

Minutes of the Board of Governors of the Federal Reserve System
on Tuesday, November 4, 1958. The Board met in the Board Room at 11:00 a.m.

PRESENT: Mr. Balderston, Vice Chairman
Mr. Szymczak 1/
Mr. Mills
Mr. Robertson
Mr. Shepardson

Mr. Sherman, Secretary
Mr. Riefler, Assistant to the Chairman
Mr. Hackley, General Counsel
Mr. Molony, Special Assistant to the Board
Mr. Shay, Legislative Counsel

At Governor Balderston's request, Mr. Sherman described a visit that he had received yesterday from Mr. Robert E. Dunne, Assistant Counsel for the Senate Permanent Subcommittee on Investigations of the Committee on Government Operations of the United States Senate, of which Senator John L. McClellan is Chairman. In addition to the Secretary, Mr. Dunne had talked with Messrs. Thurston, Molony, and Shay during his visit to the Board's building, and he had asked for an appointment with Vice Chairman Balderston who, however, was unable to see him because of other engagements.

The purpose of Mr. Dunne's call was to seek Board records which would assist the Permanent Subcommittee on Investigations in determining whether there was a basis for reports that it had received of alleged "leaks" in information concerning actions taken by the Board relating to changes in discount rates or margin requirements. Mr. Dunne had been informed that the Board's minutes, for which he had made a specific

1/ Withdrew from meeting at point indicated in minutes.

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request, were not available for his inspection, but the members of the staff with whom he had talked had been as cooperative as seemed possible in furnishing information of the type that could be made available regarding the Federal Reserve System and the Board's procedures. He had stated that in order to carry on the investigation for the Subcommittee it would be necessary to have access to the minutes and other records that might enable him to determine whether there was a basis for the alleged leaks, and he had taken the view that an investigation of this type into the operations of the Board of Governors was within the purview of the Subcommittee even though the Board's relations with the Congress were ordinarily carried on through the Banking and Currency Committees. He had explained that the Subcommittee's interest was not in the basis for policy decisions but only in either "washing out" the alleged leaks or, if the information indicated a need for doing so, determining how the leaks occurred. Mr. Dunne had indicated that a letter from the Chairman of the Subcommittee, Senator McClellan, who was also Chairman of the Government Operations Committee, would be furnished if desired.

Governor Robertson expressed the view that, while the Board should not permit an investigation on the initiative of a staff member of the Subcommittee, the Board should welcome any investigation authorized by a committee or a subcommittee of Congress on any subject within its

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purview. No one should be more interested than the Board in an investigation such as this. If this subcommittee had the authority that Mr. Dunne felt it had and if it made a request in an appropriate form, the request should then be cleared with the Senate Banking and Currency Committee. In response to Governor Balderston's question as to whether this contemplated that the requested information, including minutes of Board meetings, should then be made available, Governor Robertson said that if a committee of Congress requested the information and stated the purpose of the investigation, the Board should open its doors to an authorized person, except that at this time he would hold in abeyance the question of making the minutes available.

Governor Mills stated that although the Board should insist on a procedure that would regularize the making available of information from the Board's records, on the other hand the Board should avoid scrupulously any indication of resistance to such an inquiry into the Board's affairs.

Governor Szymczak said that he felt the Board should be as cooperative as possible. It should have a request for the information in proper form from a proper source, and it should have what its purpose was. Before opening the doors to any investigator, the Board should, of course, know that he came as an authorized investigator from an official body. Meantime, the more information Mr. Dunne could be given about the general operations of the Federal Reserve System the better.

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There was then a reference to some of the press reports with which Mr. Dunne appeared to be familiar implying that leaks had occurred concerning Board actions, during which Mr. Molony described information he had given Mr. Dunne. He also noted that Mr. Dunne had gone to the Securities and Exchange Commission before coming to the Board.

Mr. Shay reported that this morning he had talked by telephone with Mr. Yingling, Clerk of the Senate Banking and Currency Committee, to inquire whether he knew of the proposed investigation and that, while Mr. Yingling indicated he had not previously heard of it, he seemed quite interested in finding out more about any such investigation.

Mr. Hackley stated in response to a question from Governor Balderston, that the investigative powers of the Senate Government Operations Committee and the Permanent Subcommittee on Investigations were very broad. It was his view that it would not be necessary for the Board to look beyond a letter from the Chairman of the Committee (who was also Chairman of the Subcommittee) to consider that an investigation had been officially authorized. He also noted that the Chairman of the Committee had the right of subpoena.

Governor Balderston raised the question whether it would be desirable at this stage for him to get in touch with either the office of Senator Fulbright, as Chairman of the Senate Banking and Currency Committee, or with Senator Frear, as Chairman of that Committee's

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Federal Reserve Subcommittee, with a view to discussing the proposed investigation.

Governor Mills responded along the lines that Mr. Shay had already been in touch with a member of Senator Fulbright's staff and that the results of that call would no doubt be conveyed either to Senator Fulbright or to Senator Frear. If the Board were to make an unusual effort to contact either of these men and if this became known to Senator McClellan, it would become an open implication that the Board was trying to match one committee against the other for the purpose of avoiding an investigation.

Governor Szymczak said that he agreed with this thought. He doubted that there was any need for the Board to make the point of having the Senate Banking and Currency Committee approve an investigation by Senator McClellan's committee.

Governor Szymczak withdrew from the meeting at this point to keep another engagement.

Governor Robertson indicated that he also agreed with this view. However, he felt that purely as a matter of information the Chairman of the Senate Banking and Currency Committee should know of any inquiry into the Board's operations. He suggested that this point might be covered if Mr. Shay would inquire of Mr. Yingling whether the latter had considered the matter of sufficient importance to bring it to the attention of the Chairman of the Committee.

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Governor Mills felt that even this might be premature. When, and if, a formal request came from Senator McClellan would be sufficient time to pursue the question further.

Governor Balderston said he could see no harm in having Mr. Shay follow up with Mr. Yingling to inquire whether the latter felt the matter was one of a sort that should be brought to the attention of either Senator Fulbright or Senator Frear on the Banking and Currency Committee.

To this, Governor Mills suggested that it would be preferable to let the matter simmer a few days, indicating that he could see no harm if Mr. Dunne were to come to the Board's building in the meantime.

Governor Shepardson said he thought there was merit to the point that the Senate Banking and Currency Committee should know of the inquiry so that, if it had any questions, it could take them up with Senator McClellan before the latter sent a letter to the Board making a formal request.

Governor Mills replied that thus far a Board staff member had been approached by a Committee staff member, and another Board staff member had called a staff member of the Senate Banking and Currency Committee. There had been no formal notice of an inquiry or that there would be one. In the absence of such a notice, Governor Mills felt that the Board would put itself in a very weak position to run to other Senators. He did not favor having Mr. Shay re-contact Mr. Yingling.

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Governor Balderston noted that Mr. Dunne as a member of the staff of the Permanent Subcommittee on Investigations expected to call upon him to discuss the matter, and he inquired as to the approach to be taken in talking with Mr. Dunne.

This question was discussed briefly and it was understood that, if Mr. Dunne called, Governor Balderston would handle the matter in the light of this discussion, bringing out, among other things, the point that the Board had no objection to any investigation authorized by the Congress or by one of its committees, that as an agency of the Congress it traditionally had a responsibility to the Banking and Currency Committees, that it could not make available certain types of confidential information from its records except in response to a formal request by a committee of the Congress, and that because of its traditional relation to the Senate Banking and Currency Committee it would seem desirable that the chairman of any other committee desiring to inquire into the Board's operations inform the Chairman of the Banking and Currency Committee of the proposed inquiry in order to avoid any possible affront to the latter.

At this point, Mr. Fauver, Assistant Secretary, Messrs. Masters, Director, Hostrup and Nelson, Assistant Directors of the Division of Examinations, and Conkling, Assistant Director, Division of Bank Operations, joined the meeting, and Mr. Shay left the room.

Items circulated or distributed to the Board. The following items, which had been circulated or distributed to the members of the

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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 State Bank of Albany granting an extension of time in which to establish a branch in Plattsburgh, New York. (For transmittal through the Federal Reserve Bank of New York)	1
Letter to Augusta State Bank, Augusta, Kansas, approving its application for membership in the Federal Reserve System. (For transmittal through the Federal Reserve Bank of Kansas City)	2
Letter to Federal Reserve Bank of San Francisco interposing no objection to the retention in service of Mrs. Emma Peterson through October 31, 1958.	3
Letter to the Federal Reserve Bank of San Francisco approving the appointment of Mr. Armand A. Pascual as Alternate Assistant Federal Reserve Agent.	4
Telegrams to the Federal Reserve Agent at Atlanta authorizing the issuance of limited voting permits to South Dade Farms, Inc., Homestead, Florida, Sottile, Inc., and Sottile National Banks, Inc., both of Miami, Florida, to vote the stock with they own or control of Pan American Bank of Miami, Miami, Florida, The Coral Gables First National Bank, Coral Gables, Florida, and American National Bank of Fort Lauderdale, Florida.	5, 6, and 7

Discount rate. Unanimous approval was given to a telegram to the Federal Reserve Bank of Atlanta approving the establishment without change by that Bank on November 3, 1958, of the rates on discounts and advances in its existing schedule.

Request for lower reserve requirements by City National Bank of Beverly Hills, California (Item No. 8). Prior to the meeting there

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had been distributed copies of a telegram dated October 31, 1958, from the San Francisco Reserve Bank reporting that the City National Bank of Beverly Hills had carried reserves on a country bank basis without the Board's approval since March 15, 1957, the date on which it established an office in an outlying suburban section of the city of Los Angeles. This was the matter Governor Robertson had mentioned at the meeting on October 31.

The telegram stated that the San Francisco Bank had advised City National of its noncompliance with Regulation D, Reserves of Member Banks, and suggested that the bank supply necessary information to present to the Board in the event the bank desired to continue to maintain reserves on a country bank basis. Meantime City National had requested deferment of the requirement to carry reserves on a reserve city basis until the Board had acted on an application to carry reduced reserves. The Reserve Bank recommended favorable consideration of the bank's request.

Mr. Conkling advised that, subsequent to the telegram, information prepared and supplied by City National had been received and was being reviewed by the Bank Operations Division and would be presented to the Board this week. Since it appeared that the bank would be entitled to favorable consideration of its request to be permitted to carry reserves on a country bank basis, he recommended that the Reserve Bank be advised that it would not be necessary for City National to establish its reserves on the higher basis pending Board consideration of the matter.

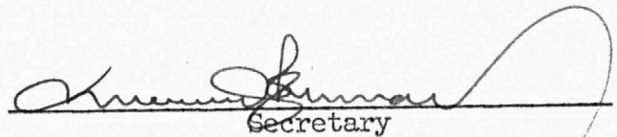
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Thereupon the Board approved a telegram to the San Francisco Reserve Bank in the form attached to these minutes as Item No. 8.

Thereupon the meeting adjourned.

Secretary's Note: Governor Shepardson today approved on behalf of the Board a letter to the Federal Reserve Bank of Cleveland (attached Item No. 9) approving the designation of 10 persons as special assistant examiners.


Secretary

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON 25, D. C.

Item No. 1
11/4/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



November 4, 1958

Board of Directors,
State Bank of Albany,
Albany, New York.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of New York, the Board of Governors extends until February 16, 1959, the time within which State Bank of Albany may establish a branch at 308 Cornelia Street, Plattsburgh, New York, under authority contained in the Board's letter of May 16, 1958.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 2
11/4/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 4, 1958



Organization Committee,
Augusta State Bank,
Augusta, Kansas.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the application made on behalf of Augusta State Bank, Augusta, Kansas, for stock in the Federal Reserve Bank of Kansas City, effective if and when the bank opens for business under appropriate State authorization, subject to the numbered conditions hereinafter set forth:

1. Such bank at all times shall conduct its business and exercise its powers with due regard to the safety of its depositors, and, except with the permission of the Board of Governors of the Federal Reserve System, such bank shall not cause or permit any change to be made in the general character of its business or in the scope of the corporate powers exercised by it at the time of admission to membership.
2. The net capital and surplus funds of such bank shall be adequate in relation to the character and condition of its assets and to its deposit liabilities and other corporate responsibilities.
3. At the time of admission to membership, such bank shall have paid-in and unimpaired capital stock of not less than \$150,000, and other capital funds of not less than \$125,000.

In connection with the foregoing conditions of membership, particular attention is called to the provisions of the Board's Regulation H, as amended effective September 1, 1952, regarding membership of State banking institutions in the Federal Reserve System, with especial reference to Section 7 thereof. A copy of the regulation is enclosed.

Augusta State Bank

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If at any time a change in or amendment to the bank's charter is made, the bank should advise the Federal Reserve Bank, furnishing copies of any documents involved, in order that it may be determined whether such change affects in any way the bank's status as a member of the Federal Reserve System.

Acceptance of the conditions of membership contained in this letter should be evidenced by a resolution adopted by the board of directors after the bank's Certificate of Authority to Commence Business has been issued. The board of directors should also adopt, at the same time, a resolution ratifying the action which has been taken in the bank's behalf in making application for membership in the Federal Reserve System. A certified copy of each resolution, together with advice of compliance with the provisions of condition numbered 3 should be transmitted to the Federal Reserve Bank of Kansas City. Arrangements will thereupon be made to accept payment for an appropriate amount of Federal Reserve Bank stock, to accept the deposit of the required reserve balance, and to issue the appropriate amount of Federal Reserve Bank stock to the bank.

The time within which admission to membership in the Federal Reserve System in the manner described may be accomplished is limited to 90 days from the date of this letter, unless the bank applies to the Board and obtains an extension of time. When the Board is advised that all of the requirements have been complied with and that the appropriate amount of Federal Reserve Bank stock has been issued to the bank, the Board will forward to the bank a formal certificate of membership in the Federal Reserve System.

The Board of Governors sincerely hopes that you will find membership in the System beneficial and your relations with the Reserve Bank pleasant. The officers of the Federal Reserve Bank will be glad to assist you in establishing your relationships with the Federal Reserve System and at any time to discuss with representatives of your bank means for making the services of the System most useful to you.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

Enclosure



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

Item No. 3
11/4/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 4, 1958

CONFIDENTIAL (FR)

Mr. H. N. Mangels,
President,
Federal Reserve Bank of San Francisco,
San Francisco 20, California.

Dear Mr. Mangels:

In the light of the circumstances set forth in your letter of October 22, 1958, the Board interposes no objection to the retention in service of Mrs. Emma Peterson and the payment of salary to her as an employee of your Bank through October 31, 1958.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 4
11/4/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



AIR MAIL

November 4, 1958

Mr. A. H. Brawner, Federal Reserve Agent,
Federal Reserve Bank of San Francisco,
San Francisco 20, California.

Dear Mr. Brawner:

In accordance with the request contained in your letter of October 23, 1958, the Board of Governors approves the appointment of Mr. Armand A. Pascual as Alternate Assistant Federal Reserve Agent at the Federal Reserve Bank of San Francisco to succeed Mr. John E. Walsh.

This approval is given with the understanding that Mr. Pascual will be solely responsible to the Federal Reserve Agent and the Board of Governors for the proper performance of his duties, except that, during the absence or disability of the Federal Reserve Agent or a vacancy in that office, his responsibility will be to the Assistant Federal Reserve Agent and the Board of Governors.

When not engaged in the performance of his duties as Alternate Assistant Federal Reserve Agent Mr. Pascual may, with the approval of the Federal Reserve Agent and the President, perform such work for the Bank as will not be inconsistent with his duties as Alternate Assistant Federal Reserve Agent.

It will be appreciated if Mr. Pascual is fully informed of the importance of his responsibilities as a member of the staff of the Federal Reserve Agent and the need for maintenance of independence from the operations of the Bank in the discharge of these responsibilities.

It is noted from your letter that with the approval of Mr. Pascual's appointment by the Board of Governors, he will execute the usual Oath of Office which will be forwarded to the Board of Governors together with advice as to the effective date of his appointment.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

T E L E G R A M
LEASED WIRE SERVICE

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 5
11/4/58

November 4, 1958

MITCHELL - ATLANTA

KECEA

- A. South Dade Farms, Inc., Homestead, Florida.
- B. Pan American Bank of Miami, Miami, Florida;
The Coral Gables First National Bank, Coral Gables, Florida;
American National Bank of Fort Lauderdale, Fort Lauderdale, Florida.
- C. None.
- D. At any time prior to February 1, 1959, to increase the capital of such banks and take all action necessary in connection therewith, provided that all actions taken with respect to The Coral Gables First National Bank and American National Bank of Fort Lauderdale are in accordance with plans satisfactory to the Comptroller of the Currency.

(Signed) Merritt Sherman

SHERMAN

Definition of KECEA:

The Board authorizes the issuance of a limited voting permit, under the provisions of section 5144 of the Revised Statutes of the United States, to the holding company affiliate named below after the letter "A", entitling such organization to vote the stock which it owns or controls of the bank(s) named below after the letter "B", subject to the condition(s) stated below after the letter "C". The permit authorized hereunder is limited to the period of time and the purposes stated after the letter "D". Please proceed in accordance with the instructions contained in the Board's letter of March 10, 1947, (S-964).

T E L E G R A M
LEASED WIRE SERVICEBOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTONItem No. 6
11/4/58

November 4, 1958

MITCHELL - ATLANTA

KECEA

- A. Sottile, Inc., Miami, Florida.
- B. The Coral Gables First National Bank, Coral Gables, Florida.
- C. None.
- D. At any time prior to February 1, 1959, to increase the capital of such bank and take all action necessary in connection therewith, provided that all action taken shall be in accordance with plans satisfactory to the Comptroller of the Currency.

(Signed) Merritt Sherman

SHERMAN

Definition of KECEA:

The Board authorizes the issuance of a limited voting permit, under the provisions of section 5144 of the Revised Statutes of the United States, to the holding company affiliate named below after the letter "A", entitling such organization to vote the stock which it owns or controls of the bank(s) named below after the letter "B", subject to the condition(s) stated below after the letter "C". The permit authorized hereunder is limited to the period of time and the purposes stated after the letter "D". Please proceed in accordance with the instructions contained in the Board's letter of March 10, 1947, (S-964).

T E L E G R A M
LEASED WIRE SERVICEBOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 7

11/4/58

November 4, 1958

MITCHELL - ATLANTA

KECEA

- A. Sottile National Banks, Inc., Miami, Florida.
- B. American National Bank of Fort Lauderdale, Fort Lauderdale, Florida.
- C. None.
- D. At any time prior to February 1, 1959, to increase the capital of such bank and take all action necessary in connection therewith, provided that all action taken shall be in accordance with plans satisfactory to the Comptroller of the Currency.

(Signed) Merritt Sherman

SHERMAN

Definition of KECEA:

The Board authorizes the issuance of a limited voting permit, under the provisions of section 5144 of the Revised Statutes of the United States, to the holding company affiliate named below after the letter "A", entitling such organization to vote the stock which it owns or controls of the bank(s) named below after the letter "B", subject to the condition(s) stated below after the letter "C". The permit authorized hereunder is limited to the period of time and the purposes stated after the letter "D". Please proceed in accordance with the instructions contained in the Board's letter of March 10, 1947, (S-964).

T E L E G R A M
LEASED WIRE SERVICEBOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTONItem No. 8
11/4/58

November 4, 1958.

Mangels - San Francisco

This refers to Millard to Masters telegram of October 30 and supplementary letter of October 31 with enclosures. City National Bank of Beverly Hills, California, request to maintain country bank reserves will be presented to Board promptly. Until Board action, it will not be necessary for member bank to establish its reserves on reserve city basis.

(signed) Merritt Sherman

SHERMAN

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

Item No. 9
11/4/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 4, 1958

Mr. G. T. Quast, Chief Examiner,
Federal Reserve Bank of Cleveland,
Cleveland 1, Ohio.

Dear Mr. Quast:

In accordance with the request contained in your letter of October 29, 1958, the Board approves the designation of the following named individuals as special assistant examiners for the Federal Reserve Bank of Cleveland:

Fred C. Brewer
George W. Copas
Frankie L. Davis
Lawrence Gibson
Erroll L. Parks

John H. Puthoff
Charles N. Richter
Thomas J. Roderick
Harold Thoma
Albert L. Walters

Appropriate notations have been made on our records of the names to be deleted from the list of special assistant examiners.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.