

Minutes for September 17, 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>W</u>
Gov. Szymczak	x <u>MS</u>	_____
Gov. Vardaman	x <u>OV</u>	_____
Gov. Mills	x <u>[Signature]</u>	_____
Gov. Robertson	<u>R</u>	x _____
Gov. Balderston	x <u>CCB</u>	_____
Gov. Shepardson	x <u>CS</u>	_____

Minutes of the Board of Governors of the Federal Reserve System
on Wednesday, September 17, 1958. The Board met in the Special Library
at 10:00 a.m.

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

Mr. Kenyon, Assistant Secretary
Mr. Fauver, Assistant Secretary
Mr. Hackley, General Counsel
Mr. Hostrup, Assistant Director, Division
of Examinations
Mr. Nelson, Assistant Director, Division
of Examinations
Mr. Smith, 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 The Detroit Bank and Trust Company, Detroit, Michigan, extending the time within which it may establish a branch in Franklin. (For transmittal through the Federal Reserve Bank of Chicago)	1
Letter to the Comptroller of the Currency recommending approval of an application to organize a national bank at Bradenton, Florida. (With a copy to the Federal Reserve Bank of Atlanta)	2

Letter from the Superintendent of Banks for New York State.

There had been distributed to the members of the Board copies of a
letter addressed to Chairman Martin under date of September 10, 1958,

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by Mr. George A. Mooney, Superintendent of Banks for the State of New York, referring to the Board's decision (which was unfavorable) in respect to the application of a Marine Midland Corporation subsidiary bank to absorb an independent bank in Attica, New York, and stating that for the first time since that decision there was now pending with the New York State Banking Department a merger application on a cash basis with a consequent diminution of capital. Mr. Mooney suggested that arrangements be made for discussion looking toward coordination of policy in this field "in view of our concurrent jurisdiction in this type merger" and stated that he felt sure such a discussion would prove mutually beneficial.

Mr. Hackley reported that he recently received a telephone call from an attorney in Buffalo, New York, representing Marine Midland Corporation, who inquired whether Chairman Martin had received any letter from Mr. Mooney regarding a proposed transaction whereby a Marine Midland subsidiary bank in Watertown, New York, would absorb an independent bank in Saranac Lake. Being unable at the time to find record of the receipt of any letter of such description, Mr. Hackley had replied in the negative. However, he presumed that the letter now before the Board was the one that the inquirer had in mind.

In response to a question, Mr. Hackley said it appeared to him that Mr. Mooney's principal concern probably was with questions of

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policy related to consideration of the competitive effects of a merger, in view of the latter's reference to the Attica case. It might be, of course, that Mr. Mooney also had in mind discussing some of the procedural aspects involved in the consideration of proposed mergers.

Discussion ensued with regard to the reply that should be made to Mr. Mooney's letter. While it was at first suggested that the Board might wish to invite Mr. Mooney to meet with a designated member of the Board, the opinion was expressed that a reply should be sent over Chairman Martin's signature extending an invitation to Mr. Mooney to meet on a mutually convenient date with the available members of the Board. From the standpoint of the Board's schedule it appeared that a date during the latter part of next week would be suitable. Accordingly, it was agreed that the reply would be phrased in such terms.

During the foregoing discussion Governor Vardaman expressed the view that meetings of the kind requested by Mr. Mooney should be with the Board as a whole, or the available members thereof, rather than with any particular member of the Board. As he understood it, such a procedure was in accordance with present Board policy. As the result of earlier policy he felt that an impression had been gained by the banking fraternity that matters in the bank supervisory field were delegated for initial consideration to one member of the Board.

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It was definitely an obligation of the Board, he suggested, to handle matters such as the request of Mr. Mooney without delegation of authority, for otherwise such matters tend not to come before the Board as a whole until they have reached an advanced stage. In his opinion, this would be unfair to the Board and to the other parties concerned.

With reference to the nature of the proposed meeting with Mr. Mooney, Governor Mills commented that although any such meeting with a State bank supervisor might provide an opportunity for an exchange of understandings with respect to mutual problems, it appeared to him that on such an occasion neither party should be put into the position of making commitments as to what would or would not be done at a future time. In other words, the discussion should be principally of an exploratory nature.

Agreement was expressed with the comments made by Governor Mills.

In an additional comment, Governor Shepardson expressed the opinion that it is desirable to have an exchange of views in the manner suggested by Mr. Mooney with regard to policy problems because the exchange may lead to a meeting of the minds on such questions.

Letter to Price Waterhouse & Co. (Item No. 3). There had been circulated to the members of the Board a draft of letter to Price Waterhouse & Co. requesting that firm to audit the Board's books and

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accounts for 1958 and also, during 1959, to undertake a review of the procedures followed by the Board's field staff during the examination of a designated Federal Reserve Bank.

Governor Shepardson called attention to the fact that in a memorandum which had been circulated with the file on this matter the Board's Controller had expressed certain reservations about the need for conducting a review of field examination procedures each year and also about making arrangements with Price Waterhouse & Co. for such a review in 1959 until such time as the 1958 review had been completed. Governor Shepardson said he had discussed this matter with the Controller, that as he understood it the Board's desire was to have an annual review conducted, but that he had told the Controller it was entirely appropriate for him to place his views on file.

The ensuing discussion confirmed Governor Shepardson's understanding that the Board wished to have the annual reviews of examination procedures continue in order to provide assurance that such procedures are considered satisfactory by qualified public accountants reviewing them from an objective standpoint. It was noted that on a number of occasions the Board had had cause to inform the Congress that the procedures involved in examinations of Federal Reserve Banks are subject to a review of this kind. One member of the Board (Governor Vardaman) suggested that at some point in the future the Board might want to give consideration to the possibility of having more than one such review made during a calendar year because, in his opinion, these reviews serve

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to strengthen substantially the Board's position with respect to the adequacy of its examination procedures. It was also pointed out that, aside from the assurances received through such reviews, a number of suggestions of a helpful nature have been received as the result of these surveys by a public accounting firm.

Thereupon the proposed letter to Price Waterhouse & Co., a copy of which is attached as Item No. 3, was approved unanimously.

Mr. Nelson then withdrew from the meeting.

Discount rates. Unanimous approval was given to a telegram to the Federal Reserve Bank of Minneapolis approving the establishment without change by that Bank on September 15, 1958, of the rates on discounts and advances in its existing schedule.

In addition it was unanimously agreed that if advice were received from a Federal Reserve Bank still maintaining a discount rate of 1-3/4 per cent that the Bank's board of directors had approved a discount rate of 2 per cent along with appropriate subsidiary rates, the Secretary's Office would be authorized to advise such Bank of the approval of such rates and to arrange for the issuance of a press release in the usual form.

Report of examination of the Federal Reserve Bank of Cleveland.

The report of examination of the Federal Reserve Bank of Cleveland made by the Board's examiners as of June 12, 1958, had completed circulation to the members of the Board.

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Mr. Smith commented that the examination did not disclose any matters appearing to call for special consideration by the Board at this time. He also stated that since the date that the report was placed in circulation to the Board a letter had been received from the Secretary of the Board of Directors of the Cleveland Reserve Bank advising that the examination report had been considered and accepted by the directors.

In response to questions, Mr. Smith discussed briefly the program at the Cleveland Bank designed to provide appropriate officer material for the conduct of its operations.

Application of Firstamerica Corporation. At the instance of Governor Vardaman, there was a brief discussion of the contemplated time schedule for Board consideration of the application of Firstamerica Corporation to acquire shares of the California Bank, Los Angeles, with a view to merging that bank and the First Western Bank and Trust Company of San Francisco. Governor Vardaman expressed the hope that the matter could be scheduled for Board consideration at a time when all of the members of the Board were present.

The meeting then adjourned.

Secretary's Notes: Governor Shepardson today approved on behalf of the Board letters to the Federal Reserve Banks of Atlanta and St. Louis (attached Items 4 and 5) approving the designation of Robert P. Maynard as special assistant examiner and the appointment of Edward C. Westhouse as assistant examiner, respectively.

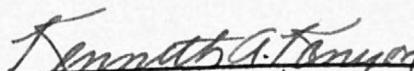
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Pursuant to the recommendation contained in a memorandum dated September 16, 1958, from the Division of Personnel Administration, Governor Shepardson also approved today on behalf of the Board an increase in the basic annual salary of the Board's Substitute Nurses from \$16 per day to \$18 per day, effective October 1, 1958.

Pursuant to the recommendation contained in a memorandum dated August 28, 1958, from Mr. Kelleher, Director, Division of Administrative Services, Governor Shepardson also approved today on behalf of the Board an increase in the basic annual salary of Mary E. Johnson, Telephone Operator, from \$4,325 to \$4,420 per annum, effective September 21, 1958.

On the basis of the information and recommendation contained in a memorandum from Mr. Kenyon, Assistant Secretary, dated September 17, 1958, Governor Shepardson authorized the Secretary's Office to suspend temporarily the preparation and distribution of the so-called "Daily List of Material Received in Secretary's Office" which was requested by the Board in 1947, with the understanding that if no inquiries resulted within 30 days the report would be considered as discontinued.


Assistant Secretary

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

Item No. 1
9/17/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 17, 1958

Board of Directors,
The Detroit Bank and Trust Company,
Detroit, Michigan.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Chicago, the Board of Governors of the Federal Reserve System extends until December 18, 1958, the time within which The Detroit Bank and Trust Company, Detroit, Michigan, may establish a branch on Franklin Road near Fourteen Mile Road, in the incorporated village of Franklin, Oakland County, Michigan, under the authorization contained in the Board's letter dated September 19, 1957.

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
9/17/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 17, 1958

Comptroller of the Currency,
Treasury Department,
Washington 25, D. C.

Attention Mr. W. M. Taylor,
Deputy Comptroller of the Currency.

Dear Mr. Comptroller:

Reference is made to a letter from your office dated June 6, 1958, enclosing copies of an application to organize a national bank at Bradenton, Florida, and requesting a recommendation as to whether or not the application should be approved.

A report of investigation of the application made by an examiner for the Federal Reserve Bank of Atlanta discloses generally satisfactory findings with respect to the factors usually considered in connection with such proposals, except as to the adequacy of the proposed capital structure. In view of the deposit volume anticipated by the organizers, our informant is of the opinion that a capital structure of \$500,000 would be more acceptable. Moreover, he suggests that it would be to the bank's advantage to strengthen the board by the addition thereto of at least two individuals who are more mature in years and more seasoned in business experience than the average member of the proposed board. It is assumed that these matters will be resolved to your satisfaction; and, accordingly, the Board of Governors recommends approval of the application.

The Board's Division of Examinations will be glad to discuss any aspects of this case with representatives of your office if you so desire.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 3
9/17/58

OFFICE OF THE CHAIRMAN

September 17, 1958

Price Waterhouse & Co.,
1000 Vermont Avenue, N. W.,
Washington 5, D. C.

Gentlemen:

It is requested that your firm undertake as promptly as convenient after January 1, 1959, an audit of the books and accounts of the Board of Governors of the Federal Reserve System for the year 1958.

No restrictions have been or will be placed upon your firm with respect to the scope of the audit or the manner in which it is to be conducted. You will make the audit as extensive as you deem appropriate, and in such manner as appears to you to be desirable in the light of generally accepted auditing standards.

With regard to the arrangements referred to in my letter of August 7, 1957, whereby your firm would undertake a review, during the year 1958, of the procedures employed by the Board's examiners in connection with their examinations of the Federal Reserve Banks, it is the desire of the Board that a similar review be made by you during the year 1959. Detailed arrangements in this regard should be made with Mr. Robert C. Masters, Director of the Board's Division of Examinations.

It is proposed that compensation be on the basis set forth in your letter to Governor Charles N. Shepardson dated July 31, 1957, with respect to similar work performed during 1958, namely, your regular fee rates.

The Board will appreciate written confirmation that you will undertake the audit of the Board's books and accounts and the review of field examination procedures on these terms.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.

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

Item No. 4
9/17/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 17, 1958



Mr. Geo. W. Sheffer, Jr., Chief Examiner,
Federal Reserve Bank of Atlanta,
Atlanta 3, Georgia.

Dear Mr. Sheffer:

In accordance with the request contained in your letter of September 12, 1958, the Board approves the designation of Robert P. Maynard as a special assistant examiner for the Federal Reserve Bank of Atlanta for the purpose of participating in the examination of State member banks only.

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
9/17/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 17, 1958

Mr. Geo. E. Kroner, Vice President,
Federal Reserve Bank of St. Louis,
St. Louis 66, Missouri.

Dear Mr. Kroner:

In accordance with the request contained in your letter received on September 15, 1958, the Board approves the appointment of Edward C. Westhouse as an assistant examiner for the Federal Reserve Bank of St. Louis. Please advise the Board if the appointment is not made effective November 1, 1958, as planned.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

