

Minutes for December 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>MM</u>	_____
Gov. Szymczak	x <u>MS</u>	_____
Gov. Mills	x _____	_____
Gov. Robertson	x <u>R</u>	_____
Gov. Balderston	_____	x <u>CB</u>
Gov. Shepardson	x <u>SS</u>	_____

Minutes of the Board of Governors of the Federal Reserve System
on Wednesday, December 17, 1958. The Board met in the Board Room at
9:30 a.m.

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

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Hackley, General Counsel
Mr. Masters, Director, Division of Examinations
Mr. Connell, Controller
Mr. Furth, Associate Adviser, Division of
International Finance
Mr. Solomon, Assistant General Counsel
Mr. Hexter, Assistant General Counsel
Mr. Hostrup, Assistant Director, Division of
Examinations
Mr. Nelson, Assistant Director, Division of
Examinations
Mr. Bass, Assistant Controller
Mr. Poundstone, Federal Reserve Examiner, Division
of Examinations
Mr. Kakalec, Budget and Planning Assistant, Office
of the Controller

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

Items circulated or distributed to the Board. The following
items, which had been circulated or distributed to the members of the
Board and copies of which are attached to these minutes under the
respective item numbers indicated, were approved unanimously:

1/ Entered during afternoon session at point indicated in minutes.

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Item No.

- Letter to the Bankers Trust Company, New York City, approving the establishment of a branch in the Kings Bay Shopping Center. (For transmittal through the Federal Reserve Bank of New York) 1
- Letter to The Oystermen's Bank and Trust Company, Sayville, Long Island, New York, granting an extension of time within which to establish a branch in Oakdale. (For transmittal through the Federal Reserve Bank of New York) 2
- Letter to the Riverside Trust Company, Riverside, New Jersey, approving the establishment of a branch in Burlington County. (For transmittal through the Federal Reserve Bank of Philadelphia) 3
- Letter to The First Pennsylvania Banking and Trust Company, Philadelphia, Pennsylvania, approving the establishment of a branch at Huntingdon Valley incident to a merger with the Huntingdon Valley Trust Company. (For transmittal through the Federal Reserve Bank of Philadelphia) 4
- Letter to the Society National Bank of Cleveland, Cleveland, Ohio, approving its application for fiduciary powers. (For transmittal through the Federal Reserve Bank of Cleveland) 5
- Letter to the Genesee Merchants Bank and Trust Company, Flint, Michigan, consenting to the consolidation of that bank, The First State and Savings Bank of Flushing, Peoples State Bank of Flushing, and the State Bank of Ortonville, and approving the establishment of three branches by the continuing institution. (For transmittal through the Federal Reserve Bank of Chicago) 6
- Letter to the Federal Reserve Bank of Atlanta regarding the decision of the Department of Justice not to prosecute a matter involving the Trust Company of Georgia and Trust Company of Georgia Associates that may have involved violations of section 4(a) of the Bank Holding Company Act. 7
- Letter to the Comptroller of the Currency recommending approval of an application to organize a national bank at Roseburg, Oregon. (With a copy to the Federal Reserve Bank of San Francisco) 8

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Item No.

- Letter to the Comptroller of the Currency recommending approval of an application to organize a national bank at Spokane, Washington. (With a copy to the Federal Reserve Bank of San Francisco) 9
- Letter to the Department of Justice regarding possible coercive insurance practices by the Pine Lawn Bank and Trust Company, St. Louis, Missouri. (With a copy to the Federal Reserve Bank of St. Louis) 10
- Notice of Tentative Decision and Tentative Statement in the matter of the application of Northwest Bancorporation for prior approval of the acquisition of stock of The First National Bank at Eveleth, Eveleth, Minnesota. 11, 12
- Letter to the Federal Reserve Bank of New York regarding the application of The Chase Manhattan Bank, New York, for permission to invest in an "agreement corporation" to be known as "Chase Manhattan Overseas Corporation", and for the agreement corporation to invest in stock of a commercial bank to be organized under the Banking Act of the Union of South Africa. 13

In connection with the foregoing Item No. 5, Mr. Masters reported, at the request of Governor Robertson, receipt of advice from the Federal Reserve Bank of Cleveland that the management of the Society for Savings in the City of Cleveland was formulating plans in confidence whereby the Society would give up its status as one of the largest mutual savings banks and consolidate with the Society National Bank of Cleveland, a bank which it organized in 1956 to develop a commercial banking business and of which it owned 90 per cent of the shares of stock outstanding. Incident to this consolidation, pursuant to which the depositors of the Society for Savings would become shareholders in the Society National Bank, the latter institution would require fiduciary powers to facilitate the complicated transfer operation.

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With respect to the foregoing Item No. 6, Governor Mills said that although he concurred in the recommendation for approval of the merger and operation of branches by the continuing institution (Genesee Merchants Bank & Trust Co.) it should be noted that there was some similarity between the situation in Flushing and the situation in Attica, New York, where the Board some time ago denied the application of a Marine Midland subsidiary bank, which already operated a branch in the town, to take over the independent bank and thus bring about an elimination of banking competition in the community. In the present case, the proposed transaction also would involve elimination of competition in the community concerned, since the two branches in Flushing would be under the same ownership. In his thinking, however, there was at least one strong difference, namely, that the Attica case involved an isolated community while Flushing was essentially a suburb of the city of Flint. The proposal now before the Board therefore might be regarded in the light of the establishment by a bank in Flint of branches in the general community.

Mr. Masters commented that the distinction brought out by Governor Mills had been a factor influencing the Division of Examinations in its recommendation. He went on to say that many of the people who reside in Flushing commute to places of employment in Flint and that Flushing would appear to be essentially a one-bank community.

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Question was raised in this connection whether it was not likely that the other bank in Flint might apply to establish a branch in Flushing, and the reply was in terms that it was not entirely clear whether the statutes of the State of Michigan would permit another bank to enter the community. It was noted, however, that the competing Flint bank was operating a branch within eight miles of Flushing; also that persons from Flushing who work in Flint would have available a choice of banks in that city.

Governor Robertson said that he too had had difficulty with this case, for the proposed transactions would result in the elimination of competition in Flushing and the nearest competing banks were seven to sixteen miles distant. Consequently, he considered this a borderline case, one where it would be possible to go one way or the other and not be sure of the correctness of the decision except in hindsight. In deciding to concur in the favorable recommendation of the Reserve Bank and the Board's staff, he was influenced by the fact that, as pointed out, most of the workers residing in Flushing commute to Flint, so that Flushing is essentially a small residential community. In these circumstances, Flushing might be regarded as a one-bank rather than a two-bank community.

With respect to Item No. 9, relating to an application to organize a national bank in Spokane, Washington, Governor Mills observed that it seemed questionable whether the group applying

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to organize the bank might be expected to retain control of it, particularly in view of the record of the proposed chief executive officer, who had a history of moving from one place to another as banks in which he was interested were bought and sold.

It was noted that the Federal Reserve Bank of San Francisco had recommended approval of the application provided the Comptroller of the Currency was satisfied as to the intention of the organizers to retain ownership of the proposed bank and that the Board's letter to the Comptroller incorporated a reference to this reservation.

With regard to Item No. 11, Mr. Hackley commented that Northwest Bancorporation had expressed a desire to have a final decision made on the matter before December 31, 1958, if possible, because its option to acquire shares of The First National Bank at Eveleth would expire on that date. The notice of tentative decision provided the usual 15 days for interested parties to submit comments, which would mean that a final decision could not be rendered before the end of the year. However, Mr. Hackley considered it likely that Northwest Bancorporation would be able to obtain an extension of its options, and he did not feel that the circumstances warranted giving less than the normal 15-day notice.

In a discussion preceding approval of Item No. 13, Governor Mills raised a question about the name "Chase Manhattan Overseas Corporation" selected for the proposed "agreement" corporation which would be owned by The Chase Manhattan Bank. It was his thought that

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the name might cause the public to assume a relationship with the American Overseas Finance Company, the predecessor corporation to which was originated by Chase interests. Governor Mills added, however, that the handling of the application had been carried to a stage where there seemed to be no need for expressing any dissenting view about the choice of name, even though he was somewhat concerned.

Mr. Poundstone commented that the applicants may have been influenced in their decision to include the word "overseas" in the title by the language of section 3(b) of Regulation K, which cites that word among others as being appropriate to indicate the nature of business contemplated to be conducted by a proposed Edge Act or agreement corporation.

Application of The Hanover Bank (Item No. 14). There had been circulated to the Board, with the favorable recommendation of the Division of Examinations, an application from The Hanover Bank, New York, New York, to establish a branch at 350 Park Avenue in lieu of the branch at 399 Park Avenue approved by the Board in 1957. Although the branch now applied for was to be situated in a large office building not yet constructed, the letter suggested for transmission to the applicant was phrased in terms of the branch being placed in operation within one year from the date of the Board's approval. This reflected the practice followed generally by the Board in placing time limits on the establishment of branches. With

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the file there had been circulated a memorandum dated December 1, 1958, from Mr. Hooff, Assistant Counsel, raising the question whether, in circumstances where the proposed branch obviously could not be placed in operation within a year, the Board might not wish to follow a more flexible procedure.

Governor Robertson observed that in this case it was very clearly going to take a substantial length of time to erect the building in which the branch quarters were to be located. While he felt that ordinarily a time limit not to exceed one year was appropriate, at the same time he felt that the Board ought to be realistic. Therefore, in circumstances such as those involved in the application of The Hanover Bank he would be inclined to modify the position that he, and the Board, had taken over the years. Application of the modified procedure would contemplate granting a period within which to establish the branch of The Hanover Bank that would tie in with available information concerning the date on which it appeared probable that branch operations could be begun.

After Mr. Masters stated that the Division of Examinations favored such an approach, Mr. Nelson said that completion of the building in which the branch of The Hanover Bank would be housed was expected in the fall of 1960. Accordingly, it was agreed unanimously to grant a period of two years from this date within which to establish the branch.

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A copy of the letter transmitted to The Hanover Bank through the Federal Reserve Bank of New York pursuant to this action is attached as Item No. 14.

Procedure for making material available to Board members.

Governor Shepardson commented that the files relating to several of the items included on the agenda for this meeting had been reproduced for distribution to the members of the Board, there had been a heavy workload recently in the Board's duplicating office, and he would like to inquire regarding the wishes of the Board.

There followed comments by members of the staff which indicated that the pressure of applications for Board action had been severe recently, some of the applications required prompt action, and the process of duplication therefore had been followed in a number of cases in preference to the ordinary process of circulation. Also, it was pointed out, a special effort had been made to place certain items before the Board prior to the Christmas holiday season.

Governor Mills recalled having advocated the duplicating process where complicated matters of importance were concerned and said that he continued of the same opinion. He noted that presumably the workload in the duplicating office would fluctuate somewhat and that the load at the present time might represent an extreme situation. He went on to say that he frequently found it difficult to absorb a voluminous file on circulation, and to retain familiarity with intricate points if several days elapsed from the time the material passed over his desk until the item appeared on the Board meeting agenda.

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At the conclusion of the discussion, Governor Shepardson again indicated that he had raised the question for the purpose of obtaining reactions as to the procedures considered most appropriate.

During the foregoing discussion Mr. O'Connell, Assistant General Counsel, entered the room and at its conclusion Messrs. Furth and Poundstone withdrew.

Request of Wachovia Bank and Trust Company (Item No. 15).

Through its counsel, Wachovia Bank and Trust Company of Winston-Salem, North Carolina, had requested the Board to grant a further reconsideration in the matter of Wachovia's request for approval of its operating two offices in Wilmington, North Carolina, formerly operated as offices of The Wilmington Savings & Trust Co., and on the basis of such reconsideration to grant the application. Should the Board deny the request for reconsideration and favorable action, Wachovia then asked that a formal hearing be held at which evidence could be presented, witnesses cross-examined, and a record made which would provide Wachovia a basis for obtaining judicial review.

Copies of the memorandum from counsel for Wachovia had been distributed to the Board, along with a memorandum from Mr. Hackley dated December 16, 1958, which submitted a proposed reply denying both requests. The denial would be essentially on the ground that Wachovia had disqualified itself by establishing the branches in Wilmington in disregard of the Board's disapproval of the application therefor, and also in disregard of orderly processes. The reply would further indicate that the points urged by Wachovia were not believed to justify

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a change in the Board's position with respect to the application. In Mr. Hackley's memorandum the view was expressed that the granting of either of Wachovia's current requests would have the effect of largely nullifying the Board's contention in the case of the Old Kent Bank and Trust Company (Grand Rapids, Michigan) to the effect that establishment of the branches in question disqualified the applicant bank from receiving further consideration of its application; and that such nullification would affect not only the Wachovia case but probably also the Old Kent case. Moreover, the points advanced by counsel for Wachovia contained no additional facts such as to constitute a reason to grant another hearing on the application for branches.

In summarizing the matter, Mr. Hackley said that the memorandum from counsel for Wachovia was received following discussion with members of the Board's staff. It appeared that after reading the Board's Memorandum of Points and Authorities filed in the Old Kent case, counsel for Wachovia wished to be in the position of being able to state that in this case all possible administrative remedies had been exhausted before the matter was taken to the courts. While counsel for Wachovia had indicated when visiting the Board's offices that the request for rehearing would contain additional facts, the memorandum submitted did not contain such facts and instead dealt with legal issues. In the circumstances, there appeared to be little reason to grant either the request for reconsideration or the request for a formal hearing. Furthermore, as pointed out in the memorandum distributed to the Board, Wachovia

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appeared to have disqualified itself from further consideration of the matter by establishing the branches in Wilmington in disregard of the Board's disapproval of its application.

Governor Mills expressed the view that the position taken by the Legal Division was entirely correct and that the proposed letter constituted a capable presentation of that position. As he read the memorandum from counsel for Wachovia, it was essentially a challenging of the Board's legal authority to deny the branches for which Wachovia had made application. The Board, he noted, had taken the position that it was vested with authority to deny branches where there was a lessening of competition. In such circumstances, it appeared that the appropriate recourse for Wachovia was to go to the courts rather than to seek a rehearing of the matter before the Board.

Mr. Hackley pointed out that Wachovia would in some measure have accomplished its purpose of being able to state that it had exhausted administrative remedies even if the current request for rehearing should be denied. It was conceivable, he said in a further comment, that if Wachovia had had an opportunity to read the Board's brief in the Old Kent case it might not have opened the branches in Wilmington. It was also possible that Wachovia might now close those branches and come back to the Board, but the Board's original reasons for denying the application for branches would still seem to hold true in the absence of additional facts.

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Thereupon, unanimous approval was given to the letter to counsel for Wachovia Bank and Trust Company of which a copy is attached as Item No. 15, with the understanding that a copy would be sent to the Federal Reserve Bank of Richmond.

Messrs. O'Connell and Nelson then withdrew from the meeting.

Matter of First Bank Stock Corporation. On August 5, 1958, the Board denied the application of First Bank Stock Corporation, Minneapolis, Minnesota, for permission to acquire shares of the First Eastern Heights State Bank, a proposed new bank in St. Paul, Minnesota. On October 2, 1958, First Bank Stock filed with the Eighth Circuit Court of Appeals in St. Louis a petition for judicial review of the Board's denial, and the time for the Board to file the record with the court was extended by stipulation to January 10, 1959. The proposed bank later was organized by the Minnesota Mining and Manufacturing Company, and First Bank Stock had filed an application to acquire stock of the operating bank. The possibility of mootness of First Bank Stock's case before the Circuit Court therefore was suggested in the Board's letter of October 24, 1958, to the Department of Justice, and counsel for First Bank Stock had conceded informally that this was probably true. Counsel had indicated, however, the hope of having the Circuit Court use the record on the appeal to throw light on an appeal from any denial by the Board of the current application. Since there would be no controversy in connection with the usual parts of the record, namely, the application, the views of the State Bank Commissioner, and the

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Board's statement and order of denial, including the dissenting statement of three members of the Board, it seemed likely that it was the purpose of First Bank Stock to get into the record documents such as staff and Reserve Bank memoranda.

A memorandum from Mr. Solomon dated December 16, 1958, which had been distributed, suggested that the Board probably would wish to resist the inclusion of such documents, particularly since the procedure for issuance of tentative decisions, adopted after the Board's decision in the St. Paul case, was intended partly to prevent such inclusion. After discussion with the Department of Justice, it therefore seemed desirable (1) to advise counsel for First Bank Stock informally that the Board and the Department considered the record to consist of the application, the State Bank Commissioner's views, and the statements and order issued by the Board; and (2) to suggest to counsel that if First Bank Stock were to agree to dismissal of the appeal the Board would agree that those items would be considered to be part of the record on the second application. Should First Bank Stock reject the proposal, the next step would be for the Board to certify the three items mentioned as being the record and at the same time to file a motion to dismiss because of mootness.

At the Board's request, Mr. Solomon commented on the matter in amplification of his memorandum and there ensued a brief discussion during which Governor Mills observed that it was regrettable that the

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record in this case was not as complete as would be the record in cases decided subsequent to the institution of procedural changes thereafter agreed upon by the Board with respect to the handling of matters arising under the Bank Holding Company Act.

The Board then authorized by unanimous vote the taking of the steps suggested in Mr. Solomon's memorandum.

Messrs. Hexter and Hostrup then withdrew from the meeting and Messrs. Johnson, Director, and Sprecher, Assistant Director, Division of Personnel Administration, entered the room along with Messrs. Farrell, Associate Director, and Daniels, Assistant Director, Division of Bank Operations.

Rebate of unearned interest (Item No. 16). Pursuant to the understanding at the Board meeting on December 3, 1958, there had been distributed copies of a revised draft of letter to the Chairman of the Presidents' Conference requesting views on alternative possibilities for computing the rebate of unearned interest on prepaid borrowings from a Reserve Bank following a discount rate change.

The revised letter, of which a copy is attached hereto as Item No. 16, was approved unanimously.

Messrs. Farrell and Daniels then withdrew from the meeting.

Restricted stock options (Item No. 17). At the Board meeting on November 14, 1958, reference was made to a memorandum from Mr. Solomon dated November 5, 1958, discussing a proposal of Congressman

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Celler of New York, received under date of October 22, 1958, that Regulation U be amended to exempt the financing of purchases of registered stock through the exercise of "restricted stock options." However, it was decided at that time to defer consideration of the proposal because of an indication that Senator Williams of Delaware might submit a brief indicating his position on the same matter.

The Secretary stated that Chairman Martin, as of last evening, had not yet received any brief from Senator Williams and that in the Chairman's view a reply to Congressman Celler should not be delayed longer. Mr. Sherman also noted that although no draft of reply had been submitted with Mr. Solomon's memorandum, unless the Board decided upon a change from the position it had taken on numerous occasions in the past with respect to similar proposals the reply presumably would be quite similar to the Board's letter to Mr. Celler dated August 26, 1957, concerning a suggestion made by the Congressman at that time. A copy of that reply had been distributed with Mr. Solomon's memorandum along with various other papers from the Board's files relating to the subject of executives' stock option plans.

In commenting on the proposal, Mr. Solomon said that fairly persuasive arguments could be made on both sides of the question. He noted that the current level of margin requirements would seem to impose a greater hardship on those in a position to exercise stock options than

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when the margin requirements were lower. On the other hand, the economic situation would appear to make an exemption less desirable at this time.

Governor Szymczak commented that some persons desiring to exercise stock options are able to do so by means of borrowing at a bank on a personal note, while others do not have sufficient credit standing to proceed in that manner.

Governor Mills referred to the contention frequently advanced that the stock option privilege is essentially a form of executive compensation designed to attract talent into the employing company and therefore would not really tie into the use of stock as collateral for borrowing where investment was not truly a factor. If that were true, he said, one might create a distinction between a man who borrowed to exercise a stock option and one who wished to employ his credit to acquire stocks. However, there had recently been comments in the legal and financial journals to the effect that the stock option practice was suspect, that it had been drawn into the speculative area, that employees enjoying the privilege of stock options under contract rights had not hesitated to take advantage of market opportunities afforded them within the past year, and that they had been a contributing element to the general flow of credit in the securities market. Such a situation would of course be aggravated if they were permitted an exemption from the margin requirements. Beyond that,

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he said, these same comments had brought out quite decisively that the broader range of stockholders in corporations was beginning to complain vociferously about the practice in that it afforded an opportunity to insiders to buy stock below the market price and thus to deprive the stockholders in general of the just rewards of ownership. Furthermore, such plans tended to dilute the ownership of the company if unissued treasury shares were awarded thereunder.

Governor Robertson said that he continued to agree with the position taken by the Board on previous occasions for the reasons stated on those occasions.

Thereupon, the staff was authorized to prepare for appropriate signature a reply to Congressman Celler consistent with the position previously taken by the Board with respect to similar proposals.

A copy of the letter sent pursuant to this action is attached as Item No. 17.

Withdrawal and substitution rules. In reply to a question by Governor Szymczak, the Secretary stated that Chairman Martin had planned to report to the Board at this meeting on his conversation with the President of the New York Stock Exchange concerning a study of the problems involved in a tightening of the withdrawal and substitution rules under the Board's margin regulations. It had also been contemplated that the Division of Research and Statistics would report briefly, if the Board so desired, on developments with respect to stock market credit.

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Mr. Solomon said that he understood Mr. Young, Director of the Division of Research and Statistics, had been informed by Chairman Martin regarding the nature of his conversation with President Funston of the New York Stock Exchange. As the result of that conversation, an official of the Stock Exchange was to visit the Board's offices tomorrow for discussion with appropriate members of the staff.

Governor Szymczak said he considered it desirable for the minutes to reflect that the subject of a possible tightening of the withdrawal and substitution rules had been taken up by the Board on several occasions recently, including today, because the question might later arise in the course of Congressional hearings on financial matters.

Integration of Bank Plan and Social Security (Item No. 18). At the request of Mr. Fulton, Chairman of the Board of Trustees of the Retirement System of the Federal Reserve Banks, the Retirement Committee had undertaken a study of the effect of the Social Security Amendments of 1958 on the Bank Plan of the Retirement System. In its report, submitted under date of October 30, 1958, the Retirement Committee recommended that no change be made in the Rules and Regulations of the Retirement System as a result of the Social Security Amendments. The effect of this recommendation, if approved, would be that the Reserve Banks and their employees would each increase their Social Security tax payments from 2-1/4 to 2-1/2 per cent of salary up to the new wage base for tax and benefit purposes of \$4,800 per annum, commencing January 1, 1959, but that the breakpoint in the Bank Plan formula would remain at \$4,200, the present

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wage base for Social Security. The formula for computing the pension portion of the retirement allowance (the portion afforded by the Reserve Banks' contributions) would continue to be $3/4$ of one per cent on the first \$4,200 of the final average salary and $1-1/2$ per cent above \$4,200, and the formula for the annuity (the portion afforded by the employee's own contributions) would continue to require contributions by members at 4 per cent of salaries in excess of \$4,200.

Having received a copy of the report of the Retirement Committee, the Division of Personnel Administration had prepared an analytical memorandum on the subject under date of December 9, 1958, and copies of this memorandum and the Committee report had been distributed to the Board. The Division memorandum recommended that, if the Presidents' Conference should endorse the report of the Retirement Committee, the Board consider interposing no objection.

At yesterday's joint meeting of the Board and the Presidents, the Board was advised that the Presidents' Conference had accepted the report of the Retirement Committee.

Governor Robertson stated that although the memorandum from the Division of Personnel Administration was well prepared, he did not agree with the position taken therein for it appeared to him that concurrence in the recommendation of the Retirement Committee and the Presidents' Conference would represent backsliding. As he had pointed out at yesterday's joint meeting, the decision last year was to integrate at the \$4,200 level, supposedly to bring the Bank Plan up to date, and

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adoption of the current recommendation would mean reverting to the same situation as existed when the Social Security base was raised from \$3,600 to \$4,200.

Governor Robertson went on to express the opinion that the favorable aspects of the recommendation were set forth in terms that would not stand up under scrutiny. As an example, he turned to the argument that diminution of total benefits would occur incident to further integration. On the basis of a table set forth in the Division memorandum, showing retirement allowances of retirees with 30 years' service at various salary levels under the current Bank Plan, the proposed Bank Plan (no integration), and a fully integrated Bank Plan, Governor Robertson observed that, as between the latter two plans, no differences would appear below the \$4,800 annual salary level. Each of them, he noted, would afford larger total retirement allowances than the current plan. In substance, it seemed to him that if the conclusion to integrate at the \$4,200 level was right last year, then a decision against further integration at this time must be wrong. He inquired what would be done in the future when there were additional amendments to the Social Security Act.

In further comments, Governor Robertson suggested that any diminution in benefits resulting from full integration would be more than offset by lesser deductions from employees' salaries and that a decision against integration would not be in harmony with the recommendations of Industrial Relations Counselors Service.

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Governor Mills stated that it would be his judgment to approve the recommendation of the Retirement Committee and the Presidents' Conference. As he saw it, what the Board essentially was deciding was whether the Bank Plan of the Federal Reserve Retirement System should be regarded as additive or supplemental to Social Security protection. If additive, then the move would be not to integrate when Social Security benefits were increased, but rather to add the Retirement System benefits to those afforded by Social Security. This had come to be increasingly general practice in the development of private pension plans. If the decision should be to integrate with Social Security, then the thought of Social Security and the pension provided under the Bank Plan would come to be a single thought. There would be the disadvantage, as brought out in the Division memorandum, that the spirit of the Retirement System would be violated, particularly in the lower ranges of the salary scale, because the principle of weighting of benefits according to length of service would be infringed upon and perhaps eventually eliminated.

Mr. Sprecher then developed some of the considerations that the Personnel Division had had in mind in studying the problem. One was that further integration with Social Security eventually would result in a substantial reduction of the pension part of the retirement allowance and that, at least for employees with long service, Social Security benefits would not offset the reduction. Another was that if the

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Reserve Banks were going to follow community practices in the area of compensation, it would seem fully as important to follow those practices in the area of fringe benefits. In this connection, he said he had been in touch with certain New York firms and that, although some firms had in mind moving toward further integration with Social Security, the intention was to augment existing benefits at that time. Such a procedure, he noted, was in accord with the philosophy expressed by Industrial Relations Counselors Service for, as he understood it, the basic concept of that firm was that further integration should be accompanied by augmentation of benefits in order that the total pension benefits would not diminish. This was the procedure followed in 1957 when integration of the Bank Plan with Social Security at the \$4,200 level was accomplished. In a further comment, Mr. Sprecher pointed out that increases in the level below which no contributions to the Retirement System would be made by the employee would result in a lower annuity with the passage of time.

After Governor Robertson had reviewed the conclusions stated in the memorandum from the Personnel Division and indicated why he questioned the validity of some of them, Governors Szymczak and Shepardson indicated their concurrence in the recommendation of the Retirement Committee and the Presidents' Conference. Accordingly, since the majority view seemed clear, Governor Robertson suggested that it would be advisable to bring the matter to a prompt conclusion. Chairman Martin, he pointed out, could record his position when he joined the meeting later.

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Governor Mills then made a further statement in which he expressed the view that the System should not flop back and forth on the question of integration of the Bank Plan and Social Security. In his view, a bridge had been reached which must be crossed permanently. If the present position against further integration were maintained in the face of increases in Social Security benefits in the future, presumably it would be necessary to devise some means at the pension and annuity end of the retirement program to prevent the total retirement allowance from rising above 50 per cent of the final five-year average salary or such other percentage as might be deemed most appropriate. Whether that could be done without destroying the principle of rewarding length of service, he did not know, but it was a matter that should be given a great deal of study.

Governor Mills also commented that the philosophy in the operation of retirement systems had thus far become progressively more liberal. If that trend should continue and should be recognized by the Board and the Reserve Banks in their decisions concerning the Retirement System, presumably the additive portion of the retirement allowance above Social Security would be increased, and the Retirement System was a costly thing even at the present time.

Governor Shepardson agreed that the System should not be in a vacillating position. On the other hand, he observed, it was not possible at this stage to predict what the trend would be in the future, and he thought the Personnel Division had properly suggested that the question

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of further integration as the Social Security tax and benefit base increased should be the subject of continuing study, with the appropriateness of any action to be considered in the light of existing circumstances at any time. One could not tell, for example, what changes might be made in the Social Security program. They might clearly make it appropriate to follow the procedure recommended at this time, but there could be changes in the whole pension philosophy such as to make another course of action advisable. Accordingly, it would not seem desirable to be frozen into a pattern.

Thereupon, it was agreed, Governor Robertson dissenting, to concur in the recommendation of the Presidents' Conference that no action be taken at this time to amend the Rules and Regulations of the Retirement System of the Federal Reserve Banks to reflect the 1958 amendments to the Social Security Act. This action was taken with the understanding that Chairman Martin would have an opportunity to state his position before advice of the Board's action was sent to the Presidents.

Secretary's Note: Upon joining the meeting during the afternoon session, Chairman Martin stated that he favored concurrence in the recommendation of the Presidents' Conference.

A copy of the letter sent pursuant to this action to the Chairman of the Presidents' Conference, with copies to the Chairman of the Board of Trustees of the Retirement System of the Federal Reserve Banks and to the Chairman of the Retirement Committee, is attached as Item No. 18.

Messrs. Johnson, Solomon, and Sprecher then withdrew from the meeting.

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Appointment of Consulting Architect. During a meeting in executive session on October 31, 1958, the Board authorized Governor Shepardson to take steps to secure a replacement for Mr. C. David Persina, the Board's Consulting Architect, who died last spring. In a memorandum dated December 11, 1958, which had been distributed prior to this meeting, Governor Shepardson recommended that Eugene E. Witherell, Acting Director, Architectural and Structural Division of the Public Buildings Service, General Services Administration, be engaged as Consulting Architect to the Board, with compensation at the rate of \$70 per day based upon the amount of his own time spent on matters referred to him by the Board, subject to receipt of advice from the Public Buildings Service that such an arrangement would be satisfactory to that organization. In this connection, the memorandum noted reaffirmation by the Legal Division of the view that from a legal standpoint there would be no objection to paying consultant fees to a person receiving salary at the same time from the Public Buildings Service.

Following a brief discussion, the recommendation contained in Governor Shepardson's memorandum was approved unanimously.

Proposed shelter (Item No. 19). At the meeting of the Board on November 17, 1958, it was decided to arrange with the architectural firm of Harbeson Hough Livingston & Larson, Philadelphia, Pennsylvania, to make preliminary studies and sketches of a blast-proof, fallout-free shelter which would serve as a sub-structure under any addition to the

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Board's building which might be built on the north side of "C" Street. A memorandum from Governor Shepardson dated December 16, 1958, which had been distributed prior to this meeting, stated that a draft of agreement, based on the contract entered into in 1940 covering plans for an addition, had been submitted to the architectural firm for comment, this form having been used so that the contract would be complete in the event the Board should decide to proceed beyond the preliminary studies and sketches. The memorandum also spelled out differences between the proposed agreement and the agreement entered into in 1940. Submitted with the memorandum were the draft of agreement and a suggested letter to the architectural firm.

As to payments, the proposed agreement provided for a fee, for all services enumerated or described therein with certain exceptions, equal to 5-3/4 per cent of the total cost to the Board of the construction and completion of the shelter, as determined by the Board, including the cost of landscaping and work on the exterior grounds. This fee was to be paid in the following installments: (a) 20 per cent upon the furnishing of the preliminary plans and estimates, (b) should the Board decide to proceed beyond the preliminary plans and estimates, an additional 60 per cent when contract drawings and specifications were furnished, and (c) the remaining 20 per cent upon completion of the shelter and its acceptance by the Board. Until the actual cost of the shelter was known, all payments to the architect not definitely fixed in amount were to be computed on the basis of the estimated cost; and

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when the actual cost of the shelter became known, payments theretofore made were to be adjusted in conformity therewith. Estimates of cost were to be made by the architect, but would be subject to the approval of the Board.

Governor Shepardson stated, with regard to the payments, that at this point it was the architect's off-hand guess that the cost of the preliminary studies and sketches, computed according to the formula set forth in the agreement, might be in the neighborhood of \$20,000 to \$25,000. He noted that no provision for this work had been made in the Board's budget for 1959 and suggested that a special project budget be set up for the purpose if the Board was disposed to enter into the agreement with the architectural firm.

In further remarks, Governor Shepardson said that a rough draft of agreement had been submitted to the architect, the architect had made comments, and the Board's staff had reconciled points of difference. Therefore, the draft of agreement in its present form was satisfactory both to the Board's staff and the architect.

Following a brief discussion, during which Governor Robertson indicated that he was prepared to approve the draft of agreement without hesitation on the basis of Governor Shepardson's report, the sending of the agreement to the architectural firm for execution was approved unanimously. This action was taken with the understanding that a special project budget covering the preliminary studies and sketches would be set up in the budget of the Board for 1959. A

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copy of the letter sent to Harbeson Hough Livingston and Larson is attached to these minutes as Item No. 19.

Examination of the Federal Reserve Bank of Chicago. The report on the examination of the Federal Reserve Bank of Chicago made by the Board's field examining staff as of September 19, 1958, had completed circulation to the members of the Board.

At the Board's request, Mr. Smith commented on various matters covered in the report and accompanying memoranda, including personnel changes under consideration in the light of the forthcoming retirement of the First Vice President and certain other members of the Bank's official staff. In this connection, reference was made to the relationship of possible personnel realignment to the management of the Bank Examination Department.

Mr. Smith noted that Governor Robertson had raised a question when the examination report was in circulation about service by Vice President Hugh Helmer as a member of the investment committee of the Stock of the Month Club, Barrington, Illinois. He said that President Allen was to provide additional information on this outside activity and that a memorandum would then be placed in the Board's files, with a copy to Governor Robertson.

Messrs. Hackley, Masters, and Smith then withdrew from the meeting.

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Director appointments. Subject to Chairman Martin's concurrence, the following actions were agreed upon with respect to the appointment of directors at Federal Reserve Bank branches:

1. To request the Chairman of the Federal Reserve Bank of New York to ascertain whether Mr. Whitworth Ferguson, President of the Ferguson Electric Construction Company, Buffalo, New York, would accept appointment, if tendered, as a director of the Buffalo Branch for the three-year term beginning January 1, 1959, with the understanding that if he would accept, the appointment would be made.

2. To request the Chairman of the Federal Reserve Bank of Atlanta to ascertain whether Mr. John M. Fox, President of the Minute Maid Corporation, Orlando, Florida, would accept appointment, if tendered, as a director of the Jacksonville Branch for the three-year term beginning January 1, 1959, with the understanding that if he would accept, the appointment would be made.

3. Since Mr. Carl McFarland was not available for reappointment as a director of the Helena Branch, to request the Chairman of the Federal Reserve Bank of Minneapolis to ascertain whether Mr. John D. Stephenson, senior partner in the law firm of Jardine, Stephenson, Blewett, and Weaver, Great Falls, Montana, would accept appointment, if tendered, for the two-year term beginning January 1, 1959, with the understanding that if he would accept, the appointment would be made.

4. If Mr. Stephenson were not available, to request the Chairman of the Federal Reserve Bank of Minneapolis to ascertain whether Mr. Norman J. Holter, Research Director of the Holter Research Foundation, Helena, Montana, would accept the appointment if tendered and, in the event of an affirmative indication, to make the appointment.

Secretary's Note: Upon joining the meeting during the afternoon session, Chairman Martin stated that he concurred in the aforementioned actions. The appointments of Messrs. Ferguson, Fox, and Stephenson were later made by the Board following receipt of advice indicating their willingness to serve as branch directors.

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The meeting then recessed and reconvened at 2:25 p.m. with Messrs. Szymczak, Mills, Robertson, and Shepardson present. From the staff Messrs. Sherman, Kenyon, Connell, Bass, and Kakalec were present along with the following:

Mr. Young, Director, Division of Research and Statistics
 Mr. Marget, Director, Division of International Finance
 Mr. Furth, Associate Adviser, Division of International Finance
 Mr. Sammons, Associate Adviser, Division of International Finance

Partial renewal of gold loan to Haiti (Item No. 20). On September 22, 1958, the Board approved a loan on gold by the Federal Reserve Bank of New York to the National Bank of Haiti in the amount of \$700,000. The National Bank of Haiti had now notified the New York Bank of its intention to repay a sum of \$400,000 on the due date (December 26, 1958), but requested a thirty-day renewal of the remainder of the loan. In a telegram dated today, the Reserve Bank staff expressed the intention of recommending favorably to the Bank's Board of Directors and requested approval by the Board of Governors.

A memorandum from Mr. Marget under today's date, which had been distributed, recommended favorable action on the part of the Board.

Following comments by Mr. Marget, the requested renewal of the gold loan was approved unanimously, effective upon authorization thereof by the Board of Directors of the Federal Reserve Bank of New York. A copy of the telegram sent to the Reserve Bank pursuant to this action is attached as Item No. 20.

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Messrs. Marget, Furth, and Sammons then withdrew from the meeting.

Following informal discussion of certain matters, the meeting recessed briefly and then reconvened with Chairman Martin present. Mr. Young was not in attendance when the meeting reconvened.

Board's budget for 1959 (Item No. 21). There had been distributed to the members of the Board a summary of the proposed Board budget for 1959, prepared by the Office of the Controller. The budget totaled \$7,070,782, or \$1,099,425 more than 1958 estimated expenses. Regular operations of the divisions were budgeted at \$6,349,577, while special projects totaled \$721,205.

At Governor Shepardson's request, Mr. Connell reviewed the highlights of the budget summary, including major items of increase. He also commented on the use for the first time of a program-type budget, as recommended by Lester B. Knight and Associates following their management and systems survey in 1957.

Governor Shepardson then noted that he had sent to the other members of the Board a memorandum dated December 11, 1958, in which he made certain observations regarding the proposed budget and the trend of Board expenses in recent years. Commenting in amplification of that memorandum, he called attention to the increase of almost 50 per cent for personal services when one compared the 1959 budget with 1954 expenses and, even more significantly, the increase in

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nonpersonal services from \$940 thousand to \$2.3 million. These trends, he said, should at least cause the Board to scrutinize with extreme care expensive special projects proposed from time to time.

Governor Shepardson went on to say that, due to the pressure of time, he had instructed the Controller to go ahead with the summarization for the Board on the basis of the budgets presented by the respective divisions. However, as indicated in his December 11 memorandum, he (Governor Shepardson) would recommend deletion or modification of certain items as follows, which would effect reduction of budget provisions in the amounts indicated:

Minutes safe (deletion)	\$ 925
Outside work on preparation of Chart Book (deletion)	10,000
Restyling Annual Report (deletion)	1,200
Appraisal of restyling of Federal Reserve Bulletin (deletion)	200
Cost of printing Federal Reserve Bulletin (reduction)	15,000
Replacement of automobile (deletion)	6,500
Reprinting Loose-Leaf Service (deletion)	23,000
Furniture replacement (reduction)	15,000

The memorandum also recommended approval of an additional position of Economic Editor in the Division of Research and Statistics subject to the understanding that the continuance of the additional position would be reviewed at the time of retirement of Miss Butler, Economist (Editorial), and elimination of a proposed third position of recruit Economist in the same Division.

Governor Shepardson's recommendations were approved unanimously.

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Governor Shepardson then stated that the Controller had recommended that copies of the budget, less sheets showing individual salaries, be furnished to the head of each division to give a better picture of the Board's program and aid in planning, and there was unanimous agreement with this recommendation.

With respect to the proposed budget as a whole, Governor Shepardson commented that the Board had considered the various special projects as they came up and each one had seemed warranted. However, the sizeable growth was apparent when one looked at the budgets over the past five or six years.

At this point discussion turned to the tentative budget provision of \$500,000 for the third part of the small business financing study, namely, a survey of borrowers. This was intended to cover the cost of contracts with the Bureau of the Census or other organizations for conducting surveys of manufacturing, retail, and wholesale trade. Due to the difficulty in determining a satisfactory survey universe and other factors, the budgetary provision had been set up arbitrarily to give the Board some idea of the size of the project pending the availability of more specific cost data when exploratory survey work by the Census Bureau was completed. As stated in Governor Shepardson's memorandum of December 11, such preliminary studies had not proceeded far enough to determine whether this would be a \$1,000,000 job or a much less costly one. Nevertheless, it had seemed desirable to include some figure in order to minimize the

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possibility of having to confront the Reserve Banks with a large and unexpected assessment increase for the second half of the year.

Governor Shepardson stated that if it should be determined after preliminary testing that a part, at least, of the study could be conducted by means of a mail survey, the cost of the project could possibly run as low as around \$200,000, while the cost could conceivably run as high as \$1,000,000 if it were determined that personal interviews were required. He indicated that the Division of Research and Statistics hoped to have a better basis for estimating within a period of about 60 days. In this connection, he also observed that the provision of a figure in the budget did not mean necessarily that the amount budgeted should be spent.

After the matter was considered further in the light of the prospective value of the study and the commitments with regard thereto made by the Board to the Congress, Chairman Martin stated, in pursuance of a suggestion by Governor Mills, that if the Board so desired he would be glad to discuss the subject with appropriate members of the Congress in order to obtain their reaction. Before doing so, however, he felt that it would be desirable to have a more firm estimate of the magnitude of the expenditure along with an outline of what the expenditure was going to cover.

Governor Robertson commented that the matter might be discussed in terms of alternatives if the Division of Research and Statistics

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should determine that a type of survey involving lower cost would be of some value.

It was then agreed that the matter would be handled along the lines suggested, which meant that the provision of \$500,000 would be left in the 1959 budget but that the survey would not be actually instituted pending further consideration of the project in the light of discussion by Chairman Martin with appropriate members of the Congress.

In connection with this and other items, Governor Robertson said it should be understood that the amounts included in the budgets of the respective divisions were not necessarily the amounts that had to be spent. He suggested a word of caution be sent to all of the divisions in this regard, and there was concurrence in this suggestion.

All of the members of the staff except Mr. Sherman then withdrew from the meeting.

Governor Shepardson referred to a memorandum that he had distributed to the members of the Board under date of December 11, 1958, regarding staff salaries. He commented that there had been an increase in staff salaries which, when reduced to percentage terms, showed a rise of over 6 per cent per year since 1955. This seemed to him higher than necessary and, in analyzing the rise, he had come to the conclusion that the so-called progress increase, which was originally designed to indicate to the individual employee that he was making satisfactory progress on his job, had come to be a more or less automatic increase

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given annually or at 18-month intervals to employees if they remained on the payroll. Governor Shepardson said that he questioned whether in a staff the size of the Board's it was reasonable to think that everybody in the organization was making satisfactory or adequate progress each year and thus entitled to what was termed a progress increase. He would hope, of course, that the great majority would at least meet this standard, but the fact was that progress increases were being given to virtually every person eligible for them, and it appeared that they had become practically automatic almost regardless of whether real progress was shown in the work. Governor Shepardson went on to say that he would recommend that the Board agree upon a statement as to the progress salary increase program that would call for greater discrimination on the part of supervisors and division heads than had been exercised in the past in recommending persons for progress increases. In other words, the program should be administered so that an increase in salary would, in fact, denote a judgment that there had been progress in the employee's contribution to the Board's work. In making this proposal, Governor Shepardson said he realized such a program would differ from that rather generally followed in Government departments as he understood it, but that did not bother him particularly because the Board had availed itself of the freedom it had on the up side in so far as salary adjustments were concerned. For example, compared with Civil Service the Board had a considerably higher number of employees in the so-called super-salary

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grades than might be expected on the basis of total number of employees. The Board also had exercised somewhat greater freedom in reclassifications of positions than he understood to be the case at Civil Service.

Governor Robertson inquired whether the recommendation contemplated that the number of persons on the Board's staff receiving progress salary increases annually would be reduced from say 98 per cent of the staff to perhaps 50 per cent.

Governor Shepardson responded that he doubted the reduction would go nearly as far as 50 per cent. He thought it likely that a more discriminating approach might mean that instead of progress salary increases for perhaps 99 per cent of those whose ranges permitted such increase, it might develop that something more like 75 or 80 per cent of the staff would receive such recognition in the course of a year. However, he preferred not to have in mind any fixed figure. His emphasis would be on the point that division heads should be discriminating in submitting recommendations for progress salary increases. If this approach were approved, he would plan to discuss the program at a meeting of Division Heads, and he felt that an understanding of the program he was proposing should be carried down to other supervisory levels, since it was an important part of the training of the more junior supervisors that they learn to exercise discrimination in matters such as this. Governor Shepardson again commented that if pursuit of such a program were to result in progress salary increases for 75 or 80 per cent of the eligible employees in the course of a year, this

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would represent a distinct departure from the practice followed throughout Government where he understood the progress salary increase was practically automatic for everyone eligible.

Governor Robertson said that he understood the gist of this recommendation to be that an individual who had not made satisfactory progress over the year should not be blanketed in for a salary increase, and Governor Shepardson responded that this was the substance of what he was recommending.

Turning to merit increases, Governor Shepardson said that the program adopted by the Board for granting meritorious salary increases some years ago had been intended to recognize by additional salary adjustments those individuals who for a considerable period of time had given outstanding service, over and above the normal progress or contribution that might be recognized by increases of the sort that had just been under discussion. However, the meritorious salary increase program had developed in a way where, after eliminating persons already at the top of the grade, members of the official staff, and a few others not eligible for this type of increase, about 30 to 32 per cent of the eligible employees were receiving merit increases each year. In addition, about 16 per cent had received reclassification or promotion increases in the course of a year. This did not mean that 48 per cent of the staff received such increases, since some might have

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received both reclassification and merit increases. Governor Shepardson questioned whether the Board was justified in giving 30 per cent of the staff meritorious increases each year, in addition to the progress increases. He would recommend that Directors of Divisions be requested to limit their proposals for meritorious salary increases to approximately 20 per cent, rather than 30 per cent, of the eligible staff in their divisions in the course of a year, but he would caution against a fixed percentage figure; it would be preferable that the statement for Division Heads include wording that they were requested to observe a higher degree of selectivity than heretofore had been exercised in submitting recommendations for meritorious salary increases.

With respect to reclassification and promotion increases, Governor Shepardson said that these were given only when the increased requirements of a position in question called for a higher classification or when a person was being promoted to a more responsible and demanding position. He felt that an excellent job was being done by the Personnel Classification Committee on positions in the lower two-thirds of the salary structure, in that careful appraisals both within the classification and in relation to positions outside the classification were being made. He was not sure that the reclassification surveys for some of the higher positions had been as carefully reviewed as in the lower grades, although an attempt had been made to safeguard those classification surveys and, in approving higher grades, to limit them in some cases to the individual who was contributing over and above the ordinary demands of the job because of his particular incumbency.

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One other point he wished to mention, Governor Shepardson said, was that occasionally a recommendation was made by a Division Head for a meritorious salary increase for someone who also within a matter of a very short time either had been or would be considered for reclassification. There had even been cases where within a matter of a few days recommendation for a progress increase, a meritorious increase, and a promotion increase had been submitted. He questioned whether this was justified except in extremely rare cases, and he felt that Division Heads should be asked to be careful not to compound merit increases with reclassification adjustments at almost the same time.

Governor Shepardson said he recognized that the Board members might have comments on these proposals, and he would be glad to hear them, including comments on the total crawl upwards in classification that had occurred in all parts of the salary range.

Governor Shepardson then took up the matter of salaries of members of the officer staff, concerning which he had sent a memorandum to the Board members on December 16, 1958. He recalled that in January 1958, after very careful study, the Board made a number of promotions and increased salaries of several members of the officer staff in a manner that it then thought would give recognition that seemed due and which would take care of needs for some time to come. In mid-year, at the time of the Government's 10 per cent general pay increase, the Board had considered and adopted the general pay increase and included

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the officer staff, and this had resulted in bringing the salaries of members of that group beyond the level that the Board had anticipated at the beginning of the year. Governor Shepardson said he doubted that the Board could have done differently, but the fact remained that this created something of a problem, as always was the case with any blanket salary increase. A few members of the officer staff were now receiving higher salaries than seemed to him to be justified. For the officer staff as a group, he did not feel that this was the time for further salary increases, except for one that he would discuss later.

In concluding his comments on these matters, Governor Shepardson said that, if the Board agreed, he would propose to convey both by statements and in a meeting with Division Heads the views he had expressed here today concerning progress salary increases, meritorious salary increases, and reclassifications and promotions.

Governor Mills stated that he agreed with the views expressed and with the proposal to take them up with Division Heads. As it appeared to him, the task was to cultivate in division heads and section chiefs of the Board's staff the same sense of responsibility for controlling expenditures that they felt for development of their professional or technical work. As the years had gone on, there had been acceptance of the budgetary increases that had become semi-automatic. The time had arrived where, if the staff would look at the situation realistically, it must be sympathetic to the over-all

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problem that faced the Board as an agency within the Federal establishment.

Governor Robertson said that he agreed completely with the views stated by Governor Shepardson and with his plan for making them known to the staff, and Governor Szymczak indicated that he too concurred.

Chairman Martin stated that he also approved the program that Governor Shepardson had outlined, adding that he thought this would represent a step forward and that it was a problem on which the Board should continue to work steadily.

All of the members of the Board who were present having indicated general concurrence with the approaches recommended by Governor Shepardson concerning progress and meritorious salary increases and reclassifications of positions that would result in salary adjustments, it was understood that he would proceed with his plan to issue statements along the lines of his comments at this meeting and that he would also discuss the program at a meeting of Division Heads.

Governor Shepardson then stated that he wished to take up some specific salaries for members of the officer staff. In line with what he had just stated and with informal discussions that he had had with some of the Board members, this seemed to him not to be the time to consider further increases in officer salaries generally. Two or three cases had been brought to his attention, however, where Division Heads felt quite strongly that adjustments should be made. After outlining

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these cases, Governor Shepardson stated that in only one case did he wish to recommend to the Board an increase in salary of a member of the officer staff, namely in the case of Mr. Kenyon, Assistant Secretary, for whom he would recommend a salary effective January 1, 1959, of \$13,500 per year.

There was unanimous approval of Governor Shepardson's recommendation.

Governor Shepardson commented that he had approved the transfer from the Division of Bank Operations to the Office of the Secretary of Mr. Robert L. Hill in the position of Assistant to the Secretary, a non-officer position, and that, with the Board's approval, the Secretary planned to use Mr. Hill as quickly as he became familiar with the work of the Office in helping to prepare minutes, which would mean that he also would be attending Board meetings. There was no indication of disagreement with this procedure, and it was understood that the necessary steps would be taken to have a full field investigation made for Mr. Hill.

Governor Shepardson next referred to the workload of the Office of Defense Loans, noting that there had been a substantial reduction in the volume of V-loans processed during the past few years and that at the present time neither Mr. Boothe nor his secretary were fully occupied. He said that he had endeavored to find a different assignment to which Mr. Boothe might be transferred or other work that might be transferred to his office but that he had not been successful in this

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effort. However, Mr. Boothe, because of his health, was working short hours on advice of his doctor and was using some sick leave for that purpose. Governor Shepardson noted that Mr. Boothe would become eligible for retirement under the usual terms of the Retirement System on February 2, 1960, and that he had indicated he might wish to avail himself of early retirement. In view of the amount of annual and sick leave to Mr. Boothe's credit, it would be possible for him to be retired physically several months ahead of that date, Governor Shepardson said, and it was his suggestion that he be authorized to discuss with Mr. Boothe plans for his retirement along the lines stated in the memorandum that he (Governor Shepardson) had sent to the individual members of the Board under date of December 16, 1958. There was unanimous agreement with this suggestion. It was also understood that Governor Shepardson would request Mr. Boothe during his remaining time on duty to prepare a comprehensive review of System experience in connection with the defense loan program.

Governor Shepardson then stated that this completed his recommendations with respect to the proposed Board budget for 1959 and related salary matters. Accordingly, the budget (attached Item No. 21) was approved unanimously subject to (1) the deletion or reduction of specific items recommended in Governor Shepardson's memorandum of December 11, 1958; (2) the establishment of a special project budget for the cost of preliminary plans and sketches for a shelter to be

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constructed across "C" Street; (3) deferral of expenditures in connection with the third phase of the small business financing study pending further consideration in the light of better cost estimates and the discussions referred to earlier at this meeting; and (4) the officer salary increase approved by the Board today.

Carry-over of unused annual leave. Governor Shepardson then brought to the Board's attention the fact that a few members of the staff had, because of the Board's work, been unable to take all of their annual leave during 1958 and that this would result in their losing annual leave at the end of this year. He recalled that two years ago the Board authorized a number of the members of the staff to carry over annual leave under certain restricted conditions whereby the leave ceiling would not be increased and the leave carried forward would not be added to any other earned leave for purposes of increasing the lump sum payment that might be made to an employee at the time of termination of services. Governor Shepardson reviewed this experience, stating that it was not satisfactory to the divisions concerned and that he would not recommend its repetition. However, it seemed to him that it might be appropriate for the Board to consider a modification of its present rules regarding carry-over of unused annual leave beyond December 31 each year so as to permit any employee who, because of the Board's work, had been unable to take his annual leave during the current year to carry it over with the understanding that it could be used at any time during the first nine months of the succeeding year. This

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would be with the understanding that in no case would this leave carried forward raise the leave ceiling of the individual employee under existing leave regulations, nor would the carrying forward of such leave be added to any other earned leave for purposes of increasing the lump sum payment that would be made to the employee at the time of termination of his services. With such a safeguard, Governor Shepardson expressed the view that a modification of the leave rules to the extent he suggested would be of administrative convenience to the Board and to the individual divisions, and he recommended its adoption.

Governor Mills suggested that it would be helpful to have an opportunity to consider this suggestion thoroughly before changing the leave rules, and it was understood that a memorandum would be prepared and distributed prior to consideration of the matter at a later meeting.

Application of Worthen Bank & Trust Company (Item No. 22).

There had been circulated to the Board a file relating to the application of Worthen Bank & Trust Company, Little Rock, Arkansas, for permission to establish a teller's window branch in the neighborhood of Markham and Hayes Streets just outside the city limits of Little Rock. While the Federal Reserve Bank of St. Louis suggested that the application be held in abeyance for an unspecified period, it was the recommendation of the Board's Division of Examinations that the application be approved.

Governor Robertson suggested that favorable action be taken on the application, if that were the decision of the majority of the

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Board, but he added that he would like to be recorded as opposing the granting of the application.

Following a brief discussion, approval was given to the letter to the Worthen Bank & Trust Company of which a copy is attached as Item No. 22, for transmittal through the Federal Reserve Bank of St. Louis, Governor Robertson voting "no".

The meeting then adjourned.

Secretary's Notes:

On December 16, 1958, Governor Shepardson approved on behalf of the Board the following items:

Letter to the Federal Reserve Bank of New York (attached Item No. 23) approving the reappointment of John W. Shute as assistant examiner.

Memoranda from appropriate individuals concerned recommending that merit salary increases be granted to the following employees on the Board's staff in the amounts indicated, effective January 11, 1959:

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Board Members' Offices</u>			
Nancy B. Kelly, Secretary		\$ 5,770	\$ 5,920
<u>Office of the Secretary</u>			
Adaline R. Beeson, Records Analyst		5,240	5,390 ^{1/}
Helen E. Cook, Supervisor, Bank and Miscellaneous Records		5,090	5,240
Mary Jane Haymaker, Clerk		4,190	4,340
M. Elizabeth Jones, Supervisor, Minutes Unit		6,585	6,735
Katherine E. Olson, Records Clerk		3,755	3,850
<u>Legal</u>			
Jean Crosby, Secretary		5,580	5,730
Paula G. Hauprich, Stenographer		4,135	4,230
Verna P. Ryon, Secretary		4,790	4,940

^{1/} Salary following progress increase to be effective December 28, 1958.

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<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Research and Statistics</u>			
Alice E. Barnard, Library Assistant		\$ 3,850	\$ 3,945
Caroline H. Cagle, Economist		8,570	8,810
Dorothy G. Drake, Editorial Clerk		4,490	4,640
Theodore Flechsig, Economist		7,030	7,270
Virginia C. Gunter, Statistical Assistant		4,340	4,490
David R. Hull, Jr., Economist		5,130	5,280
Edward Kalachek, Economist		7,030	7,270
Edward Kalachek, Economist		4,490	4,640
Esther P. Locke, Secretary		11,355	11,595
Milton Moss, Economist		3,945	4,040
Gail Roberts, Clerk-Stenographer		3,945	4,040
Mary Ann Shuler, Clerk-Stenographer		7,030	7,270
William J. Smith, Jr., Economist		9,890	10,130
Stephen P. Taylor, Economist		9,890	10,130
Charles A. Yager, Economist			
<u>International Finance</u>			
Mary V. F. Baker, Senior Clerk		4,340	4,490
Dorothy L. Helprin, Economist		6,585	6,735
Allan F. Rau, Jr., Economist		7,270	7,510
Anne T. Roberson, Secretary		4,190	4,340
Ralph C. Wood, Chief, European Section		13,070	13,370
<u>Examinations</u>			
Robert F. Achor, Review Examiner		8,330	8,570
Anna S. Courtney, Secretary		5,090	5,240
H. W. Huning, Review Examiner		9,050	9,290
James H. Joyce, Assistant Federal Reserve Examiner		4,640	4,790
Brenton C. Leavitt, Supervisory Review Examiner		11,835	12,075
John T. McClintock, Review Examiner		9,050	9,290
Jerry B. Riley, Federal Reserve Examiner		7,030	7,270
William E. Rumbarger, Assistant Federal Reserve Examiner		5,985	6,135
Linwood N. Tyndall, Assistant Federal Reserve Examiner		5,130	5,280
R. N. Westmoreland, Jr., Assistant Federal Reserve Examiner		5,280	5,430

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<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Bank Operations</u>			
Doris V. Bubb, Statistical Clerk		\$4,640	\$ 4,790
Raymond J. Collier, Chief, Current Series Section		9,890	10,130
Lee W. Langham, Chief, Call Report Section		9,890	10,130
Mary Malinchock, Statistical Clerk		4,340	4,490
E. Ralph Massey, Technical Assistant <u>1/</u>		9,890	10,370
Paul D. Ring, Technical Assistant		7,750	7,990
<u>Personnel Administration</u>			
John J. Hart, Personnel Assistant		9,050	9,290
Robert B. Hamilton, Personnel Technician		5,130	5,280
<u>Administrative Services</u>			
Helen M. Capozio, Printing Clerk		5,240	5,390
James Jackson, Laborer		3,150	3,245
Sven E. Johnson, Inspector-Foreman, Labor Force		5,580	5,730
James R. Jordan, Mail Clerk		3,635	3,730
Esmond C. Langley, Assistant Head Messenger		3,730	3,825
Nina L. Marcey, Cafeteria Helper		2,960	3,055
Richard J. Michel, Laborer		3,150	3,245
R. Jean Myers, Publications Clerk		4,190	4,340
Florence A. Norman, Relief Cook		3,540	3,635
Abraham Rose, Cafeteria Laborer		3,340	3,435
Eleanor W. Yates, Cafeteria Helper		3,055	3,150
<u>Office of the Controller</u>			
Susan O. Hoffman, Accounting Technician		4,040	4,190
John Kakalec, Budget and Planning Assistant		8,330	8,570

Governor Shepardson today approved on behalf of the Board the following items:

Memoranda from appropriate individuals concerned recommending the following actions affecting the Board's staff:

1/ Change in title to Chief, Reserve Bank Operations Section, effective January 1, 1959.

12/17/58

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Appointment

Phyllis H. Lockhart as Draftsman-Trainee in the Division of Research and Statistics, with basic annual salary at the rate of \$3,590, effective the date she assumes her duties.

Salary increases, effective December 28, 1958

George L. Spencer, Jr., Secretary to Governor Szymczak, from \$6,505 to \$7,030 per annum.

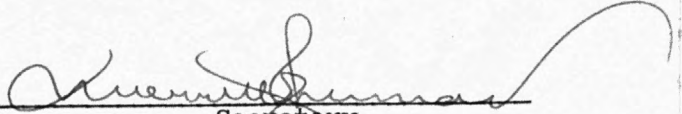
Adaline Beeson, Records Analyst, Office of the Secretary, from \$5,090 to \$5,240 per annum.

Joan Hosley, Statistical Assistant, Division of Research and Statistics, from \$4,040 to \$4,190 per annum.

Harold L. Emerson, Personnel Assistant, Division of Personnel Administration, from \$7,270 to \$7,510 per annum.

Manros A. Nickens, Mail Clerk, Division of Administrative Services, from \$3,350 to \$3,445 per annum.

Letter to the Federal Reserve Bank of Boston (attached Item No. 24) approving the appointment of Richard Charles Keith as assistant examiner.


Secretary

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

Item No. 1
12/17/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 17, 1958



Board of Directors,
Bankers Trust Company,
New York 15, New York.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of New York, the Board of Governors of the Federal Reserve System approves the establishment of a branch in the Kings Bay Shopping Center on Nostrand Avenue between Avenues Y and Z, Brooklyn, Kings County, New York, provided the branch is established within one year from the date of this letter and 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. 2
12/17/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 17, 1958

Board of Directors,
The Oystermen's Bank and Trust Company,
Sayville, Long Island, New York.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of New York, the Board of Governors of the Federal Reserve System extends until March 2, 1959, the time within which The Oystermen's Bank and Trust Company may establish a branch on the north side of Montauk Highway, approximately 800 feet west of Locust Avenue in the unincorporated village of Oakdale, Suffolk County, New York, under authority granted in the Board's letter of July 21, 1958.

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
12/17/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 17, 1958

Board of Directors,
Riverside Trust Company,
Riverside, New Jersey.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Philadelphia, the Board of Governors of the Federal Reserve System approves the establishment of a branch on Route 130, near the intersection of Charleston and Sunset Roads, Willingboro Township, Burlington County, New Jersey, by Riverside Trust Company, Riverside, New Jersey, provided the branch is established within one year from the date of this letter, capital is increased to not less than \$150,000 to meet Federal statutory requirements, and 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
12/17/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 17, 1958



Board of Directors,
The First Pennsylvania Banking and Trust Company,
Philadelphia 1, Pennsylvania.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Philadelphia, the Board of Governors approves the establishment of a branch at 2560 Huntingdon Pike, Huntingdon Valley, Montgomery County, Pennsylvania, by The First Pennsylvania Banking and Trust Company, provided:

1. the merger with Huntingdon Valley Trust Company, Huntingdon Valley, Pennsylvania, is effected substantially in accordance with the Joint Plan of Merger dated October 27, 1958;
2. shares of stock acquired from dissenting stockholders are disposed of within six months from date of acquisition;
3. the branch is established within six months from the date of this letter;
4. formal 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. 5
12/17/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 17, 1958



Board of Directors,
Society National Bank of Cleveland,
Cleveland, Ohio.

Gentlemen:

The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers and grants you authority to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies or other corporations which come into competition with national banks are permitted to act under the laws of the State of Ohio, the exercise of such rights to 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 formal certificate indicating the fiduciary powers which the Society National Bank of Cleveland is now authorized to exercise will be forwarded to you in due course.

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
12/17/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 17, 1958

Board of Directors,
Genesee Merchants Bank & Trust Co.,
Flint, Michigan.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Chicago, 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 consolidation of Genesee Merchants Bank & Trust Co., The First State and Savings Bank of Flushing, Peoples State Bank of Flushing, and the State Bank of Ortonville, under the charter of Genesee Merchants Bank & Trust Co., and approves the establishment of branches by the continuing bank as follows:

130 East Main Street, Flushing, Michigan
122 East Main Street, Flushing, Michigan
4 South Street, Ortonville, Michigan

provided, (1) the consolidation is effected substantially in accordance with the agreement between the parties dated September 15, 1958, (2) shares of stock acquired from dissenting stockholders of the constituent corporations are disposed of within six months from the date of acquisition, and (3) the proposed consolidation and establishment of branches are effected within six months from the date of this letter.

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
12/17/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 17, 1958

Mr. Malcolm Bryan, President,
Federal Reserve Bank of Atlanta,
Atlanta 3, Georgia.

Dear Mr. Bryan:

As stated in the Board's letter to you dated June 3, 1958, on that date the Board reported to the Department of Justice certain purchases of stock of Continental Gin Company on behalf of Trust Company of Georgia and Trust Company of Georgia Associates that may have involved violations of section 4(a) of the Bank Holding Company Act. The Board has now received a letter on this subject from the Department of Justice, dated December 4, stating that the Department has concluded that prosecution is not warranted. A copy of that letter is enclosed for your information and records.

It is presumed that the Department of Justice informed the Board of its conclusion as a courtesy and also because of the Board's administrative duties under the Act and the possible relevancy of the Department's action in the event that the Board has occasion hereafter to decide whether to report other apparent violations. In the circumstances, and particularly because prosecution of violations of the Holding Company Act is not vested in the Federal Reserve System, it would seem to be inappropriate for the Board or your Bank to inform the holding companies concerned of the position taken by the Department of Justice.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

Enclosure

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

Item No. 8
12/17/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 17, 1958



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

Attention Mr. L. A. Jennings,
Deputy Comptroller of the Currency.

Dear Mr. Comptroller:

Reference is made to a letter from your office dated September 3, 1958, enclosing copies of an application to organize a national bank at Roseburg, Oregon, 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 San Francisco discloses generally satisfactory findings with respect to the proposed capital structure of the bank, its future earnings prospects, management, and convenience and needs of the community. Therefore, 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 25, D. C.

Item No. 9
12/17/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 17, 1958



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

Attention Mr. Hollis S. Haggard,
Chief National Bank Examiner.

Dear Mr. Comptroller:

Reference is made to a letter from your office dated July 28, 1958, enclosing copies of an application to organize a national bank at Spokane, Washington, 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 San Francisco indicates that the proposed capital structure of the bank, its future earnings prospects, and management would be reasonably satisfactory. It is reported that the need for additional banking facilities in Spokane is not acute at the present time but that the public should benefit from the services offered by the proposed bank without creating an undue competitive situation. Accordingly, the Board of Governors recommends approval of the application.

The information submitted in the report discloses that some of the local people expressed the opinion that the organization of the bank may be for the purpose of subsequent sale to some other banking group. The Board would not look with favor on the organization of this bank for such purpose, and it is assumed that this matter will be resolved to your satisfaction.

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 25, D. C.

Item No. 10
12/17/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 17, 1958



Mr. Victor R. Hansen,
Assistant Attorney General,
Antitrust Division,
Department of Justice,
Washington 25, D. C.

Dear Mr. Hansen:

This refers to your letter of July 9, 1958, with enclosures, relating to complaints against the Pine Lawn Bank and Trust Company of St. Louis, Missouri, regarding possible coercive insurance practices. You stated in your letter that, while the use of tie-in agreements by the Bank may have been discontinued, the continuing series of complaints indicate that perhaps other forms of coercion are being used by Pine Lawn to restrict a borrower's reasonable choice of insurance, and you requested that an examination be made of this matter and that you be advised of the results.

Upon receipt of your letter we sent to the Federal Reserve Bank of St. Louis all the pertinent documents and requested that an investigation be made of the complaints. The Board is now in receipt of a report from Mr. Geo. E. Kroner, Vice President of the Federal Reserve Bank of St. Louis, the relevant portion of which is as follows:

"We have had several conferences with Mr. James T. Dodds, Jr., Vice President and Secretary of the bank, concerning this controversy. We did not attempt in these meetings to resolve the above disputes, but rather to obtain a clear statement from the bank concerning the facts as an essential first step to an appraisal by competent authority of the conformance of its conduct with the provisions of the antitrust laws.

"As we understand it, the bank's position comes down to this: it does not insist on controlling the insurance on real property securing bank loans; however, it does require (1) that such insurance be placed with a satisfactory carrier, (2) that any renewal policy be in its hands thirty

Mr. Victor R. Hansen

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days before expiration of current insurance, and (3) that the bank be furnished evidence satisfactory to it, that the premium on any renewal policy has been paid in full.

"To the extent the latter requirement involves disbursement of the insurance escrow fund held by the bank (and this seems to be one of the real bones of contention in this controversy), four additional conditions are involved:

"(a) The premium on the renewal policy must be covered by the escrow fund; or

"(b) the mortgagee may add thereto a sufficient amount to cover any increased premium; or

"(c) the mortgagee may pay the full renewal premium and obtain refund of the escrow upon clear evidence of such payment; or

"(d) the mortgagee may pay the additional portion of the premium and obtain disbursement of the escrow to a designated agent upon clear evidence of the initial additional payment.

"It seems to us that in enforcing these conditions, the bank may be less accommodating to its customers and their insurance agents than other lenders in this area. This, however, seems to be a consideration that is distinct from the conditions themselves. Repeatedly Mr. Dodds has asked me why the Department of Justice has not told him what it is, in this connection, that he may not do, and I have always told him that is a question I cannot answer. . . ."

With this report there were enclosed copies of correspondence bearing on the insurance question, most of which we believe is in your files, particularly a letter dated September 16 from Gerwitz & Seegers, Attorneys for the Bank, to Mr. Earl A. Jinkinson, Chief, Midwest Office, Department of Justice in Chicago and Mr. Jinkinson's reply of September 18, 1958.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

NOTICE OF TENTATIVE DECISION ON APPLICATION FOR PRIOR
APPROVAL OF ACQUISITION BY A BANK HOLDING COMPANY
OF VOTING SHARES OF A BANK

Notice is hereby given that, pursuant to section 3(a) of the Bank Holding Company Act of 1956 ("the Act"), Northwest Bancorporation, Minneapolis, Minnesota ("Applicant"), has applied for the Board's prior approval of action whereby Applicant would acquire 1,085 of the 1,200 outstanding voting shares of The First National Bank at Eveleth, Eveleth, Minnesota. Information contained in the application and other information relied upon by the Board in making its tentative decision are summarized in the Board's Tentative Statement of this date, which is attached hereto and made a part hereof, and is on file with the Federal Register Division and available for inspection at the office of the Board's Secretary and at the Federal Reserve Banks.

The record in this proceeding to date consists of the application, the views and recommendations of the Comptroller of the Currency, this Notice of Tentative Decision, and the facts set forth in the Board's Tentative Statement.

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For the reasons set forth in the Tentative Statement, the Board proposes to grant the application.

Notice is further given that any interested person may, not later than fifteen (15) days after the publication of this notice in the Federal Register, file with the Board in writing any comments on or objections to the Board's proposed action, stating the nature of his interest, the reasons for such comments or objections, and the issues of fact or law, if any, presented by said application which he desires to controvert. Such statement should be addressed: Secretary, Board of Governors of the Federal Reserve System, Washington 25, D. C.

Following expiration of the said 15-day period, the Board's tentative decision will be made final by order to that effect, unless for good cause shown other action is deemed appropriate by the Board and is so ordered.

Dated at Washington, D. C. this 17th day of December, 1958.

By the Board of Governors.

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

(SEAL)

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

APPLICATION BY NORTHWEST BANCORPORATION, MINNEAPOLIS, MINNESOTA,
FOR APPROVAL OF ACQUISITION OF VOTING SHARES OF
THE FIRST NATIONAL BANK, EVELETH, MINNESOTA

TENTATIVE STATEMENT

Northwest Bancorporation, a bank holding company, has applied, pursuant to section 3(a)(2) of the Bank Holding Company Act of 1956 ("the Act"), for this Board's prior approval of the acquisition of 1,085 of the 1,200 outstanding voting shares of The First National Bank at Eveleth, Eveleth, Minnesota.

Since The First National Bank at Eveleth is a national bank under the supervision of the Comptroller of the Currency, the Comptroller was asked, pursuant to section 3(b) of the Act, for his views and recommendations. The Comptroller recommended that the Board approve the application.

Statutory factors. - Section 3(c) of the Act requires the Board to take into consideration the following five factors:

(1) the financial history and condition of the holding company and bank concerned; (2) their prospects; (3) the character of their management; (4) the convenience, needs, and welfare of the communities and the area concerned; and (5) whether or not the effect of the acquisition would be to expand the size or extent of the bank

holding company system involved beyond limits consistent with adequate and sound banking, the public interest, and the preservation of competition in the field of banking.

Discussion. - The applicant, Northwest Bancorporation, is a bank holding company with its principal office in Minneapolis. It owns a large majority of the stock of 46 banks in Minnesota and 30 banks in Iowa, Montana, Nebraska, North Dakota, South Dakota, and Wisconsin. Northwest's 76 subsidiary banks have total deposits of about \$1.7 billion, of which about \$1 billion is in its Minnesota banks. Almost two-thirds of the deposits in its Minnesota banks are in the principal bank of the holding company system (Northwestern National Bank of Minneapolis) and the eleven other subsidiary banks in Minneapolis and St. Paul.

The town of Eveleth, with an estimated population of 6,200, is located in the Mesabi Iron Range in the northern part of the State, over 50 miles north of Duluth. Immediately adjacent to Eveleth is Virginia, which, with a population of 12,486 (1950 census), is the largest community in the Mesabi area with the exception of Hibbing (population 16,276), 20 miles to the west. Within a few miles of Eveleth is the town of Gilbert (population 2,247).

Virginia, Eveleth, and Gilbert, the three towns in the immediate area, are presently served by five banks. The largest of these are the State Bank of Virginia, owned by Northwest, and the First National Bank of Virginia, owned by First Bank Stock Corporation, the other large bank holding company operating in Minnesota and nearby States. Each of these banks has deposits of approximately

\$12 million. Eveleth has two banks, the First National Bank (the subject of the pending application), with deposits of \$4.9 million, and the Miners National Bank, with deposits of \$3.6 million. The First National Bank of Gilbert (deposits \$2.6 million) is controlled by the same interests that control the Miners National Bank of Eveleth. There are four relatively small banks in towns from 10 to 16 miles from Eveleth, and the Hibbing/Chisholm area, 20 miles to the west, has four banks, of which the largest (deposits \$12.8 million) is owned by First Bank Stock Corporation.

The financial history and condition of Northwest Bancorporation and The First National Bank at Eveleth are satisfactory. The prospects of both the holding company and the bank also are favorable, except to the extent that the prospects of the bank might be adversely affected by problems of management succession, discussed hereinafter.

The management of Northwest is capable and experienced. The present management of the bank also is competent, but the senior officers of the bank, who are in their middle 60's, wish to retire from active management as soon as replacement management is obtained. Northwest and the Eveleth bank state that successor management is not available within the bank's present staff and that it would be very difficult to secure management from outside the bank, there having been unsuccessful efforts to do so. It appears to the Board that if Northwest acquires control of the bank, capable replacements would be supplied when present active management retires.

The bank appears to have been serving the convenience, needs, and welfare of its community and area in a satisfactory manner.

Such satisfactory service can be expected to continue if control is acquired by Northwest, and the change in ownership probably will result in the bank's furnishing better and more complete banking service to its customers. In this connection it may be expected that, if owned by Northwest, the bank will be more aggressive in seeking business.

In this case, as in many others under the Bank Holding Company Act, the most difficult problems arise under the fifth factor enumerated in section 3(c), which requires the Board to consider whether the effect of the acquisition

"would be to expand the size or extent of the bank holding company system involved beyond limits consistent with adequate and sound banking, the public interest, and the preservation of competition in the field of banking."

It is apparent that the proposed expansion of the Northwest Bancorporation holding company system would not be inconsistent with adequate and sound banking. On the contrary, as previously indicated, any changes that occurred in this respect probably would be in the direction of increased banking service to the community and area.

With respect to the preservation of competition, there are conflicting elements. At present the Virginia-Eveleth-Gilbert area is served by five banks, controlled by four separate interests. The banking public in Eveleth can seek accommodation not only from the two banks in that town but also from the two larger banks in Virginia, five miles away, both of which are now unrelated to the Eveleth banks.

After the proposed acquisition, only one of the two banks in Virginia would be under separate control from the banks in Eveleth.*

In addition to the fact that the proposed acquisition would result in a 25 per cent decrease in the number of competing banking interests in the three-town area, the resulting increased relative size of Northwest's interests in that area is an element requiring careful consideration. As a result of the acquisition, Northwest's percentage of control of the banking offices in the three-town area would increase from 20 per cent to 40 per cent, and its banks' aggregate holdings of the deposits of individuals, partnerships, and corporations in the banks of the three towns would increase from 34 per cent to 48.8 per cent.

These, of course, are adverse considerations. On the favorable side, however, must be weighed the fact that the acquisition would insure that the town of Eveleth will continue to be served by two banks; whereas, if the acquisition is not permitted, there is some possibility, in view of the age and the retirement plans of the senior officers of the Eveleth bank and the difficulties encountered in securing successor management, that the bank eventually would be liquidated, thereby depriving Eveleth of one of its two in-town banking institutions. In addition to the importance of this aspect

* This decrease in the number of separately-controlled banking facilities in the area would also affect the banking public of Virginia, but presumably to a lesser degree because Virginia is the larger community and the two largest banks of the area are situated there, so that the actual and potential flow of banking business from Eveleth to Virginia probably is greater than the flow in the opposite direction.

from the viewpoint of the convenience, needs, and welfare of the community, it is significant from the viewpoint of maintenance of banking competition in the town of Eveleth itself. In this connection, it is to be noted that the bulk of the deposits of the Eveleth banks originate within the town.

Also favorable to the application is the previously-mentioned fact that acquisition of the bank by Northwest will tend to assure competent and aggressive management succession, which would contribute to the adequacy and soundness of banking in the area, and thereby to the public interest. In addition, in view of the history of Northwest and its subsidiary banks it appears unlikely that the acquisition would lead to undue domination of banking in the area by this holding company system.

Conclusion. - It is the judgment of the Board, in the light of the factors enumerated in section 3(c) of the Act and the general purposes of the Act, that the relevant considerations in favor of the proposed acquisition outweigh the adverse circumstances and that, accordingly, the application should be approved.

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

Item No. 13
12/17/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 17, 1958

Mr. R. B. Wiltse, Vice President,
Federal Reserve Bank of New York,
New York 45, New York.

Dear Mr. Wiltse:

This is in reference to the application dated September 19, 1958, of The Chase Manhattan Bank, New York, New York, for permission under the provisions of Section 25 of the Federal Reserve Act, to invest an amount not exceeding \$1,000,000 in the stock of a corporation to be known as "Chase Manhattan Overseas Corporation" (referred to as Overseas Corporation) to be organized under the laws of the State of New York to engage principally in international or foreign banking through the agency, ownership or control of local institutions in foreign countries.

The Board of Governors is prepared to grant the requested permission upon condition that Overseas Corporation shall deliver to you, within ninety days from the date of this letter, two copies of the enclosed agreement duly executed by the appropriate officers of Overseas Corporation. Upon receipt of a duly executed copy of such agreement, the Board will forward the requested permission directly to The Chase Manhattan Bank with a copy to you for your information and files.

The Board is further prepared to grant permission, subject to certain conditions, to Overseas Corporation to invest an amount up to its aggregate capital and surplus in the stock of a foreign banking institution to be organized under the laws of the Union of South Africa to be known as "The Chase Manhattan Bank (South Africa) Ltd.," and with its head office located in Johannesburg, South Africa. Permission for such investment will be included in the letter to The Chase Manhattan Bank mentioned above.

In connection with the request for confirmation of the view that Section 25 would not preclude an investment by Overseas Corporation in a minority interest in the shares of a foreign



Mr. R. B. Wiltse

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banking organization and the request that the Board of Governors grant prior approval to Overseas Corporation to make investments in excess of 15 per cent of its capital and surplus, the Board will consider future investments of Overseas Corporation upon receipt of individual applications for permission to make such investments.

Please have two copies of the enclosed agreement executed on behalf of Overseas Corporation by its appropriate officers and forward the original executed copy thereof to the Board of Governors. The other copy of the agreement should be retained for the records of the Reserve Bank.

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. 14
12/17/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 17, 1958

Board of Directors,
The Hanover Bank,
New York 15, New York.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of New York, the Board of Governors of the Federal Reserve System approves the establishment of a branch at 350 Park Avenue, New York, New York, in lieu of a branch at 399 Park Avenue, New York, New York, approved on May 22, 1957, by The Hanover Bank, New York, New York, provided the branch is established within two years from the date of this letter and approval of the State authorities is in effect as of the date of the establishment of the branch.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.



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

Item No. 15
12/17/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 17, 1958

Womble, Carlyle, Sandridge & Rice,
Wachovia Bank Building,
Winston-Salem 1, North Carolina.

Gentlemen:

This is in response to your letter of December 10, 1958, and accompanying memorandum to the Board in which, on behalf of Wachovia Bank and Trust Company ("Wachovia"), you request in effect

(1) That the Board reconsider for a second time and grant the application by Wachovia, as contained in its letter of November 17, 1958, for approval by the Board of the establishment and operation by Wachovia, as its branches, of the two banking offices that had been operated by The Wilmington Savings and Trust Company at the time of the merger of that banking institution with Wachovia effective November 25, 1958; and

(2) That, if the above request is denied, Wachovia be afforded "a full and formal hearing before the Board, with an opportunity to offer evidence in support of its application, with an opportunity to hear, consider and rebut any evidence in opposition to its application and to confront and cross-examine opposing witnesses, and that a record be made of such hearing which shall be made available to Wachovia as a basis for judicial review...."

Although not referred to in your letter or memorandum, it is understood that Wachovia has established and is now operating branches at the locations of the two former offices of The Wilmington Savings and Trust Company, notwithstanding the Board's letters of November 13, 1958, and November 25, 1958, disapproving the establishment of the branches.

Because of this disregard by Wachovia of both the Board's adjudication in this matter and orderly processes, the Board is of the opinion that Wachovia is disqualified from having this matter considered further. Accordingly, both requests in your memorandum are denied.

Womble, Carlyle, Sandridge & Rice -2-

The reasons for the Board's denial are set forth more fully in the Memorandum of Points and Authorities, particularly pp. 11-21, filed on November 28, 1958, with the United States District Court for the District of Columbia in connection with a suit for declaratory judgment instituted by Old Kent Bank and Trust Company, Grand Rapids, Michigan, in a matter involving certain issues similar to those raised by your memorandum. It is understood that you have a copy of the memorandum filed in the Old Kent Bank case, but for your convenience an additional copy is enclosed herewith.

While your requests are denied for the reasons referred to above, it may also be mentioned that Wachovia has already had ample opportunity to present its views not only in connection with the Board's original consideration of the application but also in connection with the reconsideration of the application, including the meeting of the Board with representatives of Wachovia and The Wilmington Savings and Trust Company on November 19, 1958. In connection with both the Board's original adjudication in this matter and the Board's reconsideration, Wachovia was given a statement of the grounds for the Board's denial of Wachovia's application, in accordance with section 6(d) of the Administrative Procedure Act. Notwithstanding the Board's statement of the grounds for denial, Wachovia has not submitted or proposed at this time any legal arguments that would warrant rehearing or any facts or evidentiary data not previously presented to the Board.

In reaching its conclusion upon the original adjudication as well as upon reconsideration, the Board considered, among other things, the number of banking offices in Wilmington, North Carolina; the volume of their deposits; the effect of the operation by Wachovia of the two branches in question upon competition in the local area; the financial condition and character of management; and the need for banking services by residents of the areas concerned. After weighing all material facts relevant to each of these considerations, it was the Board's judgment that establishment and operation of the branches in question would have an adverse effect upon banking competition in the area concerned that was not outweighed by any other relevant facts and that, therefore, the application should be denied.

With respect to your request for a "full and formal hearing before the Board", it should be noted that in cases of this kind there is no requirement for the holding of a formal hearing. Moreover, as indicated above, your memorandum contains no indication of any evidence bearing upon this matter that has not heretofore been presented to and considered by the Board.

Womble, Carlyle, Sandridge & Rice -3-

Accordingly, while both your requests are denied for the reasons indicated at the outset of this letter, the Board is of the opinion that such denial would also be appropriate for the further reasons indicated.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

Enclosure

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

Item No. 16
12/17/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 17, 1958.

Mr. J. A. Erickson, Chairman,
Conference of Presidents of the
Federal Reserve Banks,
Federal Reserve Bank of Boston,
Boston 6, Massachusetts.

Dear Mr. Erickson:

At the February 1958 meeting of the Presidents' Conference and the joint meeting of the Presidents and the Board of Governors, the subject "Rebate of unearned interest on prepaid borrowings from a Reserve Bank after a rate change" was discussed.

The minutes of the joint meeting state that discussion at the meeting of the Conference found the Presidents divided in their opinion as to the preferable policy and it had been suggested that perhaps this was a matter of discount window administration on which there was no need for uniformity throughout the System.

The Board concurs in the opinion of the Presidents that the matter is not one of System credit policy but one of operating practice. After reviewing the subject, however, the Board is inclined to believe that a uniform policy would be desirable. Tentatively, the Board would be prepared either (1) to reaffirm as System policy the position taken by the Governors' Conference in 1923 and 1930 that the rebate of unearned interest should be at the lesser of the rate at which the discount was made or the current rate, or (2) to adopt as a new and uniform policy the position that the rebate of unearned interest after a reduction in the discount rate should be at the rate in effect when the discount was made, provided that subsequent borrowings in equivalent or lesser amount prior to the original maturity of the prepaid discount would be at the rate of the prepaid discount rather than at the current rate. The second method would forestall prepayment of borrowings merely to obtain advantage of a rate reduction.

The Board would like to have the views of the Presidents' Conference on the various possibilities.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 17
12/17/58

OFFICE OF THE CHAIRMAN

December 19, 1958



The Honorable Emanuel Celler,
Chairman, Committee on the
Judiciary,
House of Representatives,
Washington 25, D. C.

My dear Mr. Chairman:

This is with further reference to your letter of October 22, 1958, enclosing seven copies of a memorandum proposing an amendment to the Board's Regulation U to exempt restricted stock options from the present margin requirements of the regulation.

As you indicate in your letter, this proposal has been submitted to the Board previously. In fact, such an amendment has been suggested on several occasions in the past from a number of different sources. Vice Chairman Balderston's letter to you of August 26, 1957, on the subject mentioned the case of Green v. Dietz, 247 F. 2d 689, 694, which questioned whether "possible inhibiting effects of tax provisions upon the security transactions of insiders" would justify a regulation exempting those transactions from section 16(b) of the Securities Exchange Act of 1934. The letter referred to the case as "perhaps not directly in point on the present subject", but stated that "it may be of interest". It is believed to be of interest not as holding that the Board lacks authority to grant the proposed exemption, but as illustrating the difficulties involved in using provisions of tax legislation, enacted with one purpose in mind, as a basis for an exemption from other legislation enacted for different purposes.

While the present suggestion was carefully considered on earlier occasions, it has been re-examined in the light of your letter and memorandum, as well as the purposes of Regulation U and section 7 of the Securities Exchange Act. The proposal appears to relate primarily to executive compensation rather than credit regulation, and the Board has again reached the conclusion that it would not be desirable at this time to adopt such an amendment to this credit regulation.

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. 18
12/17/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 17, 1958

Mr. J. A. Erickson,
Chairman, Conference of Presidents,
Federal Reserve Bank of Boston,
Boston 6, Massachusetts.

Dear Mr. Erickson:

The Board of Governors concurs in the recommendation of the Presidents' Conference that no action be taken at this time to amend the Rules and Regulations of the Retirement System of the Federal Reserve Banks to reflect the 1958 amendments to the Social Security Act.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 19
12/17/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 18, 1958

Mr. Wm. H. Livingston,
Harbeson Hough Livingston and Larson,
Architects Building,
Philadelphia 3, Pennsylvania.

Dear Mr. Livingston:

Thank you for your letter of November 25, 1958, with further reference to the draft of an agreement between the Board and your firm for architectural and engineering services for the proposed blast-proof, fallout-free shelter which could serve as the sub-structure under the future addition to the Board's building, if and when such an addition is built, on the north side of "C" Street.

There is enclosed a form of agreement embodying all the changes suggested in your letter and in addition, in accordance with the oral understanding reached in Governor Shepardson's office on November 5, the Architect will be reimbursed for the costs of any special consultants whom the Board may direct you to use. This change was made in view of the specialized nature of the structure which might make it necessary or desirable to consult specialists in shelter design and related matters.

With respect to the fee which would be payable in the event the addition were built, the Board agrees with you that your firm would be paid an additional 20 per cent of your fee based on the original estimate of 1940 to bring the fee up to 80 per cent of that estimate, and then be paid the remaining 20 per cent of the fee on the basis of the final actual cost of the work. In addition to the fee, the Architect would be reimbursed for costs

Mr. Wm. H. Livingston

-2-

and expenses as provided in the contract, including the cost of any necessary modifications to the plans and specifications to embody (a) new kinds of materials and equipment, and (b) alterations in the design of the addition which might be needed in order to fit it to the new design of the sub-structure.

If the enclosed form of agreement meets with your approval, please have it executed and returned to be executed on behalf of the Board.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

Enclosures (2)

TELEGRAM
BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
LEASED WIRE SERVICE
WASHINGTON

Item No. 20
12/17/58

DECEMBER 17, 1958

EXTER - NEW YORK

YOUR WIRE DECEMBER 17. EFFECTIVE UPON AUTHORIZATION BY YOUR BOARD OF DIRECTORS, BOARD APPROVES RENEWAL OF LOAN ON GOLD BY YOUR BANK TO BANQUE NATIONALE DE LA REPUBLIQUE D'HAITI TO THE EXTENT OF \$300,000 FOR ONE MONTH FROM ORIGINAL MATURITY OF DECEMBER 26, 1958 ON TERMS AND CONDITIONS OF ORIGINAL LOAN. IT IS UNDERSTOOD THAT THE USUAL PARTICIPATION WILL BE OFFERED TO THE OTHER FEDERAL RESERVE BANKS.

(Signed) Merritt Sherman
SHERMAN

Item No. 21
12/17/58

1959 BUDGET

PERSONAL SERVICES

Salaries:

Offices of Members of the Board	\$ 357,012
Office of the Secretary	252,502
Legal Division	189,922
Office of the Controller	86,678
Division of Research and Statistics	1,189,551
Division of International Finance	320,101
Division of Examinations	636,718
Division of Bank Operations	323,417
Division of Personnel Administration	164,395
<u>1</u> /Division of Administrative Services	608,107
Office of Defense Loans	21,362
Defense Planning	38,756
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Total - Positions and Salaries	\$ 4,188,521
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Retirement Contributions	\$ 517,614
Employee Insurance	34,318
General Pay Increase	---
Official Staff Increases	---
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Total Personal Services	\$ 4,740,453
	<hr/>

1/ Excluding Cafeteria Salaries

-2-

NONPERSONAL SERVICES

Traveling Expenses	\$ 311,418
Postage and Expressage	75,443
Telephone and Telegraph	86,725
Printing and Binding	377,855
	48,358
Stationery and Supplies	91,246
Furniture and Equipment	148,141
Rentals	20,400
Books and Subscriptions	48,850
Heat, Light and Power	
	104,550
Repairs and Alterations (Building and Grounds)	12,983
Repairs and Maintenance (Furniture and Equipment)	---
^{2/} Medical Service and Supplies	6,325
Insurance	998,035
All Other	
	4,000
Auditing Books of Board	10,000
Review of Examination Procedures	55,060
Cafeteria (net)	151,500
Consumer Finances Surveys	---
Consumer Finances Survey - Field Studies	110,000
Consumer Buying Intentions Surveys	500,000
Small Business Financing Study	---
Business Loans Survey	---
Other Survey and Research Projects	95,800
Legal and Consultant Fees and Expenses	4,070
Official Dinners, Receptions, etc.	3,325
Meals for Official Guests	20,100
Security Clearance Investigations	---
Electronic Computer Installation and Contingencies	44,180
Miscellaneous	<u> </u>
Total Nonpersonal Services	\$ 2,330,329
Total Personal Services	<u>4,740,453</u>
Grand Total	<u><u>\$ 7,070,782</u></u>

^{2/} Account discontinued; amount provided elsewhere.

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

Item No. 22
12/17/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 17, 1958

Board of Directors,
Worthen Bank & Trust Company,
Little Rock, Arkansas.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of St. Louis, the Board of Governors of the Federal Reserve System approves the establishment of a branch in the neighborhood of Markham and Hayes Streets just outside the city limits of Little Rock, Arkansas, provided the branch is established within six months from the date of this letter.

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. 23
12/17/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 16, 1958.

Mr. John F. Pierce, Chief Examiner,
Federal Reserve Bank of New York,
New York 45, New York.

Dear Mr. Pierce:

In accordance with the request contained in your letter of December 10, 1958, the Board approves the reappointment of John W. Shute as an assistant examiner for the Federal Reserve Bank of New York. Please advise as to the date upon which the reappointment is made effective.

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. 24
12/17/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 17, 1958.

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

Dear Mr. Groot:

In accordance with the request contained in your letter of December 11, 1958, the Board approves the appointment of Richard Charles Keith as an assistant examiner for the Federal Reserve Bank of Boston. 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.

