this time. If any contacts were to be made, he thought it would be better to reduce the matter to writing. In any event, he thought the Reserve Bank should discuss the matter with the Board's Special Counsel, Mr. Powell, to see whether in his view additional action by the Reserve Bank at this time might have an effect upon the Board's administrative proceeding.

Following a discussion of the matter, it was the consensus of the Board that personal discussions between Reserve Bank representatives and officers of the Continental Bank would not be advisable. Further, it was the Board's view that if the Reserve Bank felt impelled to carry on further correspondence on the matter with the Continental Bank, any such correspondence should be cleared with the Board's Special Counsel. This

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was especially true in the light of assurances that the matter in question did not pose a threat to the solvency of the institution. It was understood that Mr. Solomon would advise the Reserve Bank of the Board's views on the matter.

Thereupon the meeting adjourned.

Secretary's Notes: It having been ascertained, pursuant to action taken by the Board on August 4, 1958, that Mr. John H. Warden of Houghton, Michigan, would accept appointment, if tendered, as a Class C director of the Federal Reserve Bank of Minneapolis for the unexpired portion of a term ending December 31, 1958, a telegram was sent to Mr. Warden today notifying him of his appointment.

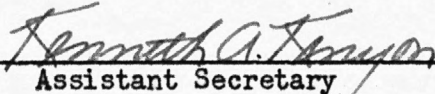
In the absence of Governor Robertson, and in accordance with the procedure authorized by the Board on December 7, 1956, Governor Shepardson today authorized the execution of commissions certifying that the following persons, who are members of the examining staff of the Federal Reserve Bank of New York, have been designated as Federal Reserve examiners for the purpose of examining Edge Act and Agreement corporations, in line with the program outlined in Governor Robertson's memorandum of July 2, 1958, which was approved by the Board on July 9, 1958:

Meyer, Harry J.	Clark, James J.
Fleetwood, Harvey	Clark, Joseph A.
Kendrick, William D.	Cooney, John J.
Ciancimino, Matthew R.	Crumb, Howard F.
Straub, Warren C.	Gaffney, Donald F.
Drenning, Herman J.	Graveman, Harry K.
Frey, Frederick L.	Harrison, John B.
Garfinkel, Joseph	Honan, Abram V.
Halpern, Joseph M.	Kranik, Eugene C.
Quinn, John J.	Lederleitner, Stephen T.
Ritchie, Robert	Moreschi, Robert F.
Accardi, Robert P.	Paul, Emil J.
Allen, Carl H.	Reilly, Edward M.
Bozio, Albert J.	Russell, John G.
Brasseur, Edward A.	Zaloom, Charles B.

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Governor Shepardson today approved on behalf of the Board a letter to the Federal Reserve Bank of San Francisco approving the appointment of Marvin D. Lawrance as assistant examiner, a copy of which is attached as Item No. 4.

  
Assistant Secretary

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

Item No. 1  
8/7/58

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

August 7, 1958

Board of Directors,  
The Peoples-Merchants Trust Company,  
Canton, Ohio.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Cleveland, the Board of Governors of the Federal Reserve System approves the establishment of a branch at 124 Lincoln Way East, Massillon, Ohio, by The Peoples-Merchants Trust Company, Canton, Ohio, provided the branch is established within one year 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.



T E L E G R A M  
LEASED WIRE SERVICEBOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTONItem No. 2  
8/7/58

August 7, 1958

Johns - St. Louis

Reur July 31 letter. Board will interpose no objection to your proceeding to treat exposed surface of south wall of Louisville building as outlined in your letter at an estimated cost of approximately \$12,000 plus architect's fees and expenses.

(Signed) Kenneth A. Kenyon

KENYON.

Item No. 3  
8/7/58

UNITED STATES OF AMERICA

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

WASHINGTON, D. C.

In the Matter of the Applications of

FIRST BANK STOCK CORPORATION

DOCKET NOS.

BHC - 36 and 37

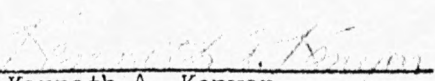
for determinations pursuant to  
section 4(c)(6) of the Bank Holding  
Company Act of 1956ORDER EXTENDING TIME FOR FILING EXCEPTIONS AND  
BRIEF TO THE HEARING EXAMINER'S REPORT AND RECOMMENDED  
DECISION BY FIRST BANK STOCK CORPORATION

Additional time having been requested by First Bank Stock Corporation within which to file with the Secretary of the Board its exceptions and brief to the Hearing Examiner's Report and Recommended Decision and it appearing to the Board that such request should be granted, it is hereby ORDERED that the time within which First Bank Stock Corporation may file such exceptions and brief be, and the same hereby is, extended to and including September 15, 1958.

This 7th day of August, 1958.

By order of the Board of Governors.

(SEAL)

  
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Kenneth A. Kenyon,  
Assistant Secretary.

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

Item No. 4  
8/7/58

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

August 7, 1958

Mr. R. H. Morrill, Vice President,  
Federal Reserve Bank of San Francisco,  
San Francisco 20, California.

Dear Mr. Morrill:

In accordance with the request contained in your letter of August 4, 1958, the Board approves the appointment of Marvin D. Lawrance as an assistant examiner for the Federal Reserve Bank of San Francisco. Please advise as to the date upon which the appointment is made effective.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.