

Minutes for January 5, 1959

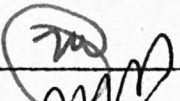
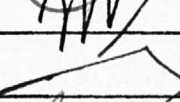
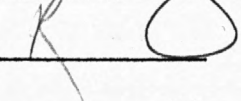
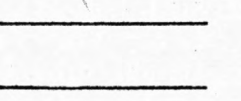

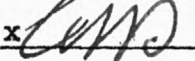
To: Members of the Board

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 	_____
Gov. Szymczak	x 	_____
Gov. Mills	x 	_____
Gov. Robertson	x 	_____
Gov. Balderston	_____	x 
Gov. Shepardson	_____	x 

Minutes of the Board of Governors of the Federal Reserve System on Monday, January 5, 1959. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Szymczak
Mr. Mills
Mr. Robertson

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Fauver, Assistant Secretary
Mr. Thomas, Economic Adviser to the Board
Mr. Molony, Special Assistant to the Board
Mr. Hill, Assistant to the Secretary

Messrs. Young, Noyes, Koch, Altmann, Brill, Eckert, Fisher, Gehman, Keir, Manookian, Peret, and Wernick, and Miss Dingle of the Division of Research and Statistics

Messrs. Marget, Furth, Hersey, Sammons, Irvine, Reynolds, Westebbe, and Wood of the Division of International Finance

Mr. Raymond Bonham Carter, Adviser, Bank of England, also was present.

Economic review. In introducing the review of international developments, Mr. Marget referred to the recent announcement by the United Kingdom and the principal western European countries of further moves toward convertibility of their currencies. He suggested that although these announcements may have been treated somewhat too spectacularly by the press, for they constituted to a considerable extent a formalization of what had existed on a de facto basis for some time, nevertheless they were of importance. Other staff members of the Division of International Finance then

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discussed the financial developments in various foreign areas from the standpoint of their probable effect on the volume of United States exports. In summarizing the staff statements, Mr. Marget observed that the recent convertibility announcements implied a commitment on the part of the countries concerned to follow a responsible course in monetary and fiscal affairs, without which convertibility could not help but break down. It would be better in the long run, he suggested, if the United States economy were not subjected to periodic export booms attributable to nothing more than monetary and fiscal irresponsibility on the part of foreign countries. For some time the principal trading partners of the United States had been showing a high degree of responsibility in monetary and fiscal matters and the recent moves might be regarded as an indication of their intent to continue in the same manner. Much would depend, Mr. Marget commented, on the monetary and fiscal performance of the United States.

The review of domestic economic developments by the Division of Research and Statistics revealed further evidence of a continuing business upswing, with leading economic indicators showing in many instances progress to points near or beyond record high levels.

All of the members of the staff except Messrs. Sherman, Kenyon, and Hill then withdrew and Messrs. Shay, Legislative Counsel, and Nelson, Assistant Director, Division of Examinations, entered the room. Mr. Bonham Carter also withdrew at this point.

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Ratification of actions taken in the absence of a quorum
(Items 1 through 6). The Board ratified by unanimous vote the actions taken at meetings of the available members of the Board held on December 19, 22, 23, 29, 30, and 31, 1958. Minutes of those meetings are attached hereto as Items 1 through 6, inclusive.

Discount rates. Unanimous approval was given to a telegram to the Federal Reserve Bank of Philadelphia approving the establishment without change by that Bank on December 31, 1958, of the rates on discounts and advances in its existing schedule.

Governor Robertson stated that his vote for approval was cast on the same basis as he had voted to approve the reestablishment of existing discount rates at other Federal Reserve Banks at the meetings on December 29, 30, and 31, 1958.

Messrs. Kenyon, Nelson, and Hill then withdrew from the meeting and Mr. Solomon, Assistant General Counsel, entered the room.

Letter from Senator Fulbright. Chairman Martin stated that, upon returning to his office, he found a letter from Senator Fulbright, sent as Chairman of the Senate Committee on Banking and Currency on December 23, 1958, transmitting a copy of a letter dated December 19, 1958, that Senator Fulbright had received from Senator John L. McClellan, Chairman of the Senate Permanent Subcommittee on Investigations. This letter had been sent over by Senator Fulbright with the understanding that it would be held for Chairman Martin until his return.

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Chairman Martin then read Senator McClellan's letter, which referred to alleged leaks of information from the Board's organization discussed at meetings on November 4, 1958, and subsequently, and which stated that the Subcommittee had no information concerning any specific leaks other than the actions and reactions of the stock market during the hours immediately preceding the announcement of the Board's decisions with respect to such items as changes in discount rates, changes in reserve requirements, or changes in margin requirements. Senator McClellan's letter went on to say that to pursue the matter further would require much specialized knowledge of central banking policies and procedures and that he felt this was a matter of substance instead of procedure. Therefore, he was submitting the information to Senator Fulbright for whatever consideration the latter might care to afford it.

Senator Fulbright's letter of December 23, which Chairman Martin then read, transmitted a copy of Senator McClellan's letter and stated he would appreciate it if Chairman Martin would analyze the statements made in Senator McClellan's letter and give him a detailed reply. Chairman Martin next read a draft of reply to Senator Fulbright which would state that the Board welcomed the opportunity to analyze Senator McClellan's letter and to supply Senator Fulbright with a detailed reply, which would be forthcoming as promptly as full consideration of the matter could be completed.

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Chairman Martin stated that if the Board agreed he would send this acknowledgment and request Messrs. Hackley and Solomon to prepare a draft of reply, and there was agreement with this suggestion.

Thereupon the meeting adjourned.

Secretary's Notes:

Pursuant to the recommendation contained in a memorandum dated December 31, 1958, from Mr. Kelleher, Director, Division of Administrative Services, Governor Robertson, acting in the absence of Governor Shepardson, today approved on behalf of the Board the appointment of Thresia S. Elting as Cafeteria Helper in that Division on a part-time basis, with basic annual salary at the rate of \$1,575, effective the date she assumes her duties.

There had been received at the Board's offices an agreement executed under date of December 31, 1958, by Chase Manhattan Overseas Corporation, New York, New York, in accordance with the requirements of section 25 of the Federal Reserve Act. Accordingly, pursuant to the procedure contemplated by Board action on December 17, 1958, there was sent today to The Chase Manhattan Bank the letter of which a copy is attached hereto as Item No. 7 granting permission to that bank to invest an amount not exceeding \$1,000,000 in the stock of Chase Manhattan Overseas Corporation and granting permission to the latter corporation to invest an amount up to its aggregate capital and surplus in the stock of a banking corporation to be organized under the laws of the Union of South Africa. A copy of the letter was sent to the Federal Reserve Bank of New York.


Secretary

Item No. 1
1/5/59

Minutes of a meeting of the available members of the Board of Governors of the Federal Reserve System on Friday, December 19, 1958. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Szymczak, Acting Chairman
Mr. Mills
Mr. Robertson

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Fauver, Assistant Secretary
Mr. Johnson, Director, Division of
Personnel Administration
Mr. Hackley, General Counsel
Mr. Masters, Director, Division of
Examinations
Mr. Nelson, Assistant Director, Division
of Examinations

Discount rates. Unanimous approval was given to telegrams to the Federal Reserve Banks of New York and Philadelphia approving the establishment without change by those Banks on December 18, 1958, of the rates on discounts and advances in their existing schedules.

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

Item No.

Letter to the Liberty Bank of Buffalo, Buffalo, New York, M-1
approving the establishment of a branch in Cheektowaga.
(For transmittal through the Federal Reserve Bank of
New York)

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	<u>Item No.</u>
Letter to the Fidelity-Philadelphia Trust Company, Philadelphia, Pennsylvania, approving an investment in bank premises. (For transmittal through the Federal Reserve Bank of Philadelphia)	M-2
Letter to the Columbus Bank and Trust Company, Columbus, Georgia, approving the establishment of a branch at Benning Drive and Victory Highway. (For transmittal through the Federal Reserve Bank of Atlanta)	M-3
Letter to all Federal Reserve Agents relating to the submission of reports on Federal Reserve notes.	M-4
Letter to the Federal Reserve Bank of Boston approving the appointment of George H. Harris as Alternate Assistant Federal Reserve Agent.	M-5
Letter to the Federal Reserve Bank of Chicago approving the payment of salaries to certain groups of non-clerical employees at specified rates.	M-6

Appointment of directors. With reference to the discussion at the meeting on Wednesday, December 17, concerning the appointment of a director at the Jacksonville Branch of the Federal Reserve Bank of Atlanta for the unexpired portion of the term ending December 31, 1959, Mr. Fauver reported that he had attempted to get in touch with Chairman Mitchell and, being unable to reach Mr. Mitchell, talked with President Bryan to obtain the names of possible appointees. He then distributed copies of a memorandum containing biographical information on certain persons suggested later by Mr. Bryan after consultation with Mr. Mitchell. He stated, however, that both Mr. Mitchell and Mr. Bryan continued to favor the

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appointment of Mr. Claude J. Yates, Vice President and General Manager in charge of Florida operations of the Southern Bell Telephone & Telegraph Company, Jacksonville, Florida. It was their view, he said, that Mr. Yates' affiliation with a company operating in a number of States should not disqualify him from consideration. They also noted that Mr. Yates was in charge of operations and not connected with the financial side of the organization.

After some discussion, it was agreed unanimously to request Chairman Mitchell to ascertain and advise whether Mr. Yates would accept the appointment if tendered, with the understanding that if he would accept, the appointment would be made.

Final tax certification for Stephens, Inc. (Item No. M-7).

There had been distributed to the Board copies of memoranda from the Division of Examinations and from Mr. Hexter dated November 24 and December 18, 1958, respectively, recommending that a final certification pursuant to section 1101(e)(2) of the Internal Revenue Code of 1954 be issued with respect to Stephens, Inc. (formerly W. R. Stephens Investment Co. Inc.), Little Rock, Arkansas. The certification would state that to the best of the Board's knowledge and belief this company, which formerly was a bank holding company as defined in section 2(a) of the Bank Holding Company Act, had ceased to be a bank holding company before the expiration of the period specified in subparagraph (B) of section 1101(e)(2) of the Internal Revenue Code.

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Pursuant to the staff recommendation, it was agreed unanimously to issue a final certification in the form submitted, with duplicate originals to Stephens, Inc., and to the Commissioner of Internal Revenue. A copy of the certification is attached as Item No.M-7.

All of the members of the staff except Mr. Johnson withdrew from the meeting.

Carry-over of unused annual leave. Pursuant to a request made at the meeting on Wednesday, December 17, there had been distributed to the Board copies of a memorandum from Mr. Johnson dated December 18, recommending that employees of the Board be permitted to carry over unused annual leave in unusual circumstances into the succeeding year, subject to certain understandings.

After this meeting the Secretary was informed that the Board had given consideration to the recommendation contained in Mr. Johnson's memorandum but that in view of certain questions that were raised, it was agreed to defer further consideration of the matter until after Governor Shepardson returned to his office in January.

The meeting then adjourned.

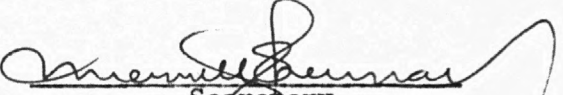
Secretary's Note: Acting in the absence of Governor Shepardson, Governor Robertson today approved on behalf of the Board the following items:

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Memorandum dated December 16, 1958, from Mr. Kelleher, Director, Division of Administrative Services, recommending that Mary K. Nantell, Cafeteria Helper in that Division, be transferred from a part-time basis to a full-time basis, with basic annual salary at the rate of \$2,960, effective December 22, 1958.

Telegram to the Federal Reserve Bank of Kansas City (attached Item No. M-8) approving the appointment of Harry William Green as an assistant examiner.


Secretary

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

Item No. M-1
12/19/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 19, 1958



Board of Directors,
Liberty Bank of Buffalo,
Buffalo, New York.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of New York, the Board of Governors approves the establishment of a branch at 3838 Harlem Road, unincorporated area of the Town of Cheektowaga, Erie County, New York, by Liberty Bank of Buffalo, Buffalo, New York. This approval is given provided the branch is established within one year from the date of this letter and that formal approval of State authorities is effective at the time the branch is established.

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. M-2
12/19/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 19, 1958



Board of Directors,
Fidelity-Philadelphia Trust Company,
Philadelphia 9, Pennsylvania.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Philadelphia, the Board of Governors of the Federal Reserve System approves, under the provisions of Section 24A of the Federal Reserve Act, an additional investment of not to exceed \$110,000. This is for the purpose of acquiring and improving premises for use as a branch at 220-22 West Baltimore Pike, Clifton Heights, Delaware County, Pennsylvania.

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. M-3
12/19/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



December 19, 1958

Board of Directors,
Columbus Bank and Trust Company,
Columbus, Georgia.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Atlanta, the Board of Governors of the Federal Reserve System approves the establishment of a branch at the northeast intersection of Benning Drive and Victory Highway in a suburban area to be annexed to the City of Columbus, Georgia, on January 1, 1959, by Columbus Bank and Trust Company, Columbus, Georgia, provided the branch is established within nine months 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.

It is understood that the operations of your existing branch located at 1346 Broadway, Columbus, Georgia, will be discontinued when the above branch is opened for business.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

Item No. M-4
12/19/58

S-1685

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON 25, D. C.

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 19, 1958.

Dear Sir:

The purpose of this letter is to place in the loose-leaf service instructions printed on the report forms and in the Accounting Manual concerning submission of periodic reports to the Board of Governors by Federal Reserve Agents. No change is made in established procedures.

Paragraph 2 of Section 16 of the Federal Reserve Act provides that the Federal Reserve Agent shall each day notify the Board of Governors of all issues of Federal Reserve notes to the Federal Reserve Bank. With respect to this provision, the Board has requested a daily statement from the Agent on Form F.R. 5. This form provides for reporting the amounts of notes received from the Comptroller of the Currency, issued to the Bank (outstanding), and on hand; the amount and kind of collateral security held; and changes therein. For the last day of the month only, the form provides for reporting by denominations notes on hand at head offices and branches separately.

As of each Wednesday and the last day of each month, or as of the preceding day when Wednesday or the end of the month is a holiday, the amounts reported against coded items on Form F.R. 5 should be telegraphed so as to reach the Board as early as possible on the following business day.

As of the end of each month, a report on Form F.R. 44 should be submitted to the Board and a duplicate thereof to the Comptroller of the Currency, Federal Reserve Issue and Redemption Division. This form provides for reporting by denomination cumulative figures for Federal Reserve notes received from the Comptroller of the Currency, issued to the Reserve Bank, and returned to the Comptroller for retirement, together with amounts on hand at the end of the month.

Very truly yours.


Merritt Sherman
Secretary.

TO ALL FEDERAL RESERVE AGENTS

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

Item No. M-5
12/19/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



December 19, 1958

Mr. Robert C. Sprague,
Federal Reserve Agent,
Federal Reserve Bank of Boston,
Boston 6, Massachusetts.

Dear Mr. Sprague:

In accordance with the request contained in your letter of December 1, 1958, the Board of Governors approves the appointment of Mr. George H. Harris as Alternate Assistant Federal Reserve Agent at the Federal Reserve Bank of Boston to succeed Mr. Bernard J. Hussey.

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

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

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

Mr. Harris should execute the usual Oath of Office which is to be forwarded to the Board of Governors. Your advice with respect to the effective date of Mr. Harris' appointment also will be appreciated.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. M-6
12/19/58



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 19, 1958

CONFIDENTIAL (FR)

Mr. H. J. Newman, Vice President,
Federal Reserve Bank of Chicago,
Chicago 90, Illinois.

Dear Mr. Newman:

The Board of Governors approves the payment of salary by the Federal Reserve Bank of Chicago to the incumbents of the positions listed below at the rates shown, effective January 19, 1959, in accordance with the request contained in your letter of December 8, 1958:

<u>Title</u>	<u>Annual Salary</u>
Janitresses	\$3,390.40
Janitresses (6 mos. or less)	3,328.00
Matrons	3,390.40

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. M-7
12/19/58

F I N A L C E R T I F I C A T I O N

Pursuant to section 1101(e)(2) of the Internal Revenue Code of 1954, the Board of Governors of the Federal Reserve System hereby certifies, to the best of its knowledge and belief, that Stephens, Inc. (formerly W. R. Stephens Investment Company, Inc.), Little Rock, Arkansas, which formerly was a bank holding company as defined in section 2(a) of the Bank Holding Company Act of 1956, has ceased to be a bank holding company before the expiration of the period specified in subparagraph (B) of section 1101(e)(2) of the Internal Revenue Code of 1954.

Executed in Washington, D. C., pursuant to direction of the Board of Governors of the Federal Reserve System.

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

SEAL

Date: December 19, 1958

TELEGRAM
LEASED WIRE SERVICEItem No. M-8
12/19/58BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON

December 19, 1958

WOOLLEY - KANSAS CITY

Reurlet December 16, 1958, Board approves the appointment of Harry William Green as an assistant examiner for the Federal Reserve Bank of Kansas City. Please advise date upon which appointment is made effective.

It is noted Mr. Green is indebted to Security National Bank, Norman, Oklahoma, in the amount of \$500. Approval is given with the understanding he will not participate in examinations of that bank until his indebtedness has been liquidated.

(Signed) Kenneth A. Kenyon

KENYON

Minutes of a meeting of the available members of the Board of Governors of the Federal Reserve System on Monday, December 22, 1958. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Szymczak, Acting Chairman
Mr. Mills
Mr. Robertson

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Fauver, Assistant Secretary
Mr. Hackley, General Counsel
Mr. Masters, Director, Division of Examinations
Mr. Nelson, Assistant Director, Division of Examinations
Mr. Hooff, Assistant Counsel
Mr. Gemmill, Economist, Division of International Finance

Discount rates. Unanimous approval was given to a telegram to the Federal Reserve Bank of Minneapolis approving the establishment without change by that Bank of December 19, 1958, of the rates on discounts and advances in its existing schedule.

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

	<u>Item No.</u>
Letter to The West Baden National Bank, West Baden Springs, Indiana, approving its application for fiduciary powers. (For transmittal through the Federal Reserve Bank of St. Louis)	M-9

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	<u>Item No.</u>
Letter to the California Bank, Los Angeles, California, interpreting the applicability of certain language found in paragraph 7 of section 13 of the Federal Reserve Act.	M-10
Letter to the Comptroller of the Currency recommending unfavorably with regard to the application of Rushmore State Bank, Rapid City, South Dakota, to convert into a national bank. (With a copy to the Federal Reserve Bank of Minneapolis)	M-11
Memorandum from Mr. Hooff dated December 17, 1958, recommending the elimination from Regulation F, as it appears in the Code of Federal Regulations, of the Statement of Principles of Trust Institutions.	M-12
Letter to the Stockmans National Bank of Lusk, Lusk, Wyoming, approving its application for authority to act in a specific fiduciary capacity. (For transmittal through the Federal Reserve Bank of Kansas City)	M-13
Letter to the Comptroller of the Currency recommending unfavorably with regard to an application to organize a national bank at Huntingdon, Pennsylvania. (With copy to the Federal Reserve Bank of Philadelphia)	M-14

With respect to the foregoing Item No. M-12, Governor Mills recalled that some time ago a minor amendment was made to the Statement of Principles of Trust Institutions, which is carried as an appendix to Regulation F, but the Board decided against reprinting the Regulation in pamphlet form pending review to determine whether other changes would be desirable. He raised a question whether the elimination of the Statement of Principles from Regulation F, as it appears in the Code of Federal Regulations, might not be confusing

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to users of the Code and the Federal Register who might assume that the Statement of Principles had also been eliminated from the appendix to Regulation F.

Comments by Messrs. Masters and Hooff in response to the question raised by Governor Mills indicated that the elimination of the Statement of Principles from the Code of Federal Regulations to be issued as of January 1, 1959, was deemed desirable because the Code is reprinted only at infrequent intervals and the present version tended to give the erroneous impression that the Statement of Principles was a part of Regulation F proper. Mr. Masters stated that Regulation F had not been substantially revised since 1936, the staff realized the need for review, but the work had been deferred because the pending Financial Institutions Act would transfer authority over trust powers of national banks to the Comptroller of the Currency.

Gold Loan to Argentina (Item No. M-15). There had been distributed to the Board copies of a memorandum from Mr. Marget, Director, Division of International Finance, dated December 19, 1958, recommending approval of a 90-day loan on gold to the Central Bank of Argentina in the amount of \$17,000,000 which had been authorized by the Board of Directors of the Federal Reserve Bank of New York subject to the approval of the Board of Governors. Mr. Marget's memorandum stated that in view of developments with respect to a

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stabilization program for Argentina, he believed that the proposed loan was consistent with System gold loan policy.

Governor Mills said that he would concur in the making of the loan but that he would like to raise the question whether in principle and in spirit the loan was consistent with the statement on gold loan policy, since it would represent an advance to the Central Bank of Argentina arising out of a structural imbalance in Argentina's foreign trade position rather than a loan to meet a temporary deficit in the balance of payments which would be almost self-liquidating once the borrowing country got back to a surplus position. The Argentine loan would be an advance correlated with a considerable number of other transactions involving the United States Treasury, the Export-Import Bank, the International Monetary Fund, and the Development Loan Fund, all related to an attempt to stabilize the financial position of Argentina. While this was a worthy cause, it was hard for him to reconcile the proposed loan with the principles developed in the gold loan policy statement. This was the kind of transaction undertaken with very little success after World War I by the Bank of England, and he had some apprehension that a loan of this kind, if it became a precedent, could involve risks and engagement in transactions not thoroughly consistent with central banking practices.

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Governor Szymczak said he thought Governor Mills' statement was correct. He noted, however, that the proceeds of this loan would be used to repay dollar exchange drafts on commercial banks, a step deemed necessary to the success of the stabilization program in order that next January and February, when Argentina's dollar requirements were particularly heavy, the commercial banks would meet those requirements. It was understood that the gold loan would be repaid from resources that would become available if the stabilization efforts were successful or from the disbursements of other agencies involved in the stabilization program. He said that Mr. Hayes had discussed the proposed loan with Chairman Martin before it was considered by the New York Board of Directors, the loan was recommended by the Division of International Finance, and it was also recommended by the United States Executive Director of the International Monetary Fund.

Governor Robertson noted that the telegram from the New York Bank provided for the loan to be renewable for a further period of three months in the discretion of the officers of the Reserve Bank.

After discussion of this point, agreement was expressed with the suggestion that it be made clear to the Reserve Bank that any renewal would be subject to the prior approval of the Board of Governors.

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Thereupon, unanimous approval was given to a telegram to the Federal Reserve Bank of New York in the form attached as Item No. M-15.

At this point Mr. Farrell, Associate Director, Division of Bank Operations, entered the meeting.

Proposed purchase of property in Pittsburgh. Governor Szymczak said that at the suggestion of Chairman Martin, President Fulton of the Federal Reserve Bank of Cleveland had called him on the telephone to state that he would like to have the informal reaction of the Board to the possible purchase of certain property from the Pennsylvania Railroad for use by the Pittsburgh Branch. The matter had been under consideration for a long time but only recently had it become possible to acquire this property. At Governor Szymczak's suggestion, Mr. Fulton had written a letter concerning the proposed purchase, and this letter was read by the Secretary.

After discussion of the information presented in the letter, agreement was expressed with the suggestion that the matter be referred to the Division of Bank Operations for study in order that the Board might have all pertinent information before it in considering what views should be expressed to President Fulton.

Application of First Bank Stock Corporation. Attention was called by the Secretary to a letter proposed to be sent to the Commissioner of Banks for the State of Minnesota requesting views

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and recommendations with respect to the application of First Bank Stock Corporation, Minneapolis, Minnesota, for prior approval of the acquisition of voting shares of the Eastern Heights State Bank of Saint Paul, St. Paul, Minnesota. Ordinarily, such letters are sent administratively pursuant to authorization given by the Board but in this case the letter referred to the fact that the applicant had designated this as an "amended application" and had incorporated by reference certain portions of its application dated December 30, 1957, with respect to the First Eastern Heights State Bank of Saint Paul. The letter stated that the present application was to be considered a new application relating to an existing bank, as contrasted with the previous application which related to a proposed bank.

Mr. Hackley commented that after the Board denied the application of First Bank Stock Corporation to acquire shares of the proposed First Eastern Heights State Bank, a bank was established with the Minnesota Mining and Manufacturing Company as principal stockholder. Thus, the considerations involved in the present application were quite different from those involved in the original application. The developments, he pointed out, had a bearing on the petition for court review of the Board's order filed by First Bank Stock Corporation because it was the Board's contention that since the new bank had actually been established the first application was moot and the case should be dismissed. The language contained in the proposed letter was intended to make it clear to the State

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Bank Commissioner that the Board regarded the present application as a new application.

Thereupon, the sending of the letter to the State Bank Commissioner was approved unanimously.

Matter of The Michigan Bank. Mr. Hackley reported receipt by the Board of a letter from The Michigan Bank, Detroit, Michigan, indicating that in view of the Board's letter of December 11, 1958, the bank had decided to bring suit for declaratory judgment. It was also stated that Mr. Alley, Counsel for the Bank, would be in touch with Mr. Hackley within the next few days. Mr. Hackley said that Mr. Alley probably would want to discuss a possible stipulation of facts in this case. He went on to say that he was somewhat reluctant to agree to any such stipulation, but on the other hand he did not want to seem to resist too strongly if The Michigan Bank was willing to agree on a simple and clear statement of facts.

Mr. Hackley went on to say that this raised the question whether the Board would wish to consider the desirability of retaining outside counsel to assist in connection with the case in view of other matters of litigation already pending. He also mentioned in this connection the possibility of bringing in counsel from a Federal Reserve Bank.

After some discussion, it was understood that the Legal Division would give further consideration to the question of retaining outside counsel and present a recommendation to the Board.

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With regard to the stipulation, Governor Mills suggested that it might tend to circumscribe the area within which the case would be decided. He pointed out that this was a case involving many questions related to the use of preferred stock as bank capital, and a stipulation might run the risk that the Board would not be able to inject into the case some far-reaching philosophical considerations.

Governor Robertson expressed the view that a stipulation should be consented to only on the Board's terms. If The Michigan Bank was willing to stipulate on the Board's terms, that would cut down the cost of litigation, but he would not be willing to give up anything by stipulation.

Messrs. Farrell, Hooff, and Gemmill then withdrew.

Appointment of directors. Governor Szymczak reported receipt of information that Mr. Whitworth Ferguson, who had been appointed as a director of the Buffalo Branch of the Federal Reserve Bank of New York for the three-year term beginning January 1, 1959, was a director of a small fire insurance company. It was understood, however, that Mr. Ferguson was not an officer or employee of the company or a member of the finance committee.

Mr. Sherman reported having received advice from President Deming of the Federal Reserve Bank of Minneapolis that Mr. John D. Stephenson would be pleased to serve as a director of the Helena

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Branch for the two-year term beginning January 1, 1959, but had called attention to the fact that his law firm was serving as counsel for two commercial banks, presumably rendering the usual type of legal advisory services. Mr. Deming had expressed the view that Mr. Stephenson would be quick to raise the question of his further service as a director in the event of litigation involving a conflict of interests.

The matter was discussed at some length from the standpoint of the questions raised through the appointment of attorneys and other professional men as directors of Federal Reserve Banks and branches. While it was suggested that the possibility of a problem arising might be more remote in connection with service as a director of the Helena Branch than in the case of service as a director of one of the larger Federal Reserve Banks, it was also pointed out that it seemed difficult to make distinctions when thinking of the problem in terms of the principle involved. Reference was made to the fact that in this case the proposed appointee already had been contacted to ascertain whether he would be willing to accept appointment, and in the circumstances Governor Mills indicated that he would interpose no objection to the appointment being made, although he felt that essentially this was the wrong decision.

It having been ascertained that Mr. Charles B. Thornton would not be available to serve as a director of the Los Angeles Branch of the Federal Reserve Bank of San Francisco for the two-year term

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beginning January 1, 1959, in accordance with the understanding at the meeting on December 9, 1958, the Chairman of the San Francisco Bank was requested to ascertain and advise whether Mr. John D. Fredericks, President and General Manager, Pacific Clay Products, Inc., Los Angeles, California, would be willing to accept the appointment if tendered. This inquiry disclosed that Mr. Fredericks would be willing to accept but that he was serving as a director of the Title Insurance and Trust Company of Los Angeles. It was understood that Mr. Fredericks would be willing to resign the directorship if appointed as a director of the Los Angeles Bank and if it were felt that he should do so.

Mr. Sherman said that from available information it appeared that the bulk of the business of the company in question was that of title insurance and that the company did not accept deposits. In the circumstances, the view was expressed that there was probably no reason to require Mr. Fredericks to resign as a director of the company. It was suggested, however, that Chairman Brawner be asked to communicate with Mr. Fredericks and say that, while the Board would not insist on his giving up the directorship in the Title Insurance and Trust Company, Mr. Fredericks would be expected to determine the matter himself if any appearance of a conflict of interests should develop.

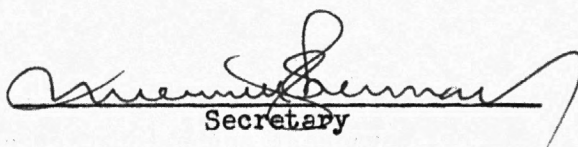
It was then agreed to tender the appointment as a director of the Los Angeles Branch to Mr. Fredericks, with the understanding

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that Governor Mills would talk with Chairman Brawner along the lines suggested.

The meeting then adjourned.


Secretary

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

Item No. M-9
12/22/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 22, 1958

Board of Directors,
The West Baden National Bank,
West Baden Springs, Indiana.

Gentlemen:

The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers in connection with the proposed consolidation of the French Lick State Bank, French Lick, Indiana, with your bank. The Board grants you authority, effective if and when the proposed consolidation is consummated, 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 Indiana. The exercise of all such rights shall be subject to the provisions of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System.

This letter will serve as authority for The West Baden National Bank to exercise the fiduciary powers granted by the Board pending the preparation of a formal certificate in the name of The Springs Valley National Bank with the location stated as French Lick, Indiana, the name and place of business to be adopted by the continuing institution after the consolidation.

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. M-10
12/22/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 22, 1958

California Bank,
P. O. Box 3666, Terminal Annex,
Los Angeles 54, California.

Attention: Mr. D. D. Moorhead
Legal Department

Gentlemen:

This is in reply to your letter of December 12, 1958, addressed to Mr. Howard H. Hackley, with respect to paragraph 7 of section 13 of the Federal Reserve Act (12 U.S.C. 372). You inquire whether the proviso in that paragraph regarding "shipping documents conveying or securing title" applies only to transactions involving the domestic shipment of goods, or whether it applies also to transactions involving the importation or exportation of goods.

In the opinion of the Board, the proviso referred to applies only to transactions involving the domestic shipment of goods. This interpretation is reflected in Federal Reserve Regulation C, a copy of which is enclosed. Section 1(a) of Regulation C enumerates separately the three categories of commercial drafts covered by paragraph 7 of section 13, and indicates that the requirement with respect to shipping documents is applicable only to acceptances growing out of the "shipment of goods within the United States"--that is, domestic shipment of goods.

With respect to transactions involving the importation or exportation of goods, you will note that footnote 1 to section 1(a)(1) of Regulation C states that a member bank accepting a draft growing out of an export or import transaction "will be expected to obtain before acceptance and retain in its files satisfactory evidence, documentary or otherwise, showing the nature of the transactions underlying the credit extended." This requirement, of course, is not the same as the requirement with which you are concerned, relating to shipping documents conveying or securing title to the goods involved in the particular transaction.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

Enclosure

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON 25, D. C.

Item No. M-11
12/22/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 22, 1958



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

Attention Mr. G. W. Garwood,
Deputy Comptroller of the Currency.

Dear Mr. Comptroller:

Reference is made to a letter from your office dated October 20, 1958, enclosing copies of an application of the Rushmore State Bank, Rapid City, South Dakota, to convert into a national banking association and requesting a recommendation as to whether or not the application should be approved.

A field investigation of the application has not been made but the Federal Reserve Bank of Minneapolis has furnished us with a report on the application based upon the examination of the bank made by national bank examiners as of November 3, 1958, and other data available. According to this report, the applicant bank has been in the problem category since 1947 and while its condition has shown improvement recently it is still in the borderline group. The bank's capital structure is believed inadequate and the management cannot be rated as satisfactory until it has demonstrated that the institution can be maintained in good condition. It appears that the bank is fulfilling some banking needs in the community and fairly profitable operations could be realized under proper management. However, in view of the unfavorable history of the bank, its ownership and management as well as the inadequate capital structure, the Board of Governors does not feel justified in recommending 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,

Kenneth A. Kenyon,
Assistant Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Item No. M-12

12/22/58

December 17, 1958.

Date

Office Correspondence

Board of Governors

Subject: Elimination of "section" of

Regulation F as it appears in Code of
Federal Regulations.

Wilson L. Hooff *W. Hooff*

W. Hooff

The Board's Regulation F, as printed in Title 12 of the Code of Federal Regulations (Part 206), contains § 206.19 entitled A Statement of Principles of Trust Institutions. This is not section 19 of Regulation F, as it would appear to be, but is merely a statement of the American Bankers Association contained in the appendix to Regulation F. However, under the Federal Register Division's procedures, this was the only way it could be included in the codification. As this statement is not a regulation of the Board, it probably should not have been included in the codification.

Title 12 of the Code of Federal Regulations is being reprinted as of January 1, 1959, and this would be an opportune time to remove this apparent, but not actual, part of the Board's Regulation F. The attached document, prepared for transmission to the Federal Register, would accomplish this purpose. This action does not amount to an amendment to Regulation F, as it only requires an editorial change in footnote 5 to section 6(f) as it appears in the Code of Federal Regulations.

Attachment

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

Item No. M-13
12/22/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 22, 1958



Stockmans National Bank of Lusk,
Lusk, Wyoming.

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 executor of the estate of Christ Ruffing and in no other trust capacity, the exercise of such authority to be subject to the provisions of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System.

A certificate covering such authorization is enclosed.

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. M-14
12/22/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 22, 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 October 27, 1958, enclosing copies of an application to organize a national bank at Huntingdon, Pennsylvania, and requesting a recommendation as to whether or not the application should be approved.

Information contained in a report of investigation of the application made by a representative of the Federal Reserve Bank of Philadelphia discloses that the proponents have agreed to provide a capital structure for the bank of \$350,000 instead of \$251,250 shown in the application. On the basis of the estimated deposit volume at the end of the third year of operation, this revised capital structure would be adequate. The proposed board of directors and managing officer appear to be fairly satisfactory. However, there does not appear to be a sufficient need for an additional bank in the community at this time and considerable doubt is expressed regarding the ability of the proposed institution to generate sufficient business to assure profitable operations. In view of these unsatisfactory factors, the Board of Governors does not feel justified in recommending 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.



T E L E G R A M
LEASED WIRE SERVICEBOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTONItem No. M-15
12/22/58

December 22, 1958

EXTER-NEW YORK

Your wire December 18. Board approves granting of loan on gold by your bank to Banco Central de la Republica Argentina of \$17,000,000 on the following terms and conditions:

- (A) To be made up to 98 per cent of the value of gold bars set aside in your vaults under pledge to you;
- (B) To mature in three months with option to repay before maturity, with the understanding that any renewal would be subject to the prior approval of the Board of Governors;
- (C) To be requested and made within thirty days of the date on which the Board approves the granting of such loan;
- (D) To bear interest at the discount rate of your Bank in effect on the date on which such loan is made.

It is understood that the usual participation will be offered to the other Federal Reserve Banks.

(Signed) SHERMAN

Minutes of a meeting of the available members of the Board of Governors of the Federal Reserve System on Tuesday, December 23, 1958. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Szymczak, Acting Chairman
Mr. Mills
Mr. Robertson

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Thomas, Economic Adviser to the Board
Mr. Young, Director, Division of Research and Statistics
Mr. Hackley, General Counsel
Mr. Masters, Director, Division of Examinations
Mr. Shay, Legislative Counsel
Mr. Noyes, Adviser, Division of Research and Statistics
Mr. Chase, Assistant General Counsel
Mr. Nelson, Assistant Director, Division of Examinations
Mr. Wood, Economist, Division of Research and Statistics
Mr. Fisher, Economist, Division of Research and Statistics.

Discount rates. Unanimous approval was given to telegrams to the Federal Reserve Banks of Atlanta and San Francisco approving the establishment without change by those Banks on December 22, 1958, of the rates on discounts and advances in their existing schedules.

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

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	<u>Item No.</u>
Letter to The Connecticut Bank and Trust Company, Hartford, Connecticut, approving the establishment of two branches in Manchester, Connecticut, incident to a proposed merger with The Manchester Trust Company. (For transmittal through the Federal Reserve Bank of Boston)	M-16
Letter to The Union Banking & Trust Company, Du Bois, Pennsylvania, approving the establishment of a branch at West Long Avenue & Franklin Street. (For transmittal through the Federal Reserve Bank of Philadelphia)	M-17
Letter to The First National City Bank of New York, New York City, consenting to the exercise of fiduciary powers at its branches in Venezuela. (For transmittal through the Federal Reserve Bank of New York)	M-18

With respect to the foregoing Item No. M-18, Governor Robertson requested that the Division of Examinations ascertain, for his information, what functions were being performed under similar authorizations previously granted to The First National City Bank of New York with respect to other branches outside the continental United States and, a year from now, what use had been made of the present authorization.

Mr. Nelson then withdrew from the meeting.

Housing legislation (Item No. M-19). The Bureau of the Budget had requested the Board's comments, not later than today, on a proposed joint resolution providing interim authorization for FHA mortgage insurance, urban renewal, and college housing, and on a

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proposed bill to be cited as "The Housing Act of 1959." An analysis of these measures and a suggested letter to the Budget Bureau had been distributed to the Board with a transmittal memorandum from Mr. Young dated December 22, 1958.

While the Board's discussion touched upon a number of the provisions of the proposed legislation, consideration was given principally to provisions of the Housing Act of 1959 which would (1) remove the statutory limits on the amount of insurance that may be written by the Federal Housing Administration, and (2) raise the maximum annual interest rates on mortgages insured under various sections of pertinent legislation.

With respect to the maximum interest rate provisions, the Board discussed whether it would be most appropriate to (a) adopt a position of neutrality, on the theory that the current proposals went about as far as seemed practicable in the light of previously expressed Congressional sentiment, (b) endorse the proposals as a step in the direction of greater administrative authority over housing programs such as the Board had advocated in the past, or (3) propose the elimination of maximum interest rate provisions from the statutes. The decision of the Board was to make the comment considered sound in principle; namely, to cite the raising of statutory maximum interest rates as a step in the right direction but to suggest that full flexibility of interest rates according to market conditions would be preferable.

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With respect to the provisions of the proposed legislation which would remove the limits on FHA insurance in force, question was raised by the Board whether it would be desirable to provide an open-end authorization of a continuing nature. Comments by members of the staff in response to these questions were in terms that the Congress had customarily provided increased insurance authorizations as requested, that a request for increased authorization provides an occasion for the introduction of various kinds of proposals in the housing area, and that the appropriations process presents an opportunity each year for the Congress to review the standards under which the housing insurance program is being administered. It was also suggested that the standards under which insurance is granted are as important to a sound program as dollar limitations on the insurance authorization and that the fixing of a maximum dollar authorization tends in the direction of setting a goal for activity under any particular insurance program.

The Board's decision on this point was to include in the letter to the Budget Bureau a statement that the removal of the limitation on insurance in force might represent a step in the direction of greater administrative authority over housing programs, with the observation that annual review of the standards of administration would be provided by the appropriations process.

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One other question raised in discussion was whether the Board wished to express any reservations concerning the provisions of the Housing Act of 1959 which would authorize the establishment of a program of Federal debt service guaranties on taxable bonds of private educational institutions to aid in financing housing and related facilities. It was understood that this proposal was being sponsored by the Treasury and the Budget Bureau as an alternative to certain less desirable programs that had been suggested. The view of the Board was that the wisdom of establishing an additional program of Federal guaranties should be questioned, it being felt that such an expression might lend strength to the position of those who were supporting the compromise proposal only with reluctance.

At the conclusion of the discussion, unanimous approval was given to a letter to the Bureau of the Budget in the form attached as Item No. M-19.

During the foregoing discussion the meeting recessed in order to permit attendance at a function arranged as part of the Board's annual Christmas program. The meeting reconvened at 11:05 a.m. with the same attendance except that Mr. Thomas was not present.

Greater Miami Savings Center. The Secretary called the Board's attention to a letter from Vice President Wiltse of the Federal Reserve Bank of New York dated November 25, 1958, transmitting various pieces of publicity material issued by the Greater Miami Savings Center,

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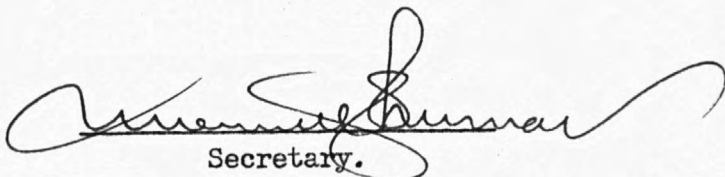
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Miami, Florida, an organization engaged in the placing of funds for customers in savings and loan associations. The literature issued by the organization was regarded by Mr. Wiltse as in some respects involving misleading advertising, and among the attachments to his letter was a report of an informal investigation made by the Federal Reserve Bank of Atlanta. It was the suggestion of the Board's Legal Division that copies of the items submitted with Mr. Wiltse's letter be transmitted to the Federal Home Loan Bank Board and to the Securities and Exchange Commission as a matter of information.

No objection being seen by the Board to the proposed handling of the matter, it was understood that the suggestion of the Legal Division would be followed.

The meeting then adjourned.

Secretary's Note: Pursuant to the recommendation contained in a memorandum dated December 23, 1958, from Mr. Leonard, Director, Division of Bank Operations, Governor Robertson, acting in the absence of Governor Shepardson, today approved on behalf of the Board an increase in the basic annual salary of Deanna Shunk, Statistical Clerk in that Division, from \$3,590 to \$3,755, effective December 28, 1958.


Secretary.

Item No. M-16
12/23/58

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

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 23, 1958



Board of Directors,
The Connecticut Bank and Trust Company,
Hartford, Connecticut.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Boston, the Board of Governors approves the establishment of a branch at 893 Main Street, and a branch at 15 North Main Street, both in Manchester, Connecticut, by The Connecticut Bank and Trust Company, in connection with the proposed merger of The Connecticut Bank and Trust Company and The Manchester Trust Company, Manchester, Connecticut. This approval is given provided (a) the merger is effected substantially in accordance with consolidation agreement dated November 17, 1958, (b) any stock acquired from dissenting shareholders is disposed of within six months from date of acquisition, (c) the branches are established within six months from the date of this letter, and (d) approval of the State authorities is in effect at the time the branches are established.

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. M-17
12/23/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 23, 1958

Board of Directors,
The Union Banking & Trust Company
of Du Bois, Pennsylvania,
Du Bois, 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 the corner of West Long Avenue and Franklin Street, Du Bois, Pennsylvania, by The Union Banking & Trust Company of Du Bois, Pennsylvania, Du Bois, Pennsylvania. This approval is given provided the branch is established within one year from the date of this letter and that formal approval of State authorities is effective at the time the branch is established.

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. M-18
12/23/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 23, 1958

The First National City Bank of New York,
55 Wall Street,
New York 15, New York.

Gentlemen:

In accordance with your request and on the basis of the information furnished with your letter of November 14, 1958, transmitted through the Federal Reserve Bank of New York, the Board of Governors grants its consent to the exercise by The First National City Bank of New York, New York, New York, at its branches located in Venezuela, of any of the fiduciary powers heretofore granted it by the Board of Governors pursuant to Section 11(k) of the Federal Reserve Act. This consent is granted on the condition that the exercise of such powers in Venezuela is not in contravention of the local law and that in exercising such powers at its Venezuelan branches the bank shall comply in all respects with the applicable provisions of the Federal Reserve Act and the Regulations of the Board of Governors.

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. M-19
12/23/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 23, 1958.



Mr. Phillip S. Hughes,
Assistant Director for Legislative
Reference,
Bureau of the Budget,
Washington 25, D. C.

Dear Mr. Hughes:

The Bureau of the Budget has asked for the Board's views on the proposed joint resolution, "To provide interim authorization for home mortgage insurance, urban renewal, and college housing," and the draft legislation, "The Housing Act of 1959." Many of the provisions of this proposed bill are substantially the same as those in "The Housing Act of 1958," which failed to pass. The Board expressed its views on a draft of that bill to the Budget Bureau in its letter of February 12, 1958, and to the Senate Committee on Banking and Currency on April 2, 1958.

The Board in 1958, as well as in 1957 and 1956, commented that housing and related legislation was becoming more and more complex, and apparently in need of more and more frequent modification. For example, Chairman Martin testified before the Housing Subcommittee of the Senate Banking and Currency Committee on May 13, 1958, on a number of bills, one of which (S. 3399) was substantially the same (except for deletion of a section on mortgage co-insurance) as the earlier Budget Bureau draft. At that hearing, Chairman Martin said:

Consideration of all these measures raises the question whether the laws relating to the Federal Government's activities in real estate, mortgage finance, housing, and urban renewal need to be so written as to require amendment so frequently as they have in recent years, or in as great detail as appears in S. 3399. It is possible that more general legislation, flexibly administered, might be more effective, not only in implementing established policy, but also in providing a framework within which the desirability of changes in policy could be judged.

The Board has no objection to the increase in mortgage insurance authority for the Federal Housing Administration that would be

Mr. Phillip S. Hughes

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provided by the proposed joint resolution.

Concerning the urban renewal and college housing programs in both the joint resolution and the draft bill, the Board has reservations about programs that, once approved, proceed without any correlation with economic and fiscal conditions. Perhaps means should be investigated for insuring that planning will be carried on in an orderly fashion while retaining discretion over timing of the physical work and disbursement of grants.

The draft bill omits reference to detailed provisions concerning low-rent public housing, or to a proposed mortgage co-insurance program, which were included in last year's bill. The current draft, however, contains provisions (not included before) calling for removal of statutory limits on the amount of insurance which may be written by the Federal Housing Administration. It would also authorize the Federal National Mortgage Association to invest in obligations of agencies of the United States Government, and to purchase any mortgages offered to it by the Housing and Home Finance Agency or any of its constituent units.

The Board would like to re-emphasize the desirability of more general administrative authority over housing programs. Removal of the limits on FHA insurance in force may represent a step in this direction, especially since the appropriations process gives an opportunity annually for Congress to review the standards under which the program is carried on. The proposal to permit transfer of mortgages to the FNMA by HHFA or its constituent units may also be a step in this same direction; such a provision might permit centralization of authority for decisions about how mortgages owned by the Federal Government should be liquidated.

The raising of maximum annual interest rates on insured mortgages under certain sections of the bill may also be a step in the right direction, but the Board believes that full flexibility of interest rates according to market conditions would be preferable. Mortgage insurance reduces investment risk to lenders, and experience suggests that market forces would set a lower rate on insured than on uninsured mortgages if flexibility were available.

The Board questions the desirability of section 203 which would broaden the investment powers of the Federal National Mortgage Association. Authorizing the FNMA to purchase obligations of the Federal land banks (to take an example mentioned in the 31-page section-by-section analysis furnished by HHFA) would amount to providing FNMA assistance to the land banks. What policy is to be followed if, at a time when FNMA

Mr. Phillip S. Hughes

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owns land bank bonds, the Association needs funds for mortgage purchase, and market conditions are unsuitable to sale of the bonds? It would seem that the Association should not be placed in the position of having to resolve such conflicting policies but should continue to be limited in its investment powers as at present.

Also open to question is the proposal to set up a new program of Federal debt service guaranties on taxable bonds of private educational institutions to aid in financing housing and related facilities. While the aggregate amount of guaranteed bonds outstanding at any one time would be limited initially to \$100 million, the wisdom of establishing yet another program involving Federal guaranties seems debatable.

Sincerely yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

Item No. 4
1/5/59

Minutes of a meeting of the available members of the Board of Governors of the Federal Reserve System on Monday, December 29, 1958. The meeting was held in the Board Room at 10:00 a.m.

PRESENT: Mr. Szymczak, Acting Chairman
Mr. Mills
Mr. Robertson

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Hackley, General Counsel
Mr. Masters, Director, Division of Examinations
Mr. Solomon, Assistant General Counsel
Mr. Nelson, Assistant Director, Division of Examinations

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

	<u>Item No.</u>
Letter to the Comptroller of the Currency recommending favorably with respect to an application to organize a national bank at Lakeside Center, Colorado. (With a copy to the Federal Reserve Bank of Kansas City)	M-20
Letters to the chairmen of four committees of the Presidents' Conference designating members of the Board's staff to serve as associates on various subcommittees.	M-21 - M-24
Letter to Chemical International Finance, Ltd., New York, New York, transmitting a final permit to commence business as a corporation organized under section 25(a) of the Federal Reserve Act. (For transmittal through the Federal Reserve Bank of New York)	M-25

12/29/58

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Messrs. Masters and Nelson then withdrew from the meeting.

Discount rates. After some discussion of the current discount rate level, the Board approved unanimously telegrams to the following Federal Reserve Banks approving the establishment without change by those Banks on the dates indicated of the rates on discounts and advances in their existing schedules:

St. Louis	December 23
Cleveland	December 24
Richmond	December 24
Chicago	December 24
Kansas City	December 24
Dallas	December 26

With respect to his vote, Governor Robertson made the following statement:

I wish to vote for the approval of the discount rates submitted by six of the Federal Reserve Banks today, but I would like to have the record clearly show that I do so with great reluctance and only because the situation is such that it would be impossible to put through a "determination" of a higher rate of discount at this time. In my opinion, the economic situation prevailing is such as to warrant and call for an increase in the discount rate at the present time.

To delay acting to increase the discount rate means that there would be delay for a considerable period of time, in view of the Treasury's financing which is scheduled to be announced on January 8, 1959. This would mean no action until the latter part of January or the first part of February, which may be later than desirable in view of the course of economic events.

Failure to act now coupled with an action to increase the rate after the Treasury financing seems to me to be unfair to the Treasury Department as well as to the individuals who purchase the securities that will be issued

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during the early part of January, at whatever rates are fixed by the Treasury, since market rates will be altered by a discount rate action shortly thereafter and hence cause a decline in the prices of the new securities.

In view, however, of the many procedural difficulties that would be encountered in attempting to obtain approval of a different course of action than that now before the Board and the need for prompt decision on the question presented, I have voted to approve those rates.

Construction project. Mr. Sherman referred to the action taken by the Board on December 17, 1958, authorizing the execution of a contract with the architectural firm of Harbeson Hough Livingston & Larson, Philadelphia, Pennsylvania, for the preparation of preliminary studies and sketches of a shelter on the Board's property on the north side of "C" Street. He said that the contract was now ready for execution on behalf of the Board and that the estimated cost of the work to be performed by the architects, stated in the agreement as a percentage of the total cost of construction and completion of the shelter, had been placed at \$37,500 rather than the \$25,000 mentioned at the December 17 meeting.

Governor Robertson stated that the estimated construction cost was attributable to plans, with which Governor Shepardson was familiar, that envisaged the possibility of providing garage space.

It was then indicated that there would be no objection to execution of the contract on behalf of the Board.

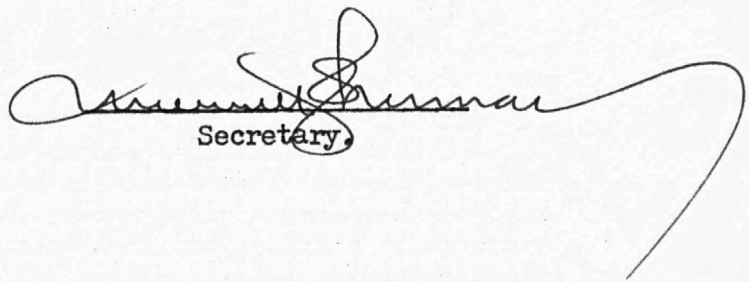
The meeting then adjourned.

Secretary's Note: Pursuant to the recommendation contained in a memorandum dated December 23,

12/29/58

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1958, from the Division of Personnel Administration, Governor Robertson, acting in the absence of Governor Shepardson, authorized on behalf of the Board on December 24, 1958, the showing of a cancer film to all women employees of the Board on January 22, 1959, and the showing of another film at a later date. It was understood that an invitation to attend these showings would be extended also to the wives of men on the Board's staff.



Secretary

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

Item No. M-20
12/29/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 29, 1958

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

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

Dear Mr. Comptroller:

Reference is made to a letter from your office dated October 1, 1958, enclosing copies of an application to organize a national bank at Lakeside Center, Colorado, and requesting a recommendation as to whether or not the application should be approved.

Information contained in a report of investigation of the application made by an examiner for the Federal Reserve Bank of Kansas City discloses generally satisfactory findings with respect to the factors usually considered in connection with such proposals, except as to the adequacy of the proposed capital structure. In the opinion of our informant, the proposed capital structure of the bank should be increased from \$300,000, as outlined in the application, to at least \$400,000. The Board of Governors recommends approval of the application provided arrangements are made for a capital structure satisfactory to your office.

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. M-21
12/29/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 29, 1958

Mr. Alfred Hayes, Chairman,
Special Committee on Emergency Operations,
c/o Federal Reserve Bank of New York,
New York 45, New York.

Dear Mr. Hayes:

Mr. Leonard's forthcoming retirement necessitates some changes in the assignments of members of the Board's staff who have been designated to serve as associates on subcommittees of the Conference of Presidents. Accordingly, the Board has made the following designations of associates on the four subcommittees of the Special Committee on Emergency Operations:

Subcommittee on General Arrangements for Emergency Operations--

Mr. Farrell, who will become Director of the Division of Bank Operations on January 1

Subcommittee on Treasury Operations--

Mr. Farrell

Subcommittee on Emergency Cash Operations--

Mr. Kiley, who will become Assistant Director of the Division of Bank Operations on January 1

Subcommittee on Emergency Check Operations--

Should it be desired to have a member of the Board's staff serve as associate on this Subcommittee, the Board suggests Mr. Farrell who has already been designated to serve as Associate on the Subcommittee on Collections.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. M-22
12/29/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 29, 1958

Mr. W. D. Fulton, Chairman,
Committee on Miscellaneous Operations,
c/o Federal Reserve Bank of Cleveland,
Cleveland 1, Ohio.

Dear Mr. Fulton:

Mr. Leonard's forthcoming retirement necessitates some changes in the assignments of members of the Board's staff who have been designated to serve as associates on subcommittees of the Conference of Presidents. Accordingly, the Board has made the following designations of associates on subcommittees of the Committee on Miscellaneous Operations:

Subcommittee on Electronics--

Mr. Farrell, who will become Director of the
Division of Bank Operations on January 1, to
serve in place of Mr. Leonard

Subcommittee on Cash, Leased Wire and Sundry Operations--

Mr. Kiley, who will become Assistant Director of the
Division of Bank Operations on January 1, to serve
in place of Mr. Farrell

Subcommittee on Machine and Tabulating Equipment--

Mr. Kiley to serve in place of Mr. Farrell

Insurance Committee of the Federal Reserve Banks--

Mr. Daniels, Assistant Director of the Division of
Bank Operations, to serve in place of Mr. Leonard

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. M-23
12/29/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 29, 1958

Mr. Hugh Leach, Chairman,
Committee on Fiscal Agency Operations,
c/o Federal Reserve Bank of Richmond,
Richmond 13, Virginia.

Dear Mr. Leach:

Mr. Leonard's forthcoming retirement necessitates some changes in the assignments of members of the Board's staff who have been designated to serve as associates on subcommittees of the Conference of Presidents. Accordingly, the Board has designated Mr. Kiley, who will become Assistant Director of the Division of Bank Operations on January 1, to serve in place of Mr. Farrell as Associate on the Subcommittee on Fiscal Agency Operations.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.



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

Item No. M-24
12/29/58



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 29, 1958

Mr. H. N. Mangels, Chairman,
Committee on Collections and Accounting,
c/o Federal Reserve Bank of San Francisco,
San Francisco 20, California.

Dear Mr. Mangels:

Mr. Leonard's forthcoming retirement necessitates some changes in the assignments of members of the Board's staff who have been designated to serve as associates on subcommittees of the Conference of Presidents. Accordingly, the Board has designated Mr. Farrell, who will become Director of the Division of Bank Operations on January 1, to serve in place of Mr. Leonard as Associate on the Subcommittee on Collections; and Mr. Daniels, Assistant Director of the Division of Bank Operations, to serve in place of Mr. Farrell as Associate on the Subcommittee on Accounting.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. M-25
12/29/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 29, 1958

Chemical International Finance, Ltd.,
165 Broadway,
New York 15, New York.

Gentlemen:

The Board of Governors has received a certificate of the President, Secretary, and three directors of Chemical International Finance, Ltd., dated December 9, 1958, certifying the information required by Section 3(c) of Regulation K as prerequisite to the issuance of a final permit to commence business.

There is enclosed herewith a final permit of the Board of Governors granting to Chemical International Finance, Ltd., authority to commence business as a corporation organized under the provisions of Section 25(a) of the Federal Reserve Act.

Upon completion of the organization of the Corporation, it would be appreciated if you would furnish the Board of Governors with a copy of the by-laws of the Corporation.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

Enclosure

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

December 29, 1958

WHEREAS, the Board of Governors of the Federal Reserve System on the sixth day of October, Nineteen Hundred and Fifty Eight, approved the Articles of Association and Organization Certificate of Chemical International Finance, Ltd. in accordance with the terms of section 25(a) of the Federal Reserve Act; and

WHEREAS by satisfactory evidence presented to the Board of Governors of the Federal Reserve System it appears that Chemical International Finance, Ltd. has complied with all of the provisions of the statutes of the United States required to be complied with before a corporation shall be authorized to commence business as a corporation organized under section 25(a) of the Federal Reserve Act;

NOW, THEREFORE, it is hereby certified that Chemical International Finance, Ltd. is authorized to commence business as a corporation organized and operating under the provisions of section 25(a) of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System issued in accordance therewith.

IN WITNESS WHEREOF I have hereunto set my hand and caused the seal of the Board of Governors of the Federal Reserve System to be affixed on the day and year first above written.

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

SEAL

Minutes of a meeting of the available members of the Board of Governors of the Federal Reserve System on Tuesday, December 30, 1958.

The meeting was held in the Board Room at 10:15 a.m.

PRESENT: Mr. Szymczak, Acting Chairman
Mr. Mills
Mr. Robertson

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Hackley, General Counsel
Mr. Farrell, Associate Director, Division
of Bank Operations
Mr. Solomon, Assistant General Counsel
Mr. O'Connell, Assistant General Counsel
Mr. Nelson, Assistant Director, Division of
Examinations

Discount rates. Unanimous approval was given to telegrams to the Federal Reserve Banks of Boston, Atlanta, and Minneapolis approving the establishment without change by those Banks on December 29, 1958, of the rates on discounts and advances in their existing schedules. Governor Robertson stated that he voted to approve the rates on the same basis as he had voted yesterday with respect to reestablishment of the existing discount rates of certain other Federal Reserve Banks.

Item circulated to the Board. The following item, which had been circulated to the members of the Board and a copy of which is attached to these minutes under the respective item number indicated, was approved unanimously:

	<u>Item No.</u>
Letter to the Elliott State Bank, Jacksonville, Illinois, approving an investment in bank premises. (For transmittal through the Federal Reserve Bank of St. Louis)	M-26

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Handling of litigation (Item No. M-27). Pursuant to the understanding at the meeting on December 22, 1958, there had been distributed copies of a memorandum from Mr. Hackley dated December 24, 1958, relating to the question whether outside counsel should be retained to assist the Legal Division in the handling of litigation expected to be instituted by The Michigan Bank, Detroit, Michigan. For reasons stated in the memorandum, it was recommended that any such litigation be handled by the Legal Division in cooperation with the Department of Justice and the United States Attorney's office, without employment of outside counsel, but that there be explored with President Allen of the Federal Reserve Bank of Chicago the possibility of utilizing the services of Mr. Gordon W. Lamphere, Assistant General Counsel at the Detroit Branch, on a basis whereby Mr. Lamphere would work on the matter at his own office and would not be expected to devote all of his time to the case or to come to Washington for any considerable period. If Mr. Lamphere should not be available, it was recommended that steps be taken to determine whether Mr. John J. Clarke, Assistant General Counsel at the Federal Reserve Bank of New York, might be available on a similar basis.

At the Board's request, Mr. Hackley reviewed the reasons set forth in the memorandum which had led to the recommendation made therein. In this connection he stated that the United States Attorney's office had indicated that it would prefer to handle oral presentation of the case in court, this being in accordance with their general practice.

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Governor Robertson then commented in support of the recommendation and outlined his views as to the circumstances under which retention of outside counsel would be appropriate. It was his thought that the question of retaining outside counsel should be considered on a case-by-case basis in the light of all pertinent factors, including the workload of the Legal Division and the availability of assistance from the Reserve Banks.

There being unanimous agreement with Mr. Hackley's recommendation, it was understood that Governor Szymczak would discuss by telephone with President Allen the possibility of making Mr. Lamphere available on the basis indicated.

Secretary's Note: After the Board meeting, Governor Szymczak called President Allen on the telephone and agreement was reached with respect to the services of Mr. Lamphere. Attached hereto as Item No. M-27 is a copy of the letter subsequently sent to Mr. Allen.

Maintenance of reserve balances. Governor Robertson reported that he had received this morning a telephone call from President Irons of the Federal Reserve Bank of Dallas, who said that the Texas Bank and Trust Company of Dallas was suggesting to its correspondent country banks that they have their directors adopt a resolution authorizing the Texas Bank and Trust Company to take over control of their reserve balance with the Federal Reserve Bank. Two such resolutions had already been received by the Dallas Bank. They directed the Reserve Bank to provide the Texas Bank and Trust Company with daily reports of the

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reserve balance and authorized the Texas Bank and Trust Company to transfer any excess reserves to its own account, or vice versa, and to furnish the Reserve Bank daily reports on the deposits of the correspondent bank.

After commenting on the implications of such an arrangement, Governor Robertson said that he was reporting the telephone call as a matter of information and that the problem deserved careful exploration.

Possible acquisition of property by Pittsburgh Branch (Item No. M-28). At the meeting on December 22, 1958, there was preliminary discussion of a letter dated December 19, 1958, from President Fulton of the Federal Reserve Bank of Cleveland to Governor Szymczak concerning possible acquisition by the Pittsburgh Branch from the Pennsylvania Railroad of real estate adjoining the property of the Branch. The Division of Bank Operations was requested to look into the matter further before any views were expressed by the Board. Pursuant to that request, there had been distributed to the Board a memorandum from Mr. Farrell dated December 24, 1958, discussing developments in the matter. A copy of the memorandum is attached as Item No. M-28.

Following comments by Mr. Farrell based on the information contained in his memorandum, it was agreed that no action on the part of the Board was called for at this time.

Call for reports of condition. The Secretary reported that a letter dated December 29, 1958, had been received from the Deputy

12/30/58

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Comptroller of the Currency advising that a call would be made upon all national banks on January 2, 1959, for reports of condition as of the close of business December 31, 1958; and that in accordance with the usual practice a telegram had been sent to the Federal Reserve Banks requesting that a similar call be made upon State member banks.

The sending of the telegram was ratified by unanimous vote.

The meeting then adjourned.

Secretary's Notes: Governor Robertson, acting in the absence of Governor Shepardson, today approved on behalf of the Board a telegram to the Federal Reserve Bank of Minneapolis (attached Item No. M-29) approving the designation of John P. Olin as special examiner, a telegram to the Federal Reserve Bank of San Francisco (attached Item No. M-30) approving the appointment of James D. Moddelmog as assistant examiner, and a telegram to the Federal Reserve Bank of Dallas (attached Item No. M-31) approving the appointment of Leon W. Cowan as examiner.

Governor Robertson also approved today on behalf of the Board the following items:

Memorandum dated December 23, 1958, from Mr. Kelleher, Director, Division of Administrative Services, recommending the appointment of Walter Henderson as Operator, Tabulating Equipment, in that Division, on a trainee basis, with basic annual salary at the rate of \$3,255, effective the date he assumes his duties.

Memoranda dated December 16, 1958, from Mr. Young, Director, Division of Research and Statistics, recommending the reappointment of Dr. Harry Ernst and Mrs. Gertrude Weiss as Consultants until December 31, 1959, on a contractual basis with compensation at the rate of \$50 per day for each day worked for the Board, either in Washington or outside the city and, in accordance with the Board's travel regulations, a per diem in lieu of subsistence for the amount of time spent in a travel status in connection with their assignments, and transportation.

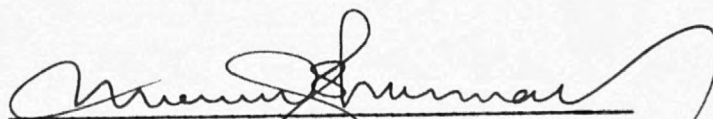
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It was understood that for purposes of travel, headquarters for Professor Ernst would be either his home or place of business and headquarters for Mrs. Weiss would be her home.

Memoranda from appropriate individuals concerned recommending increases in the basic annual salaries of the following employees on the Board's staff, effective January 11, 1959:

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Research and Statistics</u>			
Virginia Johns, Secretary		\$ 4,490	\$ 4,640
Paul W. Kuznets, Economist		5,985	6,135
Anita E. Perrin, Secretary		4,790	4,940
<u>Examinations</u>			
Jerome T. Kelley, Senior Federal Reserve Examiner		11,835	12,075
Francis J. McGarvey, Assistant Federal Reserve Examiner		6,435	6,585
Patricia McShane, Training Assistant		5,090	5,240
<u>Personnel Administration</u>			
John C. Brennan, Personnel Assistant		7,990	8,230
<u>Administrative Services</u>			
Ruth E. Ellis, Cafeteria Helper (part-time)		1,717	1,765
Valeria Faina, Charwoman		3,435	3,530
Angelina Ferguson, Charwoman		3,435	3,530
Garland Gaines, Messenger		2,960	3,055
Catherine Gallagher, Charwoman		3,435	3,530
Lettie E. Reddick, Charwoman		3,435	3,530
Ralph Sherrod, Photographer (Offset)		5,658	5,949
Geraldine Venable, Cafeteria Helper		3,435	3,530
Davis H. Wilson, Chief, Automatic Data Processing and Telegraph Section		8,810	9,050
Lela Wilson, Cafeteria Helper		3,435	3,530



 Secretary

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

Item No. M-26
12/30/58



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 30, 1958

Board of Directors,
Elliott State Bank,
Jacksonville, Illinois.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of St. Louis, the Board of Governors approves an additional investment in bank premises by the Elliott State Bank, Jacksonville, Illinois, of an amount not to exceed \$640,000 for the purpose of constructing a new building and remodeling its present quarters. It is noted that amounts in excess of \$150,000 allocated to existing facilities and \$150,000 to be established as book value for the entire capital stock of the Elliott Safe Deposit Company are to be eliminated by direct charge off. It is further noted that the \$300,000 loan to the Elliott Safe Deposit Company to be obtained from sources other than the bank, which funds are part of and not in addition to the \$640,000 approved, is to be amortized over a period of 16 years by moneys received under the leaseback arrangement with the bank.

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. M-27
12/30/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 30, 1958

Mr. Carl E. Allen, President,
Federal Reserve Bank of Chicago,
Chicago 90, Illinois.

Dear Mr. Allen:

This is to confirm arrangements made pursuant to Governor Szymczak's telephone conversation with you on December 30, 1958, under which Mr. Gordon W. Lamphere, Assistant General Counsel at the Detroit Branch of your Bank, will assist the Board's Legal Division in connection with the handling of litigation expected to be instituted shortly against the Board by The Michigan Bank, Detroit, Michigan.

As in past cases in which the services of Federal Reserve Bank attorneys have been made available to the Board, it is understood that, while the Board will not reimburse your Bank for Mr. Lamphere's salary, it will effect reimbursement for travel and other out-of-pocket expenses, if any, that may be incurred by him in connection with his work on this matter.

Your cooperation in making Mr. Lamphere's assistance available is greatly appreciated.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

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Item No. M-28
12/30/58

Office Correspondence

Date December 24, 1958.

Board of Governors

Subject: Possible acquisition of additional
property by Pittsburgh.

John R. Farrell

This refers to President Fulton's letter of December 19 to Governor Szymczak concerning possible action by the Pittsburgh Branch to acquire from the Pennsylvania Railroad fifty feet of property adjoining the Pittsburgh Branch property.

In a telephone conversation this afternoon, Mr. Fulton asked me to request the Board to withhold for the time being any further consideration of the matters mentioned in his December 19 letter. The reasons for this development are set forth below.

It will be recalled that Mr. Fulton's letter mentioned that the Pennsylvania Railroad had offered the Pittsburgh Branch about 9,700 square feet of the property now occupied by the Greyhound Bus Station for a price of \$435,000, or slightly less than \$45 per square foot. Following the brief discussion of Mr. Fulton's letter at a recent Board meeting, we learned from Mr. Knott of the General Services Administration that the Pennsylvania Railroad had offered GSA the remaining part of the Bus Station property (about 42,000 square feet) for \$1,462,000, which is a little less than \$30 a square foot. Mr. Knott said that GSA had not accepted the offer, and would not do so pending study of an appraisal which is being made for them. Mr. Knott added that he would be glad to let us know of the results of this appraisal.

I called Mr. Fulton today to inform him of what we had learned from GSA, and to ask if acquisition of the adjoining property would result in further alterations to the Pittsburgh building in order to permit trucks to enter the building directly from the property which might be acquired.

During this conversation Mr. Fulton said that--

1. No further alterations to the Branch building were contemplated if the adjoining property is acquired.
2. He was aware of the offer to GSA.
3. He does not consider the offer price of \$435,000 to be firm, but rather a "beginning point for haggling".
4. He was not aware when he wrote his December 19 letter to Governor Szymczak that Mr. Van Buskirk had already had some conversations about the matter with Chairman Martin.
5. The Cleveland Directors would want to give the matter much more consideration before submitting any proposal to the Board.

TELEGRAM
LEASED WIRE SERVICEBOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTONItem No. M-29
12/30/58

December 30, 1958

DEMING - MINNEAPOLIS

Reurlet December 18, 1958, Board approves designation of John P. Olin
as a special examiner for the Federal Reserve Bank of Minneapolis.

(Signed) Kenneth A. Kenyon

KENYON

T E L E G R A M
LEASED WIRE SERVICE

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. M-30
12/30/58

December 30, 1958

SWAN - SAN FRANCISCO

Reurlet December 16, 1958, Board approves appointment of James D. Moddelmog as an assistant examiner for the Federal Reserve Bank of San Francisco.

(Signed) Kenneth A. Kenyon

KENYON

TELEGRAM
LEASED WIRE SERVICE

Item No. M-31
12/30/58

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON

December 30, 1958

PONDROM - DALLAS

Reurlet December 23, 1958, Board approves appointment of Leon W.
Cowan as an examiner for the Federal Reserve Bank of Dallas
effective December 15, 1958.

(Signed) Kenneth A. Kenyon

KENYON

Item No. 6
1/5/59

Minutes of a meeting of the available members of the Board of Governors of the Federal Reserve System on Wednesday, December 31, 1958. The meeting was held in the Board Room at 10:00 a.m.

PRESENT: Mr. Szymczak, Acting Chairman
Mr. Mills
Mr. Robertson

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Hackley, General Counsel
Mr. Masters, Director, Division of Examinations
Mr. Solomon, Assistant General Counsel
Mr. Nelson, Assistant Director, Division of Examinations

Discount rates. Unanimous approval was given to telegrams to the Federal Reserve Banks of New York and St. Louis approving the establishment without change by those Banks on December 30, 1958, of the rates on discount and advances in their existing schedules. Governor Robertson stated that he voted to approve these rates on the same basis as he had voted on December 29 and 30 with respect to re-establishment of the existing discount rates of other Federal Reserve Banks.

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:

Letter to the Federal Reserve Bank of Chicago regarding the status of Riley Company, Inc., under the Bank Holding Company Act.

Item No.

M-32

12/31/58

	<u>Item No.</u>
Letter to the Ritzville State Bank, Ritzville, Washington, approving an investment in bank premises. (For transmittal through the Federal Reserve Bank of San Francisco)	M-33
Letter to the Comptroller of the Currency recommending approval of an application to organize a national bank at Beaumont, Texas. (With a copy to the Federal Reserve Bank of Dallas)	M-34
Letter to the Worcester County Trust Company, Worcester, Massachusetts, approving the application for fiduciary powers submitted by it on behalf of the Worcester County National Bank. (For transmittal through the Federal Reserve Bank of Boston)	M-35

In response to a question by Governor Robertson, Mr. Masters stated that the Worcester County Trust Company reportedly was converting into a national bank principally because of dissatisfaction with the operations of the Massachusetts State Banking Department. It was understood that the bank desired to complete the conversion prior to the effective date of legislation which would give the State Bank Commissioner authority to disapprove conversions of banks from State to national charters.

Matter of St. Joseph Agency, Inc. (Item No. M-36). Pursuant to the recommendation contained in a memorandum from Mr. Solomon dated December 29, 1958, which had been distributed, it was agreed unanimously to grant, pursuant to the provisions of section 4(a) of the Bank Holding Company Act, an additional extension of time to and including May 5, 1959, for the retention by St. Joseph Agency Inc., South Bend, Indiana, of its general casualty insurance business. A copy of the letter sent to the bank holding company pursuant to this action is attached as Item No. M-36.

12/31/58

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In connection with this matter, Mr. Hackley pointed out that there were pending before the Board requests for interpretations from St. Joseph Agency, Inc., and St. Joseph Bank and Trust Company which presented troublesome questions and had a close relationship to certain other pending cases involving requests for determinations under section 4(c)(6) of the Bank Holding Company Act. Therefore, after discussion with Governor Mills regarding questions he had raised following distribution of a memorandum on the St. Joseph matter, the Legal Division had concluded that it would be inadvisable to act upon those requests until the Board had before it the section 4(c)(6) cases referred to, which it now appeared might be around the middle of February. He added the comment that in view of the extension of time that had now been granted, St. Joseph Agency would not be injured in any way by deferral of action upon its request for interpretation.

Application of Northwest Bancorporation. Governor Robertson had put in circulation to the other members of the Board a copy of a letter from Mr. Ben DuBois, Secretary of the Independent Bankers Association, to President Deming of the Federal Reserve Bank of Minneapolis, expressing certain views with regard to the application of Northwest Bancorporation to acquire shares of The First National Bank at Eveleth, Minnesota. A tentative decision indicating favorable action on this application had been issued by the Board.

Mr. Hackley stated that another copy of the letter from Mr. DuBois had been transmitted to the Board's offices by the Federal

12/31/58

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Reserve Bank of Minneapolis and was under consideration in connection with the preparation of a draft of final decision on the application of Northwest Bancorporation.

The purpose of the comments made by Mr. DuBois was discussed briefly, and uncertainty was indicated as to whether the letter was intended as a formal protest with respect to the tentative decision. Mr. Hackley said the staff had in mind that in any event the language of the draft of final decision would indicate that consideration had been given to comments received following issuance of the tentative decision.

The meeting then adjourned.

A handwritten signature in cursive script, appearing to read "Kenneth S. ...", written over a horizontal line. The signature is fluid and extends to the right with a long tail.

Secretary


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

Item No. M-32
12/31/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 31, 1958



Mr. W. R. Diercks, Vice President,
Federal Reserve Bank of Chicago,
Chicago 90, Illinois.

Dear Mr. Diercks:

Reference is made to your letter of December 4, 1958, regarding the present status of Riley Company, Inc., East Chicago, Indiana, which registered under the Bank Holding Company Act of 1956 because of its ownership of 92 per cent of the outstanding voting shares of The Union National Bank of Indiana Harbor at East Chicago and The First National Bank in East Chicago, both of East Chicago, Indiana.

It is understood from your letter that the two banks mentioned above consolidated as of the close of business November 28, 1958, under the charter of The First National Bank in East Chicago and under the title of First National Bank of East Chicago, Indiana. It is assumed that Riley Company not only does not now own 25 per cent or more of the voting shares of two or more banks, but that it does not directly or indirectly own, control, or hold with power to vote 25 per cent or more of the voting shares of any bank holding company or control in any manner the election of a majority of the directors of each of two or more banks, or that trustees do not hold for the benefit of the shareholders of the Company 25 per cent or more of the voting shares of each of two or more banks or a bank holding company, and that the Company has not become a successor to any company falling within the definitions set forth in section 2(a) of Regulation Y.

On the basis of this assumption and its understanding of the facts as stated above, the Board is of the opinion that Riley Company has ceased to be a bank holding company within the meaning of the Bank Holding Company Act of 1956. Since the company is not now a bank holding company, it will not be necessary for it to file any annual report.

It will be appreciated if you will advise Riley Company, Inc. of the substance of this letter.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. M-33
12/31/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 31, 1958



Board of Directors,
Ritzville State Bank,
Ritzville, Washington.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of San Francisco, the Board of Governors of the Federal Reserve System approves, under the provisions of Section 24A of the Federal Reserve Act, an additional investment in bank premises, including the cost of land and building, of not to exceed \$60,000 by Ritzville State Bank, Ritzville, Washington, for the purpose of expanding and remodeling present banking quarters.

It is noted that plans are being formulated to increase the capital stock of the bank either by declaration of a stock dividend, or through the sale of additional shares for cash, or both, to an amount at least equal to the bank's investment in banking premises.

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. M-34
12/31/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 31, 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 August 20, 1957, enclosing copies of an application to organize a national bank at Beaumont, Texas, and requesting a recommendation as to whether or not the application should be approved.

Information contained in a report of investigation of the application made by an examiner for the Federal Reserve Bank of Dallas indicates satisfactory findings with respect to the proposed capital structure of the bank, its earnings prospects, and management. It is reported that although the need for the proposed bank is not too well established it would provide greater convenience to a large number of people, would be able to develop sufficient business to operate profitably, and would not seriously affect the existing neighborhood bank. Accordingly, the Board of Governors recommends favorable consideration 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. M-35
12/31/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 31, 1958

Board of Directors,
Worcester County Trust Company,
Worcester, Massachusetts.

Gentlemen:

The Board of Governors of the Federal Reserve System has given consideration to the application for permission to exercise fiduciary powers made by you on behalf of Worcester County National Bank, Worcester, Massachusetts, the national bank into which Worcester County Trust Company, Worcester, Massachusetts, is to be converted, and grants such national bank authority, effective if and when it is authorized by the Comptroller of the Currency to commence business, 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 Massachusetts. The exercise of such rights shall 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.

Upon receipt of advice from the Comptroller of the Currency that Worcester County National Bank has been authorized to commence business, a formal certificate indicating the trust powers which the bank is authorized to exercise will be issued.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

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



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 31, 1958.

Mr. Paul M. LaMar, President,
St. Joseph Agency, Inc.,
St. Joseph Bank Building,
South Bend 1, Indiana.

Dear Mr. LaMar:

This refers to the applications of St. Joseph Agency, Inc. and St. Joseph Bank and Trust Company, relating to the operation of a general casualty insurance business, and to your Corporation's letter under date of December 23, 1958, requesting a further extension of time within which St. Joseph Agency, Inc. may retain its general casualty insurance business.

Pursuant to the provisions of section 4(a) of the Bank Holding Company Act of 1956, the Board hereby grants an additional extension of time to and including May 5, 1959 for the retention by St. Joseph Agency, Inc. of its general casualty insurance business.

Very truly yours,

(signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 7
1/5/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 5, 1959



The Chase Manhattan Bank,
Eighteen Pine Street,
New York 15, New York.

Gentlemen:

This refers to the application of your bank for permission of the Board of Governors, under the provisions of Section 25 of the Federal Reserve Act, to acquire and hold stock in "Chase Manhattan Overseas Corporation," New York, New York (referred to as Overseas Corporation), a corporation organized to engage principally in international or foreign banking through the agency, ownership, or control of local institutions in foreign countries. Reference is also made to the agreement dated December 31, 1958 executed by Overseas Corporation in accordance with the requirements of Section 25 of the Federal Reserve Act, by which such corporation agrees to restrict its operations and conduct its business in the manner set forth therein.

After consideration of such application and agreement, the Board of Governors of the Federal Reserve System approves the application and grants permission to The Chase Manhattan Bank, New York, New York, subject to all of the provisions of Section 25 of the Federal Reserve Act, to invest an amount not exceeding \$1,000,000 in the stock of Overseas Corporation.

Upon the completion of the organization of Overseas Corporation, it is requested that the Board of Governors be furnished with copies of the charter and by-laws of the corporation.

The Board of Governors also grants permission for Overseas Corporation to invest an amount up to its aggregate capital and surplus in the stock of a banking corporation to be organized under the laws of the Union of South Africa and to be located in Johannesburg, Union of South Africa, such stock to be acquired within one year from the date of this letter.

It is understood that the name of the corporation will be "The Chase Manhattan Bank (South Africa) Ltd.", subject to the approval of the South African authorities, and that all of the stock will be owned by Overseas Corporation except as the laws of the

The Chase Manhattan Bank - 2 -

Union of South Africa may require directors to have qualifying shares.

The Board's consent to the proposed investment is granted subject to the following conditions:

- (1) That Overseas Corporation shall not hold any stock in the South African bank if the South African bank at any time fails to restrict its activities to those permissible to a corporation in which Overseas Corporation, with the consent of the Board of Governors, may purchase and hold stock under its agreement entered into under Section 25 of the Federal Reserve Act or under Regulation K, or if the South African bank, except with the consent of the Board of Governors, establishes any branch or agency or takes any action or undertakes any operation in the Union of South Africa or elsewhere which at that time is not permissible to Overseas Corporation without such consent;
- (2) That when required by the Board of Governors, Overseas Corporation will cause the South African bank to permit examiners appointed by the Board of Governors to examine the South African bank and to furnish the Board of Governors with such reports as it may require from time to time; and
- (3) That Overseas Corporation will be expected to dispose of the stock of the South African bank as promptly as practicable in the event that operations of the South African bank should at any time be inconsistent with the provisions of the agreement of Overseas Corporation under Section 25 of the Federal Reserve Act or Regulation K or of the terms of this letter.

Upon the completion of the organization of the proposed South African bank, it is requested that the Board of Governors be furnished with copies of the articles of association and by-laws of the institution. Please advise the Board of Governors, through the Federal Reserve Bank of New York, when the bank is established and opened for business, furnishing information as to the exact location of the bank.

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 banking organization and the request that the Board of Governors grant

The Chase Manhattan Bank

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

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.