

Minutes for March 9, 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 proposed to place in the record of policy actions required to be kept under the provisions of Section 10 of the Federal Reserve Act an entry covering the item in this set of minutes commencing on the page and dealing with the subject referred to below:

Page 4 Approval of a discount rate of 3 per cent at the Federal Reserve Bank of Boston; and agreement to approve the same rate for any other Federal Reserve Bank advising of the establishment of such rate.

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
Chairman Martin	_____	x <u>(M)</u>
Governor Szymczak	x <u>MMS</u>	_____
Governor Mills	x <u>[Signature]</u>	_____
Governor Robertson	x <u>R</u>	_____
Governor Balderston	x <u>CCRB</u>	_____
Governor Shepardson	_____	x <u>[Signature]</u>

Minutes of the Board of Governors of the Federal Reserve System
on Monday, March 9, 1959. The Board met in the Board Room at 3:00 p.m.

PRESENT: Mr. Balderston, Vice Chairman
Mr. Szymczak
Mr. Mills
Mr. Robertson

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Hackley, General Counsel
Mr. Molony, Special Assistant to the Board
Mr. Solomon, Assistant General Counsel

Mercantile Trust Company of St. Louis (Item No. 1). There were distributed to the members of the Board copies of a draft of proposed telegram to President Johns of the Federal Reserve Bank of St. Louis authorizing him to produce, in response to subpoena, in a current suit against the Mercantile Trust Company, St. Louis, Missouri, copies of four letters from the Board dated between July 11, 1933, and August 14, 1947, and addressed either to the Federal Reserve Agent in St. Louis or to the Mercantile-Commerce Bank & Trust Company of St. Louis (the predecessor institution to the Mercantile Trust Company). The telegram would request that, in producing those documents, President Johns state that in view of the need in the public interest for maintaining the confidentiality of communications between the Board and member banks, the documents not be made part of the record in the case unless copies could not otherwise be obtained.

By way of background, Governor Robertson reported having been advised by President Johns that when a motion to quash the earlier subpoena served on Mr. Johns was argued in court this morning by the

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United States Attorney, the motion was granted on the grounds that the subpoena was not sufficiently specific. Immediately, counsel for the plaintiff caused the issuance of a second subpoena sufficiently specific to entitle it to enforcement, a motion to quash was made orally by the United States Attorney, but the motion to quash was denied by the court. Hence, when the case came to trial President Johns would be called as a witness and required to bring with him the documents in question. When he went on the stand, he could either refuse to produce the documents and risk a contempt citation or else produce the documents. Governor Robertson said that the last sentence of the proposed telegram had been included with the thought that although no cooperation could be expected from plaintiff's counsel, there was at least a possibility that the court might accede to a request that the documents not be made a part of the record. He then expressed the view that the Board had gone as far as it reasonably could in attempting to protect the confidentiality of relationships between it and the Mercantile Trust Company, that it would in effect be producing the documents under protest, and that he doubted the advisability of carrying the matter further.

At the request of the Board, Mr. Hackley summarized the contents of the four letters in question, following which he noted that this proceeding was being heard in a court of original jurisdiction and that there presumably would be no published opinion. However, if the case were appealed to a higher court, the material might appear in the

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record as a precedent for the disclosure of unpublished information. The only apparent alternative would be to appeal the court's ruling on the subpoena, and he was not sure whether that would be worth while. In response to a question, he noted that the original letters held by the respondent to the suit were material over which the Board had no control. If produced by the respondent in response to subpoena, presumably the Board would find it difficult to prevent a newspaper from printing the letters even though they constituted unpublished information.

After further discussion, it was agreed unanimously to authorize President Johns to produce from the files of the Reserve Bank copies of the documents covered by the subpoena, and the Secretary was requested to call Mr. Johns and read the telegram that the Board proposed to send to him. After talking to President Johns, the Secretary returned to the room and said that Mr. Johns had suggested including in the authorization a letter from the Federal Reserve Agent at St. Louis to Mercantile-Commerce Bank & Trust Company dated July 14, 1933, concerning the letter from the Board to the Federal Reserve Agent dated July 11, 1933, and it was agreed that Mr. Johns should also be authorized to produce that letter. A copy of the telegram sent to Mr. Johns pursuant to this action is attached as Item No. 1.

Consideration then was given to the Board's letter of March 6, 1959, to Mr. Raymond P. Brandt, Chief of the Washington Bureau of the

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St. Louis Post-Dispatch in response to certain inquiries made by him, the question being whether, in view of the authorization given to President Johns, the Board should communicate further with the newspaper representative. During discussion of this point Governor Robertson stated that, although he did not consider the matter too important, he would be somewhat inclined, in the light of the subsequent development and in the interest of maintaining good public relations, to get in touch with the newspaper representative and provide him information along the lines he had been seeking. It was noted that the letters the Board had authorized President Johns to produce would serve to provide answers to three of the four questions that had been raised by Mr. Brandt. However, on the basis that there would not necessarily be anything inconsistent in the reply made by the Board under date of March 6 and the authorization subsequently given in response to subpoena, it was the consensus that the Board need not take the initiative in getting in touch with Mr. Brandt at this time in the absence of further developments.

Discount rates. The Secretary reported that a telegram had been received this afternoon from the Federal Reserve Bank of Boston stating that the Bank's directors had today established a rate of 3 per cent (rather than 2-1/2 per cent) on discounts and advances under sections 13 and 13a of the Federal Reserve Act, a rate of 3-1/2 per cent on advances under section 10(b), a rate of 4-1/2 per cent on

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advances under the last paragraph of section 13, and other rates in the Bank's existing schedule without change, subject to the approval of the Board of Governors.

Thereupon, unanimous approval was given to a telegram to the Federal Reserve Bank of Boston approving the rates established by the directors, effective March 10, 1959, with the understanding that a press statement in the usual form would be released today at 4:00 p.m. EST, advice of the action would be sent by telegram to all Federal Reserve Banks and branches, and a notice would be published in the Federal Register.

It was agreed unanimously that if telegrams should be received from other Federal Reserve Banks advising that their directors had established a discount rate of 3 per cent rather than 2-1/2 per cent, along with appropriate subsidiary rates on discounts and advances, the Secretary would advise such Banks of approval of the established rates effective the following business day. This authorization contemplated that in each case a press release would be issued in the usual form, notification would be sent to all Federal Reserve Banks and branches, and a notice would be published in the Federal Register.

The Secretary then reported that there had been received last Friday, March 6, a telegram from the Federal Reserve Bank of Minneapolis stating that that Bank had established without change, subject to the approval of the Board of Governors, the rates on discounts and advances

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in its existing schedule. An officer of the Reserve Bank had advised by telephone that a meeting of the Board of Directors could not be arranged until Friday, March 13, that the Bank deemed it inadvisable to act to establish a different discount rate in the absence of a quorum of the Board of Directors, and that the action to reestablish the existing rates had been taken by a quorum of the executive committee in order to comply with the statutory requirement.

There followed discussion as to whether, in the circumstances, the Board should send a reply approving reestablishment of the existing rates on discounts and advances during which Governor Robertson suggested that it might be preferable to defer a reply.

Governor Mills then referred to the discussion by the Board at its meeting on November 12, 1958, concerning procedure applicable to situations of this kind, and expressed the view that the discussion at that meeting had established the principle of prompt reply to wires from Federal Reserve Banks advising of the establishment of discount rates by the respective Banks.

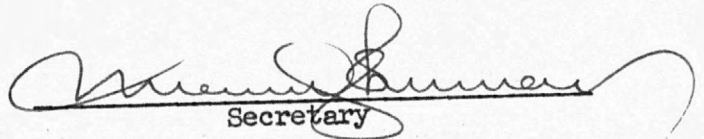
However, no decision was reached on the handling of the telegram from the Minneapolis Reserve Bank, and it was understood that the matter would be considered further at the meeting of the Board tomorrow.

The meeting then adjourned.

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Secretary's Note: In the absence of Governor Shepardson, Governor Robertson today approved on behalf of the Board a telegram to the Federal Reserve Bank of Atlanta (attached Item No. 2) approving the appointment of two persons as examiners and three persons as assistant examiners.



Secretary

T E L E G R A M
LEASED WIRE SERVICEBOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTONItem No. 1
3/9/59

March 9, 1959

Johns - St. Louis

Re your telephone inquiry today regarding production of certain documents in records of your Bank in response to court subpoena in suit against Mercantile Trust Company, St. Louis, Board authorizes you pursuant to section 9 of Rules of Organization to produce, in response to subpoena, copies of letter from Board to John S. Wood, Federal Reserve Agent, dated July 11, 1933, letter from John S. Wood to John G. Lonsdale, Chairman of the Board, Mercantile-Commerce Bank & Trust Company, dated July 14, 1933, letter from Board to W. L. Hemingway, Mercantile-Commerce Bank & Trust Company, dated December 12, 1933, letter from Board to Mercantile-Commerce Bank & Trust Company, dated March 27, 1935, and letter from Board to W. L. Hemingway, Chairman of the Board, Mercantile-Commerce Bank & Trust Company, dated August 14, 1947. However, Board requests that in producing such documents you state that, in view of need in public interest for maintaining confidentiality of communications between Board and member bank, these documents not be made part of the record in the case unless copies cannot otherwise be obtained.

(Signed) Merritt Sherman

Sherman

T E L E G R A M
LEASED WIRE SERVICEBOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTONItem No. 2
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March 9, 1959.

DENMARK - ATLANTA

Reurlet March 4, 1959, Board approves appointments of Charles Ray Chapman and William S. Dennis, Jr., as examiners and Jack Daniel Hardage, Charles Branan Lindsay, and Carleton William Sturtevant as assistant examiners for Federal Reserve Bank of Atlanta, effective March 9, 1959. Advise as to salary rates.

(Signed) Kenneth A. Kenyon

KENYON