

Minutes for October 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	<u><i>[Signature]</i></u>	<u>X <i>[Signature]</i></u>
Gov. Szymczak	<u><i>[Signature]</i></u>	<u>X</u>
Gov. Vardaman	<u>X <i>[Signature]</i></u>	<u>_____</u>
Gov. Mills	<u>X <i>[Signature]</i></u>	<u>_____</u>
Gov. Robertson	<u>X <i>[Signature]</i></u>	<u>_____</u>
Gov. Balderston	<u>X <i>[Signature]</i></u>	<u>_____</u>
Gov. Shepardson	<u>X <i>[Signature]</i></u>	<u>_____</u>

Minutes of the Board of Governors of the Federal Reserve System
on Monday, October 6, 1958. The Board met in the Special Library at
10:00 a.m.

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

Mr. Kenyon, Assistant Secretary
Mr. Fauver, Assistant Secretary
Mr. Thomas, Economic Adviser to the Board
Mr. Young, Director, Division of Research
and Statistics
Mr. Marget, Director, Division of International
Finance
Mr. Hackley, General Counsel
Mr. Masters, Director, Division of Examinations
Mr. Farrell, Associate Director, Division of Bank
Operations
Mr. Conkling, Assistant Director, Division of Bank
Operations
Mr. Sammons, Associate Adviser, Division of
International Finance
Mr. Solomon, Assistant General Counsel
Mr. Poundstone, Federal Reserve 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 Bank of America, New York, New York, regarding the reports of examination of its Beirut and Singapore branches. (With copies to the Federal Reserve Banks of New York and San Francisco)	1
Letter to the Presidents of all Federal Reserve Banks concerning disclosure of Wednesday member bank borrowings on the weekly statement of condition of the Federal Reserve Banks.	2

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At this point Messrs. Farrell and Conkling withdrew from the meeting.

Preliminary permit, Chemical International Finance, Ltd., New York (Item No. 3). Prior to the meeting there had been distributed to the members of the Board a memorandum dated October 1, 1958, from the Division of Examinations recommending approval of an application from Chemical International Finance, Ltd., for a preliminary permit authorizing that corporation to exercise such of its powers as are incidental and preliminary to its organization. The memorandum pointed out that the Board on July 23, 1958, had approved and reserved for a period of six months the name "Chemical International Finance, Ltd." as the name of a corporation to be organized for the purpose of engaging in international or foreign financial operations pursuant to section 25(a) of the Federal Reserve Act. The proposed financing corporation was to be owned by Chemical Corn Exchange Bank after organization, and counsel for the bank had submitted the Articles of Association and the Organization Certificate with the application. The Federal Reserve Bank of New York had recommended approval of the preliminary permit. The Legal Division had reviewed the Articles of Association and found them to conform to the requirements of section 25(a) and Regulation K.

Following a brief discussion the Board unanimously approved issuance of the preliminary permit and transmittal thereof to the Chemical Corn Exchange Bank through the Federal Reserve Bank of New York. Copies of the transmittal letter and permit are attached to these minutes under Item No. 3.

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Proposed amendment to Regulation K. During the discussion of the above matter Governor Robertson raised the question whether any steps had been taken looking toward further consideration of amending the provisions of Regulation K which prohibit the name of an Edge Act financing corporation from being similar to, or identifying the corporation with, any bank in the United States with which it is affiliated. He pointed out that although the Board had agreed earlier to approve the name of the organization in the present case, the approval seemed to fly squarely in the face of the regulation. In response Mr. Masters indicated that no action had yet been taken in this direction but that his Division had the matter on its docket in the light of the Board's previous discussion.

It was the consensus of the Board that this matter should be considered further at an early date. In this connection Governor Balderston asked the Secretary's Office to review the status in which the matter was left following the Board's previous discussion in July.

At this point Messrs. Marget, Sammons, and Poundstone withdrew from the meeting.

Request from the Housing Subcommittee of the Senate Banking and Currency Committee for staff assistance. Prior to the meeting there had been distributed to the members of the Board copies of a letter dated October 2 from Mr. James B. Cash, Jr., Staff Director of the Housing Subcommittee of the Senate Banking and Currency Committee, requesting participation by the Board in a study of the role of Federal programs in

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supplying mortgage credit sufficient to satisfy the demand for residential construction during the decade beginning in 1961. The Subcommittee hoped that the study would result in legislative proposals for consideration during the 86th Congress. The letter also stated that it was being written at the direction of Senator Sparkman, Chairman of the Housing Subcommittee.

The letter expressed the hope that the Board's staff would prepare a monograph analyzing the relationship of credit terms to demand and need factors for private housing. The deadline for the paper was fixed at November 15, and it was indicated that this paper and others received on related topics would be published as a Committee document and would be distributed to interested Government agencies and to other interested persons both public and private. It was also pointed out that the technical papers would be the subject of a Subcommittee hearing late this year or early in 1959. Subsequently the staff of the Subcommittee would draft such legislative proposals as seemed to be indicated by opinions expressed in the technical papers and the record of the public hearings.

The letter noted that Mr. Ramsey Wood, of the Division of Research and Statistics, was particularly well qualified to discuss questions on credit terms and indicated that the views expressed might be presented as those of the author or as the views of the agency, whichever the Board's preference might be.

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Mr. Young led the discussion of this item by pointing out that the Board was left with little choice except to acquiesce in the request. The only real question in his mind was the very brief time schedule provided. Fortunately, he said, much of the preliminary technical work had been done in connection with other projects. Also, it appeared that there might be some flexibility in the target date.

Governor Balderston inquired whether the outline presented by the Subcommittee created any difficulties for the technical staff by the wording of the topics. To this Mr. Young replied that he had been informed that the topics were merely suggestive and not binding and that whoever of the Board's staff was assigned to the project would have considerable freedom in selecting and preparing the material.

Governor Vardaman cautioned that the indication in the Subcommittee letter of the possibility of legislative proposals should put the Board on notice that the material to be presented should be prepared with extreme care. The fact that the monograph would be among those discussed at a hearing reinforced that view. At some point, he said, it might be necessary for the Board to speak its own views on these subjects rather than merely presenting the views of its staff. There was no question in his mind but that housing would be a very live topic in the next session of Congress.

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At this point Mr. Young observed that he had been assured by the Subcommittee staff that the hearing was intended to be purely on technical matters. He said he had informed Mr. Cash that the document submitted would probably represent the views of the Board's staff as a whole even though the primary assignment might be to an individual staff member. He said he had pointed out that as an institutional matter documents of this kind prepared by staff members are widely reviewed.

Governor Balderston then raised the question whether it was desirable to reply formally at this time to the letter from Mr. Cash or whether it would be better simply to advise him informally that the task would be undertaken. Governor Shepardson noted that the letter received by the Board had been phrased in general language and left an opening for handling a reply or an assignment of the topics in whatever way the Board might deem most appropriate.

Governor Robertson suggested that Mr. Young be authorized to call Mr. Cash and inform him that the paper would be prepared. Later, when the document was completed and a letter was prepared transmitting it to the Subcommittee, the Board could cover its position in whatever way seemed most appropriate.

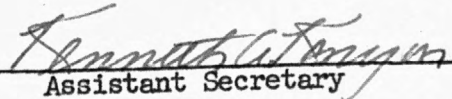
There was unanimous agreement with Governor Robertson's suggestion.

The meeting then adjourned.

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Secretary's Note: Governor Shepardson today approved on behalf of the Board a letter to the National Labor Relations Board, Washington, D. C., a copy of which is attached as Item No. 4, regarding extension of the detail to the Board of Governors of Charles W. Schneider, Hearing Examiner, for a period of six months from June 30, 1958.


Assistant Secretary

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

Item No. 1
10/6/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 6, 1958



Mr. Henry A. J. Ralph,
Vice President,
Bank of America,
40 Wall Street,
New York, New York.

Dear Mr. Ralph:

This refers to your letters of September 19, 1958, transmitted through the Federal Reserve Bank of New York, with further reference to the Board's letter of June 24, 1958, to Mr. Jesse W. Tapp, Chairman of the Board of Directors of your Bank, enclosing copies of the reports of examination of the Beirut, Lebanon, and Singapore, Colony of Singapore, branches of Bank of America made as of March 4, 1958, and March 5, 1958, respectively, by examiners for the Board of Governors.

It is noted that the reports of examination were referred to your Auditing and Examination Committee and executive officers and were reviewed by the Board of Directors.

The Board is pleased to learn of the actions taken with respect to the comments, recommendations, and suggestions of the examiners.

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
10/6/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 6, 1958.

Dear Sir:

The suggestion has been made that the amount of member bank borrowings outstanding on the Wednesday statement date should be set forth on the Board's weekly release H.4.1, "Weekly Averages of Member Bank Reserves, Reserve Bank Credit, and Related Items and Statement of Condition of the Federal Reserve Banks." A copy of this release is attached for ready reference.

The weekly average figure for member bank borrowings has been shown separately on the statement since May 11, 1955. However, on the pages showing the statement of condition of the twelve Federal Reserve Banks combined, the Wednesday figure is included in the item "Discounts and advances," which may also include foreign loans on gold, etc.

Inasmuch as the one-day Wednesday figures for Treasury items and member bank required and excess reserves are already being shown at the bottom of the first page, a better procedure would seem to be to add a fourth column to the first page of the release which would show Wednesday figures for all items. A copy of the proposed "related items" page is attached for ready reference.

These revisions will be made in the Board's weekly statement on the second Thursday following the date of this letter.

Very truly yours,

Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

Attachments.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

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

Item No. 3
10/6/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 6, 1958

Mr. Clinton C. Johnson,
Executive Vice President,
Chemical Corn Exchange Bank,
165 Broadway,
New York 15, New York.

Dear Mr. Johnson:

The Board of Governors has approved the Articles of Association and the Organization Certificate, dated July 29, 1958, of Chemical International Finance, Ltd., and there is enclosed herewith a preliminary permit authorizing that Corporation to exercise such of the powers conferred by section 25(a) of the Federal Reserve Act as are incidental and preliminary to its organization. As you are aware, the Corporation may not exercise any of the other powers conferred by section 25(a) until it has received a final permit from the Board authorizing it generally to commence business. The steps which must be taken prior to issuance of a final permit are enumerated in section 3(c) of the Board's Regulation K.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

Enclosure

October 6, 1958

IT IS HEREBY CERTIFIED that the Board of Governors of the Federal Reserve System, pursuant to authority vested in it by section 25(a) of the Federal Reserve Act, as amended, has this day approved the Articles of Association and Organization Certificate, dated July 29, 1958, of CHEMICAL INTERNATIONAL FINANCE, LTD. duly filed with said Board of Governors, and that CHEMICAL INTERNATIONAL FINANCE, LTD. is authorized to exercise such of the powers conferred upon it by said section 25(a) as are incidental and preliminary to its organization pending the issuance by the Board of Governors of the Federal Reserve System of a final permit generally to commence business in accordance with the provisions of said section 25(a) and the rules and regulations of the Board of Governors of the Federal Reserve System issued pursuant thereto.

BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM

By (Signed) Kenneth A. Kenyon
Assistant Secretary

(SEAL)

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

Item No. 4
10/6/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 6, 1958



National Labor Relations Board,
Washington 25, D. C.

Attention: J. Neal Tomey

Gentlemen:

Reference is made to the detail to the Board of Governors of Mr. Charles W. Schneider, Hearing Examiner, GS-15, previously agreed to by you under letter dated December 10, 1956, and extended by your letters of June 20, 1957, and December 12, 1957, respectively.

Under the terms of Mr. Schneider's detail, he was made available to this Board for a six-month period beginning January 1, 1957, to preside at one or more hearings ordered to be held under the Bank Holding Company Act of 1956. It was agreed that the National Labor Relations Board would be reimbursed for Mr. Schneider's salary and for any travel expenses involved, salary reimbursement to be made only for the time in which Mr. Schneider was actually engaged in connection with the said hearings. Under the extension of Mr. Schneider's detail he was made available to this Board for an additional six-month period beginning January 1, 1958.

Mr. Schneider's work on matters for this Board was not completed by June 30, 1958 and he is, in fact, now working on such matters, but through oversight his detail was not officially extended beyond June 30, 1958. This Board is aware of the workload of the National Labor Relations Board and would not assign any additional cases to Mr. Schneider. However, it would seem appropriate that his detail be suitably extended from June 30, 1958, to cover the period from that date to the present, as well as a further period for completing his present assignments with this Board. While it is difficult to predict the precise time that will be required for Mr. Schneider to complete his present assignments, it is believed that a period of six months from June 30, 1958 would reasonably be needed.

Therefore, the Board of Governors requests that the National Labor Relations Board extend Mr. Schneider's detail for such a period of six months from June 30, 1958, on the same basis as the original detail as set forth in a letter from this office, dated December 7, 1956.

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It will be appreciated if you will confirm this extension of the reimbursable detail in order that the necessary arrangements can be made with the Civil Service Commission in connection with confirmation of the extension of Mr. Schneider's services.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.