

Minutes of the Board of Governors of the Federal Reserve System
on Wednesday, March 18, 1959. The Board met in the Special Library at
10:00 a.m.

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

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Thomas, Economic Adviser to the Board
Mr. Johnson, Director, Division of Personnel
Administration
Mr. Molony, Special Assistant to the Board
Mr. Solomon, Assistant General Counsel
Mr. Nelson, Assistant Director, Division of
Examinations
Mr. Hooff, Assistant Counsel
Mr. Young, Assistant Counsel

Items circulated or distributed to the Board. Following discussion
on the basis of staff comments, 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:

	<u>Item No.</u>
Letter to the Bishop National Bank of Hawaii, Honolulu, Hawaii, approving its application for membership in the Federal Reserve System. (For transmittal through the Federal Reserve Bank of San Francisco)	1
Letter to the Comptroller of the Currency recommending approval of the application of Anthony State Bank, Anthony, Texas, to convert into a national banking association. (With a copy to the Federal Reserve Bank of Dallas)	2

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Item No.

Letter to the Bureau of the Budget interposing no objection to a proposed bill with respect to the appointment of conservators for national banks.

3

Letter to the Federal Reserve Bank of New York approving the payment of salary to certain employees at rates below the minima of the respective grades for a period not to exceed six months.

4

Messrs. Johnson, Nelson, Hooff, and Young then withdrew from the meeting.

Reserve requirement legislation. A revised draft of statement on proposed reserve requirement legislation to be presented by Vice Chairman Balderston on behalf of the Board before the Senate Banking and Currency Committee on Monday, March 23, had been distributed shortly before this meeting, and it was agreed that this draft would be discussed at the Board meeting tomorrow.

Governor Balderston then referred to a letter addressed to Chairman Martin by Senator Robertson under date of March 17, 1959, inquiring whether it would be equitable, and possible under reserve requirement regulations, to permit banks with branches in different cities to maintain the reserves required of reserve city banks against deposits at offices in reserve cities and the reserves required of country banks against deposits at offices in other cities.

The Board considered at some length the question raised in Senator Robertson's letter, and views were expressed as to the most

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appropriate type of reply. It was then understood that a draft of reply based on these views would be prepared for consideration by the Board tomorrow.

Reception for Mr. King. On the basis of information presented in a memorandum from Mr. Fauver, Assistant Secretary, dated March 17, 1959, and upon the recommendation of Governor Shepardson, payment of the cost (estimated at \$285) of the reception to be given on March 25, 1959, for Mr. G. Harold King, Jr., following his taking the oath of office as a member of the Board of Governors was approved unanimously.

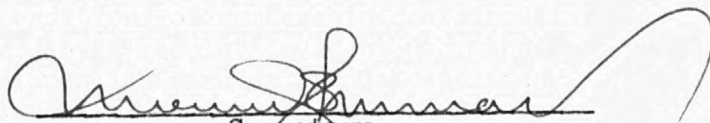
The meeting then adjourned.

Secretary's Note: Governor Shepardson today approved on behalf of the Board the following items:

Memorandum dated March 18, 1959, from Mr. Hostrup, Assistant Director, Division of Examinations, recommending the appointment of James Ronald Smith as Assistant Federal Reserve Examiner in that Division, with basic annual salary at the rate of \$4,980, effective the date he assumes his duties.

Telegram to the Federal Reserve Bank of San Francisco (attached Item No. 5) approving the appointment of Denny C. Eckenrode as assistant examiner.

Letter to Mr. Schaeffer, Chief Federal Reserve Examiner, Division of Examinations (attached Item No. 6), relating to air travel between duty stations by members of the Board's field examining staff.


Secretary

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

Item No. 1
3/18/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 18, 1959.



Board of Directors,
Bishop National Bank of Hawaii,
Honolulu, Territory of Hawaii.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the application of Bishop National Bank of Hawaii, Honolulu, Territory of Hawaii, for stock in the Federal Reserve Bank of San Francisco, subject to the numbered conditions hereinafter set forth:

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

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

Acceptance of the conditions of membership contained in this letter should be evidenced by a resolution adopted by the board of directors and spread upon its minutes, and a certified copy of such resolution should be filed with the Federal Reserve Bank. Arrangements will thereupon be made to accept payment for an appropriate amount of Federal Reserve Bank stock, to accept the deposit of the required reserve balance, and to issue the appropriate amount of Federal Reserve Bank stock to the bank.

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Bishop National Bank of Hawaii

The time within which admission to membership in the Federal Reserve System in the manner described may be accomplished is limited to 45 days from the date of this letter, unless the bank applies to the Board and obtains an extension of time. When the Board is advised that all of the requirements have been complied with and that the appropriate amount of Federal Reserve Bank stock has been issued to the bank, the Board will forward to the bank a formal certificate of membership in the Federal Reserve System.

The Board of Governors understands that the director having a business connection with a firm engaged in conducting a securities business will resign prior to the bank's admission to the Federal Reserve System and that the relationships of the bank and the affiliated The Bishop Company, Ltd., will be maintained in accordance with applicable laws and regulations.

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

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

Enclosure

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

Item No. 2
3/18/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 18, 1959.



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 March 2, 1959, enclosing copies of an application of the Anthony State Bank, Anthony, Texas, to convert into a national banking association and requesting a recommendation as to whether or not the application should be approved.

This bank has been a member of the Federal Reserve System since November 7, 1951; and, in view of the Reserve Bank's knowledge of the institution and the latest report of examination as of October 16, 1958, a field investigation of the application was not regarded as necessary. It is understood that the shareholders of The First National Bank of Las Cruces, Las Cruces, New Mexico, have recently purchased controlling interest in the subject bank; and our informant advises us the new management and directorate are considered satisfactory. Favorable information is available with respect to the financial history of the bank, adequacy of capital structure, future earnings prospects, and services to the community. Accordingly, the Board of Governors recommends approval of the application of Anthony State Bank to convert into a national banking association.

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. 3
3/18/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 18, 1959.



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 with respect to a Treasury draft "To amend Title II of the Act of March 9, 1933, with respect to the appointment of conservators" for national banks.

The new section would authorize the Comptroller of the Currency to appoint a conservator for any bank under his jurisdiction whenever there have been substantial losses resulting from defalcations, the amount of which is uncertain and cannot be ascertained without an examination of the bank, giving rise to a doubt as to the solvency of the bank. It is understood that the proposed legislation would allow the necessary time to determine the full amount of defalcation and the extent of insolvency without injury to the ultimate position of the Federal Deposit Insurance Corporation when the final determination is made as to the disposition of the bank.

Since receipt of this communication, the Board has been advised by the FDIC that that corporation has suggested two amendments to the Treasury draft. The first would permit the FDIC, as soon as possible, to discharge its insurance obligations to depositors, which under existing law apparently cannot be done unless the bank is in actual liquidation. The second amendment would permit the FDIC to render "financial assistance" which could include the purchase of assets of the bank or the making of a loan. The Office of the Comptroller of the Currency has informed us that

these amendments are acceptable to that Office since in no way do they alter the pertinent provisions of the Treasury draft.

The proposed legislation, including the suggested amendments, does not directly affect the Board's responsibilities. However, the Board has no objection to favorable consideration of the proposal.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 4
3/18/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 18, 1959.



CONFIDENTIAL (FR)

Mr. F. L. Smedley,
Assistant Vice President,
Federal Reserve Bank of New York,
New York 45, New York.

Dear Mr. Smedley:

In view of the circumstances described in your letter of February 26, 1959, the Board of Governors approves the continuation of the payment of salaries to 62 employees, for a period not to exceed six months from March 1, 1959, at rates below the minimum of the grade in which their job is classified.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

TELEGRAM
LEASED WIRE SERVICE

**BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON**

Item No. 5
3/18/59

March 18, 1959

MANGELS - SAN FRANCISCO

Reurlet March 12, 1959. Board approves appointment Denny C. Eckenrode as assistant examiner for Federal Reserve Bank of San Francisco. Advise date appointment made effective.

(Signed) Kenneth A. Kenyon

KENYON

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

Item No. 6
3/18/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 18, 1959.



Mr. Lloyd M. Schaeffer,
Chief Federal Reserve Examiner,
Federal Reserve Bank of Kansas City,
Kansas City 6, Missouri.

Dear Mr. Schaeffer:

Following a review of its letter of July 2, 1954, on the subject of air travel between duty stations by members of the field examining staff, the Board has concluded that travel arrangements relating to the program of examinations of Federal Reserve Banks--when such arrangements lie within the framework of the Board's travel regulations--constitute an administrative matter within the province of the Division of Examinations. The Board understands that the Director of the Division of Examinations will inform you by letter of this date regarding the Division's current attitude on the performance of official travel by airline; accordingly, you may consider the Board's letter of July 2, 1954, as no longer in effect.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.