

Minutes for April 16, 1959

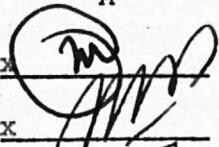
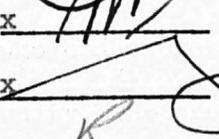
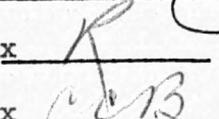
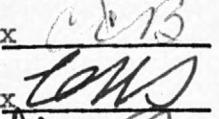
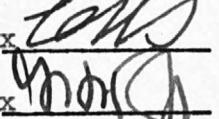
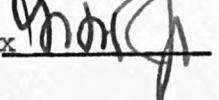
To: Members of the Board

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 	_____
Gov. King	x 	_____

Minutes of the Board of Governors of the Federal Reserve System  
on Thursday, April 16, 1959. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary  
Mr. Kenyon, Assistant Secretary  
Mr. Riefler, Assistant to the Chairman  
Mr. Molony, Special Assistant to the Board  
Mr. Noyes, Adviser, Division of Research and  
Statistics  
Mr. Benner, Assistant Director, Division of  
Examinations  
Mr. Brill, Chief, Capital Markets Section,  
Division of Research and Statistics

Proposed amendments to Regulations T and U. In the light of  
views expressed at a meeting of the Board with the Reserve Bank Presidents  
on Tuesday, April 14, further consideration was given to the question  
whether to grant requests from certain parties for oral hearing on the  
proposed amendments to Regulations T and U recently published in the  
Federal Register.

Chairman Martin expressed the tentative view that it would not  
be desirable for the Board to be in a position of seeming to take arbi-  
trary action and that parties who had expressed a desire to be heard  
should be given such an opportunity. He questioned whether anything  
would be gained by rushing into adoption of amendments to the regulations  
and indicated that he was not yet entirely convinced in his own mind as

4/16/59

-2-

to the necessity or wisdom of the proposed action. In this connection, he referred to the trend of economic conditions and the resulting influence upon stock market developments as tending to cast some doubt upon the effectiveness of tightening the regulations at this time. For these reasons, he felt strongly that the parties concerned, including the New York Clearing House Association and the Federal Advisory Council, should be given an opportunity to present their views, following which the Board could go ahead and take whatever action seemed appropriate.

Governor Mills referred to the nature of the technical comments received thus far, which would require some little time for staff analysis. If within the period required for consideration of those comments it was thought desirable to grant hearings to the parties who had requested to be heard, he would see no particular objection. On the other hand, much of the material submitted in writing was in the nature of protest phrased in general terms. If hearings were granted and the Board then felt compelled to ignore those protests, public relations might be damaged rather than improved. As he saw it, the Board had embarked on this program in the judgment that the proposals were in the public interest, and he felt that the Board should be cautious about withdrawing from the program in the absence of more sufficient reasons than had developed so far.

4/16/59

-3-

In response, Chairman Martin commented that he had simply been arguing the general principle that dissident elements should have their day in court on any issue. In this instance, the timing was unfortunate. However, in view of the Board's decision to publish the proposed amendments in the Federal Register, the volume of protests received thereafter, and the public relations aspects of the matter, he felt that it would be a mistake to rush unduly and particularly to deny the Federal Advisory Council a chance to be heard.

After Governor Shepardson expressed a similar point of view, particularly in light of the relatively few requests for hearing that had been received, reference was made to several procedural possibilities that were mentioned at the April 14 joint meeting. These included the use of the Federal Reserve Banks to provide a hearing for some of the parties and the suggestion that a distinction might be drawn between individuals and associations representing a number of interested parties.

Attention was drawn to the volume of analytical work remaining to be accomplished by the Board's staff and to the apparent undesirability of acting on the proposed amendments during the week just prior to the meeting of the Federal Advisory Council. In the circumstances, the suggestion was made by Governor Robertson that those who had asked to be heard be given an opportunity within the next few days so that the

4/16/59

-4-

Board might hear the Federal Advisory Council, consider the recommendations of its staff, and then proceed to act without undue delay. In this connection, however, it was pointed out that both the Advisory Council and the New York Clearing House Association were representative of banking interests, which raised the question whether an opportunity should be afforded for a presentation of views by the New York Stock Exchange or others representative of the brokerage interests also affected by the proposed amendments. It was understood that although the New York Stock Exchange had not requested a hearing, informal inquiry was made through the Board's staff and the response was given that at the time no hearings were contemplated.

Further discussion related to stock market reaction to announcement of the proposed amendments, and to the point that the setting of a date for hearing the parties concerned would, of course, indicate to such parties that the amendments would not be promulgated before the date mentioned.

Reasons that might be given for refusing all requests for hearing, with the possible exception of discussion with the Federal Advisory Council, were then presented by Mr. Molony. However, it was the consensus that much could be said for proceeding along the lines suggested by Governor Robertson. One point mentioned was that the Board might find it advantageous to have an opportunity to review the

4/16/59

-5-

comments received and the staff analysis thereof prior to the date on which any hearings might be held. Questions then were raised regarding the timing and manner of announcement of a hearing, and it was decided to defer further consideration of those aspects of the matter until next Monday, by which time it was expected that the Board would have received from the staff a digest summarizing the types of comments that had been submitted concerning the proposed amendments.

Mr. Molony then withdrew from the meeting.

Small business financing study. At the meeting on April 2, 1959, preliminary consideration was given to the third part of the Board's small business financing study in the light of information contained in a memorandum from Mr. Young, Director of the Division of Research and Statistics, dated March 30, 1959. This memorandum outlined a possible program of surveys phased over several years. More specifically, it suggested that a survey of manufacturing corporations involving about 4,000 respondents be undertaken this year, at a cost of approximately \$80,000, and that a survey of unincorporated retailers involving about 8,000 respondents be undertaken in 1960, at a cost of approximately \$240,000. Both surveys would be undertaken by the Bureau of the Census, but the first would be principally a mail survey and the second would be conducted on the basis of field interviews.

4/16/59

-6-

At the request of the Board, Mr. Noyes reviewed the first two parts of the small business study, the results of pretesting the collection of data on the third part, which would relate the financing requirements and financial status of small business enterprises, and the alternatives available if the Board should decide to go forward with this project. His comments were followed by a series of questions with respect to the alternatives, and Governor Shepardson then summarized the arguments favorable to going ahead with a program consisting of at least the two surveys suggested for this year and next year. In this connection it was stated that, according to the most recent advice from the Census Bureau, it would be possible to defer a final commitment with regard to the survey of unincorporated retailers until this fall.

After further discussion of the advantages to the Federal Reserve System of having available data such as would be provided by the suggested program, Governor Shepardson noted that in approving the budget for 1959 at the meeting on December 17, 1958, the Board concluded that a final decision on the third part of the small business financing study should be postponed until better cost estimates were available and a check was made with appropriate members of the Congress to ascertain whether pursuance of the project would be regarded as desirable.

4/16/59

-7-

Chairman Martin stated that he had been in touch recently with one member of the Senate, whose comments were to the effect that the outline of the small business study had been developed by the Board itself. The first two parts of the study had been valuable in connection with consideration by the Congress of small business legislation, but the legislation had now been enacted and the decision whether to continue with the third part of the study would appropriately be one for the Board to make.

Chairman Martin suggested that this kind of reaction appeared likely to be forthcoming from other members of the Congress if they were approached and said he would not regard the Board as being under any kind of commitment at this time. Therefore, the decision to proceed or not to go forward apparently should be based on the Board's view as to whether the benefits to the System from having such data available would justify the expense.

It was the view of the members of the Board that there would be justification for proceeding with the project. Consideration therefore was given to whether it would be advisable to enter into a commitment for only the survey of manufacturing corporations or to make a decision at this time with respect to both that survey and a survey of unincorporated retailers next year. On the one hand, it was brought out that it would not be necessary to reach a decision on the latter survey until

4/16/59

-8-

this fall, when analysis of the first survey might afford some additional evidence on which to form a judgment about going further. On the other hand, doubt was expressed whether the Board would, by that time, be in a substantially better position to reach a decision. It was brought out that an indication of intent at this time might be of benefit to the Census Bureau in making plans for the field interview survey next year and that some criticism might be attached to undertaking the survey planned for this year unless it were part of a package that would include information pertaining to unincorporated businesses.

At the conclusion of the discussion, it was agreed to enter into an arrangement with the Bureau of the Census for a survey of manufacturing corporations to be conducted in late May or early June of this year, and also to give the Census Bureau an indication of the Board's intent to authorize a survey of unincorporated retailers next year, with the understanding that the estimated cost of the two surveys was about \$80,000 and \$240,000, respectively.

Item circulated to the Board. The following item, which had been circulated to the Board and a copy of which is attached as Item No. 1, was approved unanimously:

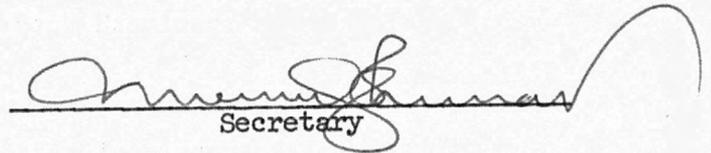
Letter to the Comptroller of the Currency recommending favorable consideration of an application to organize a national bank in Oklahoma City, Oklahoma, provided a State bank was not chartered in the same area. (With a copy to the Federal Reserve Bank of Kansas City)

4/16/59

-9-

The meeting then adjourned.

Secretary's Note: Governor Shepardson today approved on behalf of the Board a letter to the Federal Reserve Bank of New York (attached Item No. 2) approving the appointment of William L. Healy, Jr., as assistant examiner.



Secretary

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

Item No. 1  
4/16/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 16, 1959

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 February 16, 1959, enclosing copies of an application to organize a national bank in Oklahoma City, Oklahoma, and requesting a recommendation as to whether or not the application should be approved.

Information contained in a report of investigation of the application submitted by the Federal Reserve Bank of Kansas City discloses that the proponents plan to provide a capital structure of \$725,000 for the bank, instead of \$500,000 as shown in the application. This capital structure would be adequate based upon the anticipated volume of business to be acquired and the proposed investment in fixed assets. It appears that the needs of the community would be better served by a new bank and that sufficient business is available to permit profitable operations. The proposed directors are well regarded and, while operating management has not been selected, assurances were given that satisfactory management would be provided if a charter is granted. However, it is reported that two applications are pending for State bank charters in the same area, both of which were filed prior to the application for a national charter. The individuals making application for the national charter also filed one of the applications for a State charter. On the basis of the information available, it appears that the area would not support two new banks at this time.

Comptroller of the Currency

- 2 -

If either of the prior applications for a State bank charter in the same area is approved by the State banking authorities, the Board of Governors would not feel justified in recommending approval of the application for a national charter. However, if a State bank is not organized in the area, the Board would recommend favorable consideration of the application to organize a national bank.

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. 2  
4/16/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD



April 16, 1959

CONFIDENTIAL (F.R.)

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

Dear Mr. Wiltse:

In accordance with the request contained in your letter of April 10, 1959, the Board approves the appointment of William L. Healy, Jr., as an assistant examiner for the Federal Reserve Bank of New York. Please advise the date on which the appointment is made effective.

It is noted that Mr. Healy is indebted to The Merchants National Bank & Trust Company of Syracuse, Syracuse, New York, in the amount of \$10,595 for a mortgage on his home but that he is negotiating for the sale of his home and upon completion of the sale will liquidate all outstanding debts. Accordingly, the Board's approval of the appointment of Mr. Healy is given with the understanding that he will not participate in any examination of The Merchants National Bank & Trust Company of Syracuse until his indebtedness to the bank has been liquidated.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.