

Minutes for May 1, 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 7 Amendments to Regulations T and U

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>[Signature]</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>	_____
Governor King	x <u>[Signature]</u>	_____

Minutes of the Board of Governors of the Federal Reserve System
on Friday, May 1, 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. Young, Director, Division of Research
and Statistics
Mr. Hackley, General Counsel
Mr. Shay, Legislative Counsel
Mr. Noyes, Adviser, Division of Research
and Statistics
Mr. Solomon, Assistant General Counsel
Mr. Hexter, Assistant General Counsel
Mr. Nelson, Assistant Director, Division
of Examinations
Mr. Benner, Assistant Director, Division
of Examinations
Mr. Leavitt, Supervisory Review Examiner,
Division of Examinations
Mrs. Ulrey, Economist, Division of Research
and Statistics

Discount rates. The establishment without change by the Federal Reserve Banks of Chicago and Minneapolis on April 30, 1959, of the rates on discounts and advances in their existing schedules was approved unanimously, with the understanding that appropriate advice would be sent to those Banks.

Items circulated to the Board. The following items, which had been circulated to the members of the Board and copies of which are

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attached to these minutes under the respective item numbers indicated, were approved unanimously:

	<u>Item No.</u>
Letter to The Bank of Wadesboro, Wadesboro, North Carolina, consenting to its merger with The Bank of Anson and the Bank of Peachland, and approving the establishment of branches in Ansonville and Peachland. (For transmittal through the Federal Reserve Bank of Richmond)	1
Letter to Wachovia Bank and Trust Company, Winston-Salem, North Carolina, approving the establishment of an additional branch in Burlington. (For transmittal through the Federal Reserve Bank of Richmond)	2

Proposed absorption of City Bank by American Security (Item No. 3). At the meeting on April 24, 1959, consideration was given to a request of the Comptroller of the Currency for the Board's views as to the applicability of Section 7 of the Clayton Act to the acquisition of stock of the City Bank of Washington, D. C., by American Security Corporation, an affiliate of American Security and Trust Company. It was decided at that time to make informal inquiry with regard to the progress of the Justice Department's study of this matter, and it was understood that the Division of Examinations would supply additional information to the Board concerning the pattern of banking developments in the Washington area, with particular attention to the growth and competitive position of American Security & Trust Company.

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The supplemental information on banking developments was supplied in a memorandum dated April 30, 1959. From these data the Division of Examinations concluded that the rate of growth of American Security had not been detrimental to the public interest and that the proposed absorption of City Bank would not result in a substantial lessening of competition.

Inquiry at the Justice Department, as reported in a memorandum from the Legal Division dated April 30, 1959, indicated that the Department probably would not institute a proceeding under the Clayton Act, although a firm decision had not yet been made. The Legal Division's memorandum outlined alternative courses open to the Board and submitted drafts of letters that might be sent to the Comptroller of the Currency and the Justice Department depending upon the decision reached by the Board. Of the several alternatives, the Legal Division suggested that the most appropriate might be either (1) to inform the Comptroller that on the basis of information before the Board the situation would not warrant the institution of a proceeding by the Board pursuant to Section 11 of the Clayton Act, or (2) to defer action, at least until completion of the Justice Department's investigation, inform the Department that the Board was not conducting a duplicate investigation and would like to be informed when Justice reached a conclusion, and send a copy of the letter to Justice to the Comptroller of the Currency. Also submitted with the memorandum was an excerpt from a 1955 report of the House

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Judiciary Committee which discussed the division of Clayton Act enforcement responsibility between the Department of Justice and the Federal Trade Commission and recognized that duplicate investigations should be avoided as far as possible.

Governors Balderston and Shepardson indicated that sufficient factual information had now been made available by the staff to satisfy them that the Board would be warranted in advising the Comptroller that the situation did not call for the institution of a proceeding by the Board pursuant to Section 11 of the Clayton Act.

Governor Mills indicated that he was of the same view. It being evident that the Comptroller was aware of the investigation being made by the Department of Justice, he deemed it unnecessary to refer in the letter to the Comptroller to the authority vested in the Department by Section 15 of the Clayton Act to prevent and restrain violations of Section 7 of the Act. However, he saw no objection to sending a copy of the letter to the Justice Department or to stating to the Comptroller that this was being done in view of the Department's interest in the matter.

Governor Robertson referred to the desirability of maintaining proper relationships between agencies having coordinate jurisdiction and of avoiding any impression in this case that the Board was acting in a manner calculated to defeat the position of the Justice Department if the latter should conclude from its investigation that it wished to

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institute proceedings under the Clayton Act. For this reason, he suggested sending a letter to both the Comptroller and the Justice Department that would state the Board's conclusion but would recognize the right of Justice to form a judgment and institute action if it concluded such action to be necessary. He indicated, however, that his preference was not so strong as to cause him to vote against a letter in the form suggested by Governor Mills if that should be favored by the other members of the Board.

In further discussion, it was noted that the Justice Department could, if it so desired, obtain a temporary restraining order that would prevent consummation of the actual merger of City Bank with and into American Security & Trust Company until the completion of its investigation of the Clayton Act aspects of the acquisition of stock of City Bank by American Security Corporation. Accordingly, it was suggested that if the Comptroller's Office received an indication of the Board's views, the decision as to procedure would reside with that Office and the Department of Justice, and the Comptroller might choose to withhold approval of the merger until there had been sufficient opportunity for Justice to take whatever action it deemed advisable.

There being agreement with this suggestion, approval was given to a letter to the Comptroller of the Currency of the type suggested by Governor Mills, with a copy to the Department of Justice. A copy of the letter sent to the Comptroller pursuant to this action is attached as Item No. 3.

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Messrs. Hexter, Nelson, and Leavitt then withdrew and Mr. Thomas, Economic Adviser, entered the room. Mr. Molony, Special Assistant to the Board, had entered the room during the foregoing discussion.

Reserve requirement legislation (Item No. 4). Mr. Hackley had received a request from the Office of Senator Bush of Connecticut for an opinion from the Board on a proposal of Senator Douglas of Illinois for further amendment of the member bank reserve requirement bill reported by the Senate Banking and Currency Committee that would set the range of requirements against demand deposits at reserve city banks at 11 to 22 per cent instead of 10 to 20 per cent. A draft of possible reply, which had been distributed to the Board with a memorandum from Mr. Thomas dated April 30, 1959, pointed out why Senator Douglas' proposal would intensify the objections to legislation in the form of the bill reported by the Banking and Currency Committee. For the information of the Board, there was submitted with the memorandum a table illustrating the comparative effects of the reported bill and the Douglas proposal.

After discussion of the nature of the request and the most appropriate method of responding to it, it was recalled that on April 13, 1959, Governor Balderston handed Congressman Brown, Chairman of Subcommittee No. 2 of the House Banking and Currency Committee, a letter outlining practical problems that would result from the enactment of legislation in the form of the bill reported by the Senate Banking and Currency Committee. In the circumstances, the suggestion was made that

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it might be sufficient to send to Senator Bush a copy of the April 13 letter, with a brief transmittal letter indicating that the objections seen by the Board to the bill reported by the Senate Committee would apply with even greater force if that bill were changed to incorporate the proposal of Senator Douglas. This suggestion contemplated that copies of the letter to Senator Bush would be sent to Senator Robertson and Congressman Brown, and that Mr. Shay would transmit informally to the member of Senator Bush's staff who had talked with Mr. Hackley a copy of the table submitted with the memorandum from Mr. Thomas.

There was unanimous agreement with the suggested procedure, and a copy of the letter sent to Senator Bush is attached as Item No. 4.

Messrs. Thomas and Shay then withdrew from the meeting.

Amendments to Regulations T and U. In accordance with the understanding at yesterday's meeting, there had been distributed to the Board copies of a memorandum from Mr. Solomon dated April 30, 1959, submitting for consideration drafts of possible amendments to Regulations T, Extension and Maintenance of Credit by Brokers, Dealers, and Members of National Securities Exchanges, and U, Loans by Banks for the Purpose of Purchasing or Carrying Stocks Registered on a National Securities Exchange. These drafts had been prepared in the light of comments received following publication of proposed amendments to the regulations in the Federal Register on March 18, 1959, as well as the views expressed

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by the Federal Advisory Council on April 28 and views expressed by other parties at hearings held before the Board on April 29. They also reflected certain preliminary views expressed by members of the Board at the meeting yesterday.

Chairman Martin suggested that the Board might wish to take action in principle at this time, leaving technical problems of drafting to be worked upon by the staff prior to announcement of such of the proposed amendments as might be adopted by the Board. He inquired whether any of the members desired additional time before voting on the several proposed amendments and there were no indications to such effect.

Chairman Martin then made a statement of his general position in respect to the proposed amendments. As he interpreted the law, the Board's authority was limited to preventing the excessive use of credit for the purchasing and carrying of securities and was not directed toward manipulation except to such extent as the use of credit might be involved. Additionally, in approaching the matter of regulation, he felt that the Board must think primarily in terms of the public interest rather than the position of parties whose operations might be affected. For example, while he would not want to see the income of brokers or others reduced, it might be shown that the public interest was affected in such a way that amendments to the regulations were

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necessary despite the probability of income reduction. In dealing with regulations of this type, he also felt that the Board should approach the subject with considerable humility and that it must consider what it was trying to achieve. The Board should be careful not to lose the respect of those being regulated by adopting regulations of such a nature as to cast doubt upon its competence, particularly in a field as technical as the one here involved. It should avoid doing anything that would cause the public to feel that the Board had not fully weighed the problem or had used terminology that could not be interpreted satisfactorily.

Continuing, the Chairman expressed a belief that the use of credit was not fundamentally responsible for the speculative tendencies evident in the stock market at the present time. There was a psychology abroad that was causing much of the speculation on a cash basis. Under certain circumstances, he could conceive of the Board wishing to do everything within its power, including even the imposition of a 100 per cent margin requirement, to restrict the excessive use of credit. He did not believe, however, that the existing circumstances called for extreme action to eliminate the use of credit. While stock prices were lower in February than at present, it might be said that in February they were higher in relation to business expectations than today.

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Fundamentally, his interest was in the structure and proper functioning of the market, which it had taken many years to build and which it would be possible to destroy within a relatively short time through excessive or unwise regulation.

Turning more specifically to the proposed amendments now under consideration, the Chairman said he did not agree with the view expressed by some that an amendment limiting withdrawals of cash or securities from undermargined accounts would have no effect. Some experimentation with such a rule would seem to be appropriate. As to the proposed limitation on substitution of collateral, it was Chairman Martin's view that adoption of a rule of this kind would change the character of the market very rapidly. He did not himself believe such a change was called for by present conditions, and he did not want to take a step that might seem to be punitive. In his view, it would be preferable to consider separately the withdrawal rule from the substitution rule. The Board, he reiterated, should be careful about changing the character of the market unless it was convinced that a real benefit was to be obtained in terms of the public interest. Personally, he would not want to do anything to hamper the development of the market, and in addition he felt that people who had been in the market had some claim from the standpoint of equity against newcomers. In conclusion, he again urged that the Board, in considering the proposed amendments, act in such a way that the public, including responsible persons who might not agree

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with the philosophy of the regulations, would respect the Board's knowledge and competence.

Governor Shepardson said it was of concern to him that any amendments be clear and understandable to all persons who might come in contact with them. If they were not, he felt that the Board would put itself in a bad light and that an inequity might be done to some of those subject to the regulations. Certain people would lean over backward to be on the safe side, while others would take advantage of any shady areas to evade the regulations. From the comments and views received, it appeared to him that in certain cases the proposed amendments might run the risk of seeming to regulate relatively minor areas of credit in a strict manner when, at the same time, there were larger credit areas not within the Board's reach.

Governor Szymczak then commented on the difficulties involved in writing regulations of the character of Regulations T and U in such a way as adequately to meet all types of situations that might arise. He pointed out that the statutes enacted by the Congress in the 1930s had in mind not only the excessive use of credit but also the protection of investors, and he was not certain how far the Federal Reserve reasonably should go in the particular area assigned to it. Certainly, the Board could not contemplate every kind of transaction that might occur, and its regulations conceivably could affect transactions that the Board had not intended to hit.

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Chairman Martin responded that he recognized it would never be possible to attain perfection in dealing with regulations of this kind. Also, he thought that much good had come out of the current study of Regulations T and U, regardless of the changes that might finally be adopted by the Board.

Governor Balderston referred to the terminology pertaining to withdrawals used in the drafts of amendments to Regulations T and U, stating that he thought the term "withdrawal value" tended to be misleading to the average person. Accordingly, he had spoken to Mr. Solomon, who suggested using "restricted value". This change would meet his point, Governor Balderston said.

Agreement was expressed with this suggestion, and it was understood that the substitution would be made in the regulations.

Governor King commented that, as pointed out by the staff yesterday, the fundamental question on the proposed changes in Regulations T and U was whether to apply further restriction in the area covered by those regulations. In comparison with the other tools of policy available to the System, it was his opinion that these regulations and the proposed amendments constituted a rather ineffective way of trying to accomplish anything of a substantially restrictive nature. Of the proposed changes, therefore, he would favor those intended to prevent violations. On the other hand, he would not want to try to remake markets; in that respect,

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his views were similar to those expressed by Chairman Martin. As he saw it, the proposed substitution rule, in particular, would have ramifications from the standpoint of remaking markets.

The Chairman again inquired whether any member of the Board wished to have action on the proposed amendments to Regulations T and U deferred or whether the Board was ready to proceed to vote on the several proposals, as presented in Mr. Solomon's memorandum of April 30, 1959. All of the members of the Board indicated that they were ready to proceed, and Chairman Martin first referred to the proposed amendments to Regulations T and U that would limit both withdrawals of cash or securities and substitution of securities. He stated that even though he personally was not certain as to the need for or the effects of a limitation on withdrawals from margin accounts, he would favor experimenting along the lines of the proposed change. He believed such a change might have some impact, and it seemed to him appropriate to experiment in this area. He then called for votes on this proposal.

Governor Mills stated that he would vote to approve the proposed restrictions on both withdrawal of cash and securities and on substitutions of securities, in that he believed that adoption of such changes would not be irreparable and that any rules could be modified later if that seemed necessary.

Governor Robertson stated that he, too, would vote to adopt the proposed additional limitations relating both to withdrawals and substitutions in margin accounts.

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Governor Shepardson said that he would vote in favor of the proposed limitation on withdrawals, but he would vote against adoption of the prohibition on substitutions of securities.

Governor King stated that he would vote in favor of the proposed restrictions on withdrawals of cash and securities and against the changes regarding substitutions of securities in margin accounts.

Governor Szymczak stated that he favored adoption of the proposed changes on both withdrawals and substitutions.

Governor Balderston said that he would vote for the proposed change regarding withdrawals and against the proposed change regarding substitutions of securities.

Chairman Martin stated that he would vote to approve the proposal regarding withdrawals and against adoption of the proposal relating to substitution of securities.

Thus, the proposal to amend Regulations T and U to limit both withdrawals of cash or securities and substitutions of securities was rejected by a vote of four to three, Chairman Martin and Governors Balderston, Shepardson, and King constituting the majority, while Governors Szymczak, Mills, and Robertson constituted the minority.

The proposal to amend Regulations T and U to limit withdrawals of cash or securities from margin accounts was approved by unanimous vote.

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The next item to be considered was identified in Mr. Solomon's memorandum of April 30 as Amendment No. 2 to Regulation T, a proposed amendment to Regulation T that would provide that brokers' arranging of loans by banks on registered stocks be required to conform to the Regulation. However, their arranging of loans on other registered securities or on exempted securities would be allowed to continue exempted, this constituting a modification of the proposal originally published in the Federal Register on March 18, 1959. It was believed by the staff that the change would substantially meet the objections raised to the original proposal and that the more limited amendment would accomplish some strengthening of Regulation T.

Governor Mills stated that from the information submitted to the Board orally on April 29, and from his own experience, he doubted whether "arranged" loans on registered stocks were carried by banks to any considerable extent. This meant that examiners should have no undue difficulty in satisfying themselves whether any such loan found on a bank's books was in conformity with Regulation U. Therefore, amendment of Regulation T to require brokers' arranging of loans by banks on registered stocks to conform to that Regulation would not appear to accomplish a great deal. Accordingly, he would not favor the proposed amendment.

A vote then was taken on the draft amendment in the revised form submitted with Mr. Solomon's April 30 memorandum. Governors Szymczak

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and Robertson voted for adoption of an amendment in such form, while Chairman Martin and Governors Balderston, Mills, and Shepardson voted against its adoption and Governor King did not vote. Accordingly, the proposed amendment was rejected.

The next item to be considered was a proposed amendment to Regulation U concerning "purpose statements" which, in the form submitted with Mr. Solomon's memorandum as Amendment No. 2 to Regulation U, would apply an approach worked out by the staff after consultation with representatives of several of the Federal Reserve Banks. The draft amendment would provide that a bank, in determining whether a loan was subject to Regulation U, might rely upon a statement only if it (1) was signed by the borrower; (2) was accepted in good faith and signed by an officer of the bank as being so accepted; (3) described the purpose of loan specifically and affirmatively or, if it merely stated what was not the purpose of the loan, was supported by a memorandum or notation of the lending officer specifically and affirmatively describing the purpose of the loan. To accept the statement in good faith, the lending officer must, among other things, be alert to the circumstances surrounding the loan and the borrower. He must have no information that would put a prudent man upon inquiry and if investigated with reasonable diligence would lead to discovery of the falsity of the statement.

Governor Mills said that he would favor the amendment if the third proviso were changed to read "and, if it merely states what is

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not the purpose of the loan, is supported by a memorandum or notation of the lending officer describing the purpose of the loan". In explanation, Governor Mills stated that if responsibility were transferred to the borrower rather than placed upon the lender, this would mean dealing with a very large number of people rather than some 14,000 banks. A responsible bank lending officer might be presumed to know in almost all cases where the money that he lent was going to be employed, and it would be expected that he would enter in his files a notation of the circumstances surrounding the loan. Thus, if credit files were maintained properly and the lending officer interrogated the borrower to a reasonable extent, it would not seem necessary to transfer responsibility to the borrower. For these reasons, Governor Mills said, he would suggest retaining provision for a negative purpose statement but requiring signatures of both the borrower and the lender, supported by the files of the lending officer.

A vote then was taken and the proposed amendment, in the modified form suggested by Governor Mills, was approved, Governor King not voting.

The Board next considered a proposed amendment to Regulation U relating to the definition of "carrying". In the form submitted as Amendment No. 3 with Mr. Solomon's memorandum, the proposal was believed to provide banks and others a greater degree of certainty as to the meaning of the term than did the original proposal published in the

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Federal Register on March 18, while also strengthening somewhat the provision contained in the Regulation at present. The draft amendment would provide that a loan made to a borrower, when he had owned a stock registered on a national securities exchange free of any lien for a continuous period of as much as one year, need not be treated as a loan for the purpose of "carrying" that stock unless the loan was for the purpose of reducing or retiring indebtedness incurred to purchase that stock. A loan also need not be treated as a loan for the purpose of "carrying" a registered stock if it was for the purpose of meeting emergency expenses not reasonably foreseeable or meeting recurring expenses that the borrower had customarily met by borrowing.

After discussion, during which the view was expressed that the definition now suggested, although still presenting some problems of interpretation, would represent an improvement over the definition currently contained in Regulation U, this proposed amendment was approved unanimously, with the understanding that the word "temporary" would be inserted before the last word of the draft amendment.

At this point Mr. Thomas returned to the meeting.

An amendment to Regulation U with respect to reports from unregulated lenders, identified in Mr. Solomon's memorandum as Amendment No. 4, was then approved unanimously.

The next amendment to Regulation U to be considered (Amendment No. 5 in Mr. Solomon's April 30 memorandum) would prohibit the double

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use of collateral for both purpose and nonpurpose loans. It was presented in a form including an exemption for unforeseeable emergency loans and a provision to make it clear that the bank would not have to forego any lien.

Governor Mills stated that he would favor the proposed amendment with reservations and only because those who submitted comments to the Board seemed to find no fundamental objection to it. In his own reasoning, he could not find a good basis for prohibiting a bank from making a nonpurpose loan on surplus collateral that was also associated with a loan for the purpose of carrying registered stocks. However, if the amendment were adopted and produced undue complications it could be rescinded.

Governor Balderston stated that he did not favor this proposed amendment because he felt it would go beyond the proper scope of the Board's responsibility under the statutes.

A vote then was taken and the proposed amendment was approved in the form submitted with Mr. Solomon's memorandum, Governor Balderston voting "no".

The next proposed amendment (No. 6 in Mr. Solomon's memorandum), relating to the definition of loans "indirectly secured" by stock, would write into the body of Regulation U certain Board interpretations on this subject. Since the proposal had been the subject of considerable

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misunderstanding, Mr. Solomon's memorandum suggested that it be dropped and the subject covered by outstanding interpretations or others that might be found necessary.

By unanimous vote, it was decided not to adopt this proposed amendment.

Consideration then was given to a proposed amendment (identified as Amendment No. 7 in Mr. Solomon's April 30 memorandum) that would discontinue an existing exemption in Regulation U with respect to certain unsecured loans to (a) "unregulated" lenders and (b) open-end investment companies. Mr. Solomon's memorandum suggested that the portion of the proposal relating to "unregulated" lenders be adopted but that the portion relating to open-end investment companies be dropped. The term "unregulated lender" would be defined as a person engaged principally, or as one of the person's important activities, in the business of making loans for the purpose of purchasing or carrying stocks registered on a national securities exchange.

By unanimous vote, the proposed amendment was approved insofar as it related to "unregulated" lenders but not to open-end investment companies.

The final proposed amendment (No. 8 in Mr. Solomon's memorandum) related to convertible securities. This amendment would require a transaction involving a convertible security not subject to Regulation U at the time of purchase to be brought into conformity with the margin requirements

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at the time of conversion, if registered stocks received upon the conversion were submitted as collateral for the loan. The draft submitted with Mr. Solomon's memorandum would incorporate suggestions that had been received by the Board for a 30-day grace period for "margin up" loans where such securities were converted into registered stocks.

After discussion of the appropriateness of the 30-day grace period, the proposed amendment was approved unanimously in the form submitted with Mr. Solomon's memorandum.

It was agreed that action on the respective amendments would be recorded on the basis of the votes taken today, but that the question of the date of public announcement of the approved amendments would be reserved for determination at a later time. It was understood that factors to be considered in fixing the date of announcement would include the length of time necessary for the staff to prepare the approved and conforming amendments in final form and the timing of Treasury financing operations.

Question then was raised as to the date the approved amendments should be made effective, and it was noted that the Administrative Procedure Act provides a period of 30 days following publication in the Federal Register in the absence of a finding that a shorter period is necessary in the public interest. Accordingly, it was tentatively

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agreed that the approved amendments to Regulations T and U would be made effective 30 days from the date of their publication in the Federal Register.

The meeting then adjourned.

Secretary's Note: Pursuant to the recommendations contained in memoranda from appropriate individuals concerned, Governor Shepardson today approved on behalf of the Board increases in the basic annual salaries of the following persons on the Board's staff, effective May 3, 1959.

<u>Name and Title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Office of the Secretary</u>			
Alberta L. Thorley, Senior Records Clerk		\$4,490	\$4,640
<u>Research and Statistics</u>			
Murray Altmann, Economist		8,810	9,890
Frank de Leeuw, Economist		7,510	8,330
Priscilla S. Goodby, Research Assistant		4,980	5,130
Earl C. Hald, Senior Economist ^{1/}		11,595	12,770
Dorothy S. Projector, Economist		8,330	8,570
<u>International Finance</u>			
Henry N. Goldstein, Economist		6,285	6,435
<u>Bank Operations</u>			
L. Marie Phipps, Clerk-Typist		3,875	3,970
<u>Examinations</u>			
Charles H. Bartz, Federal Reserve Examiner		7,990	8,230

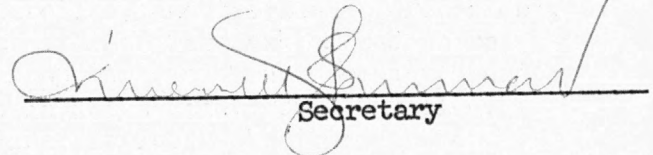
^{1/} Change in title from Economist.

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Salary increases, effective May 3, 1959 (continued)

<u>Name and Title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Administrative Services</u>			
Glenn B. Hopkins, Painter		\$ 5,221	\$ 5,491
Donald W. Moon, Senior Purchasing Assistant <u>1/</u>		6,070	6,285
Arthur S. Myers, Electrician-Operating Engineer		6,032	6,344
Bruce L. Rabbitt, Painter		5,221	5,491
Arad B. Shipp, General Mechanic-Operating Engineer		5,450	5,720
Robert I. Stewart, Messenger		3,435	3,530
<u>Office of the Controller</u>			
Kathleen J. O'Connor, Clerk		4,640	4,790
Benjamin R. Reading, Accountant		5,730	5,880


Secretary

1/ Change in title from Purchasing Assistant.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON 25. D. C.

Item No. 1
5/1/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 1, 1959

Board of Directors,
The Bank of Wadesboro,
Wadesboro, North Carolina.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Richmond, the Board of Governors of the Federal Reserve System hereby gives its consent, under the provisions of Section 18(c) of the Federal Deposit Insurance Act, to the merger of The Bank of Wadesboro, The Bank of Anson, Ansonville, North Carolina, and the Bank of Peachland, Peachland, North Carolina, under the charter of The Bank of Wadesboro, with a change of corporate title to "Anson Bank and Trust Company," and approves the establishment of a branch in Ansonville, North Carolina, and a branch in Peachland, North Carolina, by The Bank of Wadesboro.

The consent and approval contained herein are given provided (a) the merger is effected substantially in accordance with the terms of the undated Agreement and Plan of Merger submitted in your letter dated March 25, 1959, to the Federal Reserve Bank of Richmond, (b) the merger and establishment of the branches are effected within six months from the date of this letter, (c) any stock acquired from dissenting shareholders is disposed of within six months from the date of acquisition, and (d) formal approval of the State authorities is obtained and is in effect at the time the merger and establishment of the branches are effected.

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
5/1/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 1, 1959

Board of Directors,
Wachovia Bank and Trust Company,
Winston-Salem, North Carolina.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Richmond, the Board of Governors approves the establishment of a branch by Wachovia Bank and Trust Company on the northwest corner of North Church Street and Cobb Avenue, Burlington, North Carolina, provided the branch is established within one year 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 25, D. C.

Item No. 3
5/1/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



May 1, 1959

Honorable Ray M. Gidney,
Comptroller of the Currency,
Washington 25, D. C.

Dear Mr. Gidney:

This is in response to your letter of March 25, 1959, requesting the Board's views as to the applicability of section 7 of the Clayton Act to the acquisition of stock of the City Bank of Washington, D. C. by American Security Corporation, an affiliate of American Security and Trust Company.

After consideration of this transaction and surrounding circumstances, the Board has concluded that the situation does not warrant the institution of a proceeding by the Board pursuant to section 11 of the Clayton Act.

A copy of this letter is being transmitted to the Department of Justice, in view of that Department's interest in the matter.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 4
5/1/59

OFFICE OF THE CHAIRMAN

May 1, 1959.

The Honorable Prescott Bush,
United States Senate,
Washington 25, D. C.

Dear Senator Bush:

We have been advised by Mr. David S. Clarke that you would like to have the Board's views on the amendment to S. 1120 proposed by Senator Douglas in his supplemental views published with the report of the Senate Committee on Banking and Currency on that bill.

Senator Douglas' proposed amendment would establish the limits of reserve requirements for reserve city banks at the range of 11 to 22 per cent, instead of the range of 10 to 20 per cent set in S. 1120. Since the bill as reported by the Committee would discontinue the central reserve city classification, the percentage reserve requirement as specified by the Board from time to time within the range applicable to reserve city banks would apply also to the banks now classified as central reserve city banks, as well as to present reserve city banks, subject of course to the provision of the bill authorizing the Board to permit the carrying of the reduced reserves applicable to country banks.

Your interest in the matter, as related to us by Mr. Clarke, has been considered by the Board. There is enclosed a copy of a letter of April 13, 1959, from the Board to The Honorable Paul Brown whose Subcommittee of the House Committee on Banking and Currency has under consideration the bill, H.R. 5237, which is a companion bill to S. 1120 as originally introduced in the Senate. The Board believes that the views expressed in the letter to Chairman Brown would apply even with greater force if the bill, S. 1120, as reported by the Senate Banking and Currency Committee were amended to incorporate the change proposed by Senator Douglas.

Sincerely yours,

Wm. McC. Martin, Jr.

Enclosure