Minutes for February 4, 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.

Chm. Martin X
Gov. Szymczak X
Gov. Mills
Gov. Robertson X
Gov. Balderston X
Gov. Shepardson X
Minutes of the Board of Governors of the Federal Reserve System

on Wednesday, February 4, 1959. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Thurston, Assistant to the Board
Mr. Thomas, Economic Adviser to the Board
Mr. Young, Director, Division of Research and Statistics
Mr. Hackley, General Counsel
Mr. Koch, Associate Adviser, Division of Research and Statistics
Mr. Hersey, Associate Adviser, Division of International Finance
Mr. Solomon, Assistant General Counsel
Mr. Hostrup, Assistant Director, Division of Examinations
Mr. Hill, Assistant to the Secretary
Mr. Solomon, Economist, Division of Research and Statistics
Mr. Leavitt, Supervisory Review Examiner, Division of Examinations

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

Letter to the Bank of Passaic and Clifton, Clifton, New Jersey, approving the establishment of a branch in the Clifton Plaza Shopping Center. (For transmittal through the Federal Reserve Bank of New York)

Letter to the American Security and Trust Company, Washington, D. C., approving an additional investment in bank premises. (For transmittal through the Federal Reserve Bank of Richmond)
Letter to the Commercial Security Bank, Ogden, Utah, approving an additional investment in bank premises. (For transmittal through the Federal Reserve Bank of San Francisco)

Letter to the Seattle Trust and Savings Bank, Seattle, Washington, extending the time for establishment of a branch in King County. (For transmittal through the Federal Reserve Bank of San Francisco)

Letter to the Bureau of the Budget interposing no objection to a draft bill providing for the appointment of two additional Deputy Comptrollers of the Currency.

Mr. Leavitt then withdrew from the meeting.

Arrangements for hearing on application of First Bank Stock Corporation. At the meeting on January 28, 1959, the Board authorized issuance of an order for a public hearing concerning the application of First Bank Stock Corporation, Minneapolis, Minnesota, to acquire shares of Eastern Heights State Bank, St. Paul, Minnesota, with the understanding that the Legal Division would make recommendations concerning a hearing examiner and Board counsel. Pursuant to that action, an order was issued for a hearing beginning on March 10, 1959, at the Federal Reserve Bank of Minneapolis.

In a memorandum dated January 30, 1959, which had been distributed prior to this meeting, Mr. Hackley recommended appointment as Hearing Examiner of Mr. Herman Tocker, whose present duties with the Department of Commerce were exempted from the Administrative Procedure Act because of their international aspects. It was noted, however, that in this case the Hearing Examiner need not actually meet the
requirements of the Administrative Procedure Act since the hearing was not required by statute. In addition, the memorandum recommended that Mr. Solomon act as Counsel for the Board, assisted by Mr. Strothman, Vice President and General Counsel for the Federal Reserve Bank of Minneapolis, if the latter’s assignment was satisfactory to President Deming. It was suggested that representatives of the Division of Examinations and the Division of Research and Statistics be assigned to collaborate with Mr. Solomon.

Following comments by Mr. Hackley based on the memorandum, the arrangements suggested therein were approved unanimously, with the understanding that the Legal Division would institute the usual steps to obtain the services of Mr. Tocker and Mr. Strothman.

In this connection, Mr. Solomon reported as a matter of information having been informed that Counsel for First Bank Stock Corporation was recommending to the Corporation that its petition for judicial review of the Board’s order denying the Corporation’s application to acquire shares of the then proposed First Eastern Heights State Bank be withdrawn by stipulation to dismiss as moot, subject to an understanding along lines previously suggested by the Board and the Department of Justice as to items which would be made a part of the record in the event judicial review of the Board’s decision on the pending application should be requested.

Messrs. Thurston and Hostrup then withdrew and Mr. Molony, Special Assistant to the Board, entered the room.
Suit filed by The Michigan Bank. Governor Robertson referred to the suit filed by The Michigan Bank, Detroit, Michigan, on January 13, 1959, in the United States District Court for the District of Columbia for a declaratory judgment that the Board had gone beyond its legal authority in conditioning approval of that bank's application to establish certain branches on the sale of at least $1 million of additional common stock. He reported having been advised informally that at a meeting of the bank's shareholders yesterday, authority was given for the issuance of $1 million of additional common stock, which made it appear likely that the suit would be dropped.

Testimony before the Joint Economic Committee. Pursuant to the understanding at the meeting on February 2, 1959, there had been distributed to the members of the Board copies of a further revised draft of statement to be presented by Chairman Martin in testifying before the Joint Economic Committee on Friday, February 6.

On the basis of a review of the latest draft, a number of suggestions were made for additions, deletions, and editorial changes. It was then understood that another draft of the testimony would be prepared for consideration at the meeting of the Board tomorrow.

Officer salaries at Chicago (Item No. 6). In view of certain reassignments incident to the retirement of two officers, the Federal Reserve Bank of Chicago had requested approval of the payment of salary to Paul C. Hodge as Vice President, General Counsel, and Secretary and to William C. Gallagher as Assistant Counsel and Assistant Secretary, effective February 1, 1959.
Pursuant to the favorable recommendation of the Division of Personnel Administration contained in a file on the matter which had been circulated to the Board, unanimous approval was given to the letter to the Federal Reserve Bank of Chicago of which a copy is attached as Item No. 6.

The meeting then adjourned.

Secretary's Note: Pursuant to recommendations contained in memoranda from appropriate individuals concerned, Governor Shepardson today approved on behalf of the Board the following actions affecting the Board's staff:

Appointment

Edward Kane as Research Assistant, Division of Research and Statistics, on a temporary basis, with basic annual salary at the rate of $5,280, effective the date he assumes his duties.

Salary increases, effective February 8, 1959

Patricia C. Fitzmaurice, from $3,945 to $4,040 per annum, with a change in title from Clerk to Senior Clerk, Division of International Finance.

John E. Reynolds, Economist, Division of International Finance, from $10,370 to $11,355 per annum.
Board of Directors,
Bank of Passaic and Clifton,
Clifton, New Jersey.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of New York, the Board of Governors approves the establishment of a branch in the Clifton Plaza Shopping Center, on the north side of U.S. Highway Route 46, west of the intersection of Van Houten Avenue, Clifton, Passaic County, New Jersey, by Bank of Passaic and Clifton, Clifton, New Jersey. This approval is given provided the branch is established within six months from the date of this letter and that formal approval of State authorities is effective at the time the branch is established. It is understood that capital funds will be increased at least $250,000 before June 30, 1959.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.
Board of Directors,  
American Security and Trust Company,  
Washington, D. C.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Richmond, the Board of Governors approves, under the provisions of Section 24A of the Federal Reserve Act, an additional investment in bank premises which will result in a total investment aggregating $5,500,000 in leasehold improvements and serial mortgage notes of the American Security Corporation.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.
Pursuant to your request submitted through the Federal Reserve Bank of San Francisco, the Board of Governors, under the provisions of Section 24A of the Federal Reserve Act, approves, in lieu of the total investment in bank premises of $1,550,000 approved in the Board's letter of January 17, 1958, an investment, direct and indirect, not to exceed $1,750,000 in bank premises by Commercial Security Bank, Ogden, Utah. As this investment is rather substantial when compared to the bank's capital structure, the Board assumes that this investment will be reduced on a planned and regular basis.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.
Board of Directors,
Seattle Trust and Savings Bank,
Seattle, Washington.

Gentlemen:

In accordance with the request submitted through the Federal Reserve Bank of San Francisco, the Board of Governors extends to July 31, 1959, the time within which Seattle Trust and Savings Bank, Seattle, Washington, may establish a branch in an unincorporated area in the vicinity of Rainier Avenue and Sunset Boulevard, near Renton, King County, Washington.

Very truly yours,

(Signed) Kenneth A. Kenyon

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

Dear Mr. Hughes:

This is in response to your Legislative Referral Memorandum
of January 26, 1959, requesting the Board's views on a draft bill
"To provide for two additional Deputy Comptrollers of the Currency".

You are advised that the Board would have no objection
to favorable consideration of this proposal.

Very truly yours,

(Signed) Merritt Sherman

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

Dear Mr. Allen:  

The Board of Governors approves payment of salaries to the following officers of the Federal Reserve Bank of Chicago at their new titles for the period February 1 through December 31, 1959, at the rates indicated, which are the rates for the year 1959 fixed previously by your Board of Directors and approved by the Board as reported in a letter dated December 12, 1958, to you: 

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>Annual Salary</th>
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<tbody>
<tr>
<td>Paul C. Hodge</td>
<td>Vice President, General Counsel and Secretary</td>
<td>$20,000</td>
</tr>
<tr>
<td>William C. Gallagher</td>
<td>Assistant Counsel and Assistant Secretary</td>
<td>10,700</td>
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</tbody>
</table>

Very truly yours,  

(Signed) Merritt Sherman  

Merritt Sherman, 
Secretary.