

Minutes for April 21 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 <u>W</u>	_____
Gov. Szymczak	x <u>MS</u>	_____
Gov. Mills	x <u>[Signature]</u>	_____
Gov. Robertson	x <u>R</u>	_____
Gov. Balderston	_____	x <u>CCB</u>
Gov. Shepardson	x <u>[Signature]</u>	_____
Gov. King	x <u>[Signature]</u>	_____

Minutes of the Board of Governors of the Federal Reserve System
on Tuesday, April 21, 1959. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Johnson, Director, Division of
Personnel Administration
Mr. Hackley, General Counsel
Mr. Farrell, Director, Division of Bank Operations
Mr. Shay, Legislative Counsel
Mr. Hexter, Assistant General Counsel
Mr. Hostrup, Assistant Director, Division of
Examinations
Mr. Nelson, Assistant Director, Division of
Examinations
Mr. Benner, Assistant Director, Division of
Examinations
Mr. Smith, Assistant Director, Division of
Examinations
Mr. Daniels, Assistant Director, Division of
Bank Operations
Mr. Hill, Assistant to the Secretary
Mr. Huning, Review Examiner, Division of
Examinations

Discount rates. The establishment without change by the Federal Reserve Bank of Atlanta on April 20, 1959, of the rates on discounts and advances in its existing schedule was approved unanimously, with the understanding that appropriate advice would be sent to that Bank.

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

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	<u>Item No.</u>
Letter to the Lawrence Savings and Trust Company, New Castle, Pennsylvania, approving the establishment of a branch in Ellwood City. (For transmittal through the Federal Reserve Bank of Cleveland)	1
Final certification with respect to the Carlen Realty Company, Tarpon Springs, Florida, issued pursuant to section 1101(e)(2) of the Internal Revenue Code. (For transmittal to the Company, through the Federal Reserve Bank of Atlanta, and to the Commissioner of Internal Revenue)	2
Final certification with respect to the Chase Investment Company, Des Moines, Iowa, issued pursuant to section 1101(e)(2) of the Internal Revenue Code. (For transmittal to the Company, through the Federal Reserve Bank of Chicago, and to the Commissioner of Internal Revenue)	3
Letter to The First National Bank of Mount Vernon, Mount Vernon, Illinois, approving its application for fiduciary powers. (For transmittal through the Federal Reserve Bank of Chicago)	4
Letter to The Mechanics Bank of St. Joseph, Missouri, St. Joseph, Missouri, approving its application for membership in the Federal Reserve System. (For transmittal through the Federal Reserve Bank of Kansas City)	5
Telegram to the Federal Reserve Bank Agent at Minneapolis approving issuance of a general voting permit to Northwest Bancorporation covering its shares of The First National Bank at Eveleth, Eveleth, Minnesota.	6
Letter to the Federal Reserve Bank of San Francisco concurring in the opinion that the establishment of a service center for mechanical and related operations by Wells Fargo Bank, San Francisco, California, would not constitute the establishment of a branch.	7
Letter to the Union Bank, Los Angeles, California, granting an extension of time within which to establish a branch at Olympic Boulevard and Hill Street. (For transmittal through the Federal Reserve Bank of San Francisco)	8

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	<u>Item No.</u>
Letter to the Federal Reserve Bank of San Francisco regarding a mortgage investment fund maintained by the Pioneer Trust Company, Salem, Oregon.	9
Letter to the Comptroller of the Currency recommending favorably on an application to organize a national bank at Waco, Texas. (With a copy to the Federal Reserve Bank of Dallas)	10
Letter to the Federal Reserve Bank of New York approving the payment of a fee for legal services rendered in connection with the sale of property in Buffalo.	11
Letter to the Federal Reserve Bank of Cleveland interposing no objection to an expenditure of approximately \$85,000 for alterations to the seventh floor of the Cincinnati Branch building.	12
Letter to the Federal Reserve Bank of New York, prepared pursuant to the understanding at the meeting on April 8, 1959, requesting information with respect to certain aspects of check clearing bureau operations.	13
Letter to the Federal Reserve Banks, prepared pursuant to a suggestion at the meeting on October 14, 1958, regarding bidding procedures to be followed in connection with building programs.	14

Picture and map for Committee quarters. Mr. Shay suggested the presentation of an appropriately framed picture of the Federal Reserve Building and map of the Federal Reserve districts to the Senate Banking and Currency Committee for its quarters in the New Senate Office Building. He felt that the Committee might appreciate this gesture, and the cost would be relatively small.

Agreement was expressed with Mr. Shay's suggestion, and it was understood that he would arrange for a picture and map of size appropriate to the Committee's requirements.

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All of the members of the staff except Messrs. Sherman and Johnson then withdrew.

Approval of compensation for Reserve Bank officer after retirement (Item No. 15). Before this meeting there had been circulated a draft of letter to Mr. Hayes, President, Federal Reserve Bank of New York, that would approve the payment of compensation to Mr. Harold V. Roelse, former Vice President and Economic Adviser of that Bank who retired effective March 1, 1959, for services as directed by the President or First Vice President of the Bank at the rate of \$100 per day for each day he spends on behalf of the Bank at the Bank or at a Federal Reserve or related meeting elsewhere, plus certain reasonable traveling, lodging, and subsistence expenses. Mr. Hayes' letter of March 20, 1959 stated that the Bank desired to retain Mr. Roelse as a limited and appropriate exception to the general policy of the Federal Reserve System not to retain officers or employees after they have reached the customary retirement age. Under the proposed arrangement, Mr. Roelse would not be an officer of the Bank, would not continue to do the work he had done before retirement, and would not work on a full-time basis. Also, he would not be eligible for any of the regular benefits available to officers and employees such as paid medical leave or vacation. Most of Mr. Roelse's time would be involved in assembling and analyzing historical information regarding the Federal Reserve System, especially the New York Reserve Bank, and preparing such reports and histories as

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seemed desirable to the President or the First Vice President. From time to time he would be called upon to act as economic consultant to the Bank or to perform other services that might be agreed upon. The Bank would not expect that payment of compensation to Mr. Roelse at the rate of \$100 per day would cause his total income from this source and from the pension portion of his retirement allowance to exceed his salary at the time of his retirement.

In considering the proposed arrangement and the draft of letter, which would approve the employment of Mr. Roelse as consultant for the indefinite future, question was raised as to whether it would be preferable to specify some time limitation for the arrangement, as has been customary in cases where the Board has approved retention of a Reserve Bank officer or employee in service after retirement.

In discussion of this point, Mr. Johnson noted that he contemplated an arrangement whereby the Board's examiners would make a review of expenditures for Mr. Roelse's future employment whenever an examination of the Federal Reserve Bank of New York was made by the Board's examiners.

After discussion of various aspects of employment of Reserve Bank personnel after attaining retirement age, during which it was pointed out that the number of such cases had been and continued to be relatively small, the letter to Mr. Hayes was approved in the form attached to these minutes as Item No. 15, with the understanding that

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although no time limit was provided for the period of Mr. Roelse's employment, the arrangement would be reviewed by the Board's examiners whenever an examination was made of the New York Reserve Bank.

The meeting then adjourned.

Secretary's Notes: Governor Shepardson today approved on behalf of the Board a memorandum from the Controller dated April 16, 1959, relating to abandonment of the title of Disbursing Officer in connection with a contemplated revision of the Board's check issuance procedures.

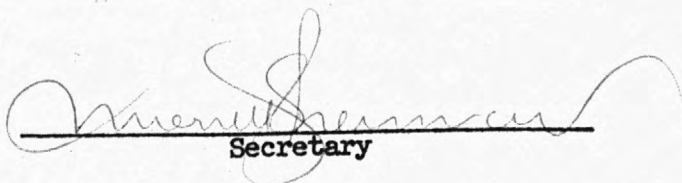
Pursuant to recommendations contained in memoranda from appropriate individuals concerned, Governor Shepardson also approved today on behalf of the Board the following actions affecting the Board's staff:

Salary increase

W. Lucius Thalley, Clerk, Division of Bank Operations, from \$3,730 to \$3,875 per annum, effective May 3, 1959.

Acceptance of resignation

Vivian C. Howard, Economist, Division of Research and Statistics, effective May 8, 1959.


Secretary

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

Item No. 1
4/21/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 21, 1959

Board of Directors,
Lawrence Savings and Trust Company,
New Castle, Pennsylvania.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Cleveland, the Board of Governors of the Federal Reserve System approves the establishment of a branch at 418-420 Lawrence Avenue, Ellwood City, Pennsylvania, by Lawrence Savings and Trust Company, provided the branch is established within twelve months from the date of this letter, and approval of the State authorities is effective as of the date 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

Item No. 2
4/21/59

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 Carlen Realty Company, Tarpon Springs, Florida, 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.

Date:

April 21, 1959

(SEAL)

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 3
4/21/59

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 Chase Investment Company, Des Moines, Iowa, 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.

Date:
April 21, 1959

(SEAL)

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

Item No. 4
4/21/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 21, 1959



Board of Directors,
The First National Bank of Mount Vernon,
Mount Vernon, Illinois.

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 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 Illinois, the exercise of all such rights to 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.

A formal certificate indicating the fiduciary powers which The First National Bank of Mount Vernon is now authorized to exercise will be forwarded to you in due course.

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. 5
4/21/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 21, 1959

Board of Directors,
The Mechanics Bank of St. Joseph, Missouri,
St. Joseph, Missouri.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the application of The Mechanics Bank of St. Joseph, Missouri, St. Joseph, Missouri, for stock in the Federal Reserve Bank of Kansas City, 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, 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.



The Mechanics Bank of St. Joseph, Missouri

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If at any time a change in or amendment to the bank's charter is made, the bank should advise the Federal Reserve Bank, furnishing copies of any documents involved, in order that it may be determined whether such change affects in any way the bank's status as a member of the Federal Reserve System.

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.

The time within which admission to membership in the Federal Reserve System in the manner described may be accomplished is limited to 30 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 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

TELEGRAM
LEASED WIRE SERVICE

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 6
4/21/59

April 21, 1959

FERRIN - MINNEAPOLIS

KEBJE

- A. Northwest Bancorporation, Minneapolis, Minnesota.
- B. The First National Bank at Eveleth, Eveleth, Minnesota.
- C. Prior to issuance of permit authorized herein, applicant shall execute and deliver to you in duplicate an agreement in form accompanying Board's letter S-964 (F.R.L.S. #7190).

(Signed) Kenneth A. Kenyon

KENYON

KEBJE - The Board authorizes the issuance of a general voting permit, under the provisions of section 5144 of the Revised Statutes of the United States, to the holding company affiliate named below after the letter "A", entitling such organization to vote the stock which it owns or controls of the bank(s) named below after the letter "B" at all meetings of shareholders of such bank(s), subject to the condition(s) stated below after the letter "C". The period within which a permit may be issued pursuant to this authorization is limited to thirty days from the date of this telegram unless an extension of time is granted by the Board. Please proceed in accordance with the instructions contained in the Board's letter of March 10, 1947, (S-964).

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

Item No. 7
4/21/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 21, 1959

Mr. E. R. Millard, Vice President,
Federal Reserve Bank of San Francisco,
San Francisco 20, California.

Dear Mr. Millard:

This will acknowledge receipt of your letter of April 8, 1959 and enclosures regarding the establishment of a Service Center at 50 First Street by Wells Fargo Bank, San Francisco, California. It is noted that the activities at this location will be confined to mechanical and related operations of the bank and there will be no dealings with the public. It is also stated that deposits will not be received and checks will not be cashed. On the basis of this information, it would appear that the operations at this location would not constitute the establishment of a branch requiring approval 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. 8
4/21/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 21, 1959



Board of Directors,
Union Bank,
Los Angeles, California.

Gentlemen:

In accordance with the request submitted through the Federal Reserve Bank of San Francisco, the Board of Governors extends to October 31, 1959, the time within which Union Bank, Los Angeles, California, may, under the authority contained in the Board's letter of October 31, 1958, establish a branch in the vicinity of the intersection of Olympic Boulevard and Hill Street, Los Angeles, California.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 9
4/21/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



April 21, 1959

Mr. John A. O'Kane,
Vice President and General Counsel,
Federal Reserve Bank of San Francisco,
San Francisco 20, California.

Dear Mr. O'Kane:

This is with further reference to the Mortgage Investment Fund maintained by Pioneer Trust Company, Salem, Oregon, which is neither a national bank nor a member of the Federal Reserve System.

Since Pioneer is not a national bank, it is not required by law to comply with the provisions of Federal Reserve Regulation F, entitled "Trust Powers of National Banks". From the point of view of Regulation F, Pioneer's sole concern is whether its Mortgage Investment Fund is

"maintained...in conformity with the rules and regulations, prevailing from time to time, of the Board of Governors of the Federal Reserve System pertaining to the collective investment of trust funds by national banks."

Under section 584 of the Internal Revenue Code of 1954, a fund that meets this requirement (and other requirements not here involved) constitutes a "common trust fund" and is exempt from Federal income taxation.

In general, the "rules and regulations...of the Board of Governors" pertaining to collective investment of trust funds by national banks in common trust funds composed principally of mortgages (Mortgage Investment Funds) are contained in section 17(d) of Regulation F (12 C.F.R. 206.17(d)). However, the question whether a national bank may maintain a Mortgage Investment Fund at all is governed by a proviso in section 17(a), which states that

"funds shall not be invested in a Common Trust Fund of the type provided for in subsection (d) of this section unless such investments are specifically authorized by the State statutes."

Mr. John A. O'Kane

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No question has been raised regarding Pioneer's conformity with the rules and regulations of section 17(d), governing the manner in which Mortgage Investment Funds maintained by national banks shall be administered. The question that has been raised is whether bank investments in Mortgage Investment Funds "are specifically authorized" by the Oregon statutes.

Having been charged by Congress with the responsibility for promulgating regulations regarding the exercise of trust powers by national banks, the Board of Governors considers it appropriate to issue interpretations of provisions of Regulation F as they apply to national banks. Likewise, since the Federal Reserve System has been charged with responsibility for the supervision of State banks that are member of the Federal Reserve System, the Board interprets the provisions of banking law applicable to such member State banks as a part of its supervisory responsibility, in order to ascertain whether member State banks are conducting their affairs in accordance with legal requirements.

In this situation, however, the question presented does not fall within either of these areas of interpretative responsibility of the Board. Essentially, the question that has been raised is whether Pioneer's Mortgage Investment Fund constitutes a "common trust fund" as defined in section 584(a) of the Internal Revenue Code of 1954. As you know, the Board of Governors is not authorized to interpret the Federal tax statutes, and any interpretation the Board made with respect to the meaning of section 584(a) would not be authoritative.

In this connection, it must be borne in mind that section 584(a) refers to "a fund maintained by a bank...in conformity with the rules and regulations...of the Board of Governors" (underlining added). It could be argued that the rules and regulations of the Board regarding the manner in which a Mortgage Investment Fund shall be maintained by a national bank are those included in section 17(d) of Regulation F, and that the proviso in section 17(a) governs the authority of a national bank to establish a Mortgage Investment Fund, rather than constituting rules and regulations regarding the maintenance of such a fund. To some extent, this interpretation might be supported by the apparent Congressional intent that such a common trust fund, when established, should enjoy income tax exemption only if it was maintained on the high level of administration prescribed by section 17(d). This possible line of argument is suggested in your letter of February 17, 1958 to the Board's General Counsel.

Mr. John A. O'Kane

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In addition to the foregoing, it is to be noted that the proviso in section 17(a), referring to Mortgage Investment Funds, in effect prohibits national banks from establishing funds of that nature "unless such investments are specifically authorized by the State statutes." The main clause of this sentence also uses the expression "such investments" with respect to common trust funds generally, and permits the establishment of common trust funds by national banks "whenever the laws of the State...authorize or permit such investments by State banks...." The Board has interpreted "the laws of the State" to comprise State administrative rulings and judicial decisions, as well as statutes. Accordingly, when the term "such investments" is used in the proviso, it might be argued that its meaning is the same as in the main clause of the sentence, and that the requirement of the proviso is only that there must be a specific statutory authorization for State banks' investment of fiduciary funds in common trust funds. Under this interpretation, a national bank could establish common trust funds for general investment whenever this was permitted by the law of the State, whether judicial, administrative, or statutory, but could establish a Mortgage Investment Fund only if the establishment of common trust funds was "specifically authorized by the State statutes" (underlining added). Apparently the statutes of Oregon meet this test.

As indicated by the Board's interpretation of March 24, 1958, with respect to a question presented by a national bank in Texas (a copy of which was enclosed with the Board's letter to your Bank dated March 24, 1958), the Board does not construe section 17(a) in the manner outlined in the preceding paragraph. However, the Board recognizes the possibility of an interpretation along these lines, as well as the other alternative lines of statutory construction presented in your letter of February 17, 1958.

Since the question presented is directed toward an interpretation of the provisions of section 584(a) of the Internal Revenue Code of 1954, as they apply to the fund maintained by Pioneer Trust Company, and in view of the fact that Pioneer, as previously stated, is neither a national bank required by law to comply with the provisions of Federal Reserve Regulation F nor a State bank subject to supervision and examination by the Federal Reserve System, the Board concludes that it would be inappropriate for it to attempt to resolve these points in this context.

Very truly yours,

(Signed) Merritt ShermanMerritt Sherman,
Secretary.

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

Item No. 10
4/21/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



April 21, 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 February 20, 1959, enclosing copies of an application to organize a national bank at Waco, Texas, and requesting a recommendation as to whether or not the application should be approved.

A report of investigation of the application made by an examiner for the Federal Reserve Bank of Dallas indicates that the organizers have agreed to provide a capital structure of \$400,000 instead of \$300,000 shown in the application. This revised capital structure is regarded as being adequate. The future earnings prospects of the bank and the general character of the management appear to be satisfactory. While the need for the bank is reported to be somewhat marginal at this time, a profitable level of business can be acquired in a reasonable time without unduly affecting any existing 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. 11
4/21/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 21, 1959

Mr. T. G. Tiebout, Vice President
and General Counsel,
Federal Reserve Bank of New York,
New York 45, New York.

Dear Mr. Tiebout:

Reference is made to your letter of April 1, 1959,
requesting the Board's approval for the payment of a fee of \$500.00
to the law firm of Kenefick, Letchworth, Baldy, Phillips & Emblidge,
for legal services rendered in connection with the sale at auction
of property of the Federal Reserve Bank of New York located in
Buffalo, New York.

The Board approves the payment of this sum to the designated
law firm for its legal services.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.



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

Item No. 12
4/21/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 21, 1959

Mr. W. D. Fulton, President,
Federal Reserve Bank of Cleveland,
Cleveland 1, Ohio.

Dear Mr. Fulton:

This refers to the proposed alterations of the seventh floor of the Cincinnati branch building, which have been approved by the Directors of your Bank and the Cincinnati branch.

The Board will interpose no objection to the expenditure of approximately \$85,000 for the program as described in your letter of March 16, 1959.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.



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

Item No. 13
4/21/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



April 21, 1959

Mr. Alfred Hayes, President,
Federal Reserve Bank of New York,
New York 45, N. Y.

Dear Mr. Hayes:

The Board in its letter of April 8 stated that it would interpose no objection to the arrangements which your Bank proposed in connection with the establishment and operation of a clearing bureau in Bergen County, New Jersey, with the understanding that your Bank will report to the Board annually concerning the operations of the clearing bureau and whether the continuation of the arrangement between the Bank and the bureau seems desirable.

During the discussion of this matter mention was made of the letter report concerning the operations of the Nassau County Clearing Bureau which was submitted to the Board by Mr. Harris under date of February 16. However, there were certain questions raised which were not covered in that report. In addition to the cost and volume figures previously submitted for the Nassau County arrangement, the Board would like to be informed with respect to--

- (1) The extent and nature of control, if any, the Federal Reserve Bank of New York may have over the number and salaries of employees of the Nassau County Clearing Bureau; whether your Bank makes any on-the-spot surveys to determine the efficiency of the operations of the Bureau; and any other steps your Bank may be taking to determine the desirability of continuing the arrangement.
- (2) The extent to which similar procedures will be established in connection with the Bergen County Bureau.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 14
4/21/59
S-1694

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 21, 1959.

Dear Sir:

The Board's letter of December 1, 1953 (S-1518, F.R.L.S. #3053), contains information regarding data to be furnished to the Board in connection with Federal Reserve Bank building programs and describes the various steps in the Board's consideration of such programs, up to the authorization by the Board to award contracts.

From time to time questions have arisen in connection with the letting of building contracts by Reserve Banks, and this letter is intended to supplement S. 1518 and to present in convenient summary form certain principles for the guidance of the Banks in calling for bids and awarding of contracts for new construction and for alterations and improvements, including replacements, of a major character. It is recognized that departures from the principles set forth may be unavoidable in individual cases, but when this is necessary a full explanation should be submitted to the Board.

Where an architectural or engineering study is to be made before a construction program is undertaken, there should be a definite agreement regarding compensation for the preliminary services. The practice should be avoided of permitting a firm to supply advice and services gratis, with the tacit understanding that any contract for work eventually performed may be awarded to the consulting firm. There is no objection, of course, to an arrangement whereby the charge for a preliminary study would be counted as part of the fee for the entire program if the firm is engaged for the work.

It is preferable that bids be invited on a lump-sum basis. However, when it can be definitely shown to be to the advantage of the Bank, arrangements under a cost-plus-fixed-fee with a guaranteed maximum may be considered.

A contract should preferably be made with one general contractor. However, exceptions to this may be appropriate in the case of specialized equipment such as vault doors and equipment, and elevators.

Each contract should be awarded on a competitive basis. Established practice, which has received the Board's sanction, is to invite bids from a selected list of qualified contractors. Effort should be made to see that the list of invited bidders is so planned as to provide appropriate representation and effective competition. As a general rule, a minimum of five contractors should be invited to bid on major construction. A somewhat smaller number, dependent upon the circumstances, might be appropriate for smaller projects.

In contracts involving alterations to existing installations where compatible equipment is required or it appears that the work can best be done by the original contractor, a negotiated contract may be arranged with the particular manufacturer or contractor if the Bank is satisfied that such procedure is to its advantage.

In an unsettled construction market, it is advisable to include in the bidding documents sufficient alternates to insure ability to let a contract within the estimated cost that was the basis for the Board's authorization to call for bids.

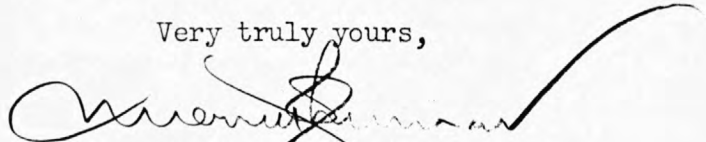
The plans and specifications should be worked out in detail and completeness before bids are sought.

Bidding documents should emphasize that the bidding will close at a certain date and hour, after which there will be no corrections or revisions of any kind, except for modifications suggested by the architect or unless new bids are called for.

All dealings with individual subcontractors or suppliers before and after bidding should be managed by the architect or general contractor.

If all bids received are considered to be too high as compared with the architects' latest estimates, all bids should be rejected in writing, and, if desired, new bids called for. In such case, the architects should write addenda to the plans and specifications, which should then be submitted to all the original bidders with a request for revised bids. Except in unusual circumstances, it is inadvisable to invite revised bids from less than all the original bidders.

Very truly yours,



Merritt Sherman,
Secretary.

TO THE PRESIDENTS OF ALL
FEDERAL RESERVE BANKS

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

Item No. 15
4/21/59



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 21, 1959

CONFIDENTIAL (FR)

Mr. Alfred Hayes, President,
Federal Reserve Bank of New York,
New York 45, New York.

Dear Mr. Hayes:

In accordance with the request contained in your letter of March 20, 1959, the Board of Governors approves the payment of compensation to Mr. Harold V. Roelse for special services as directed by the President or First Vice President, at the rate of \$100 per day for each day he spends on behalf of the Bank at the Bank or at a Federal Reserve or related meeting elsewhere, plus certain reasonable traveling, lodging, and subsistence expenses.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.