

Minutes for May 7, 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>mm</u>
Gov. Szymczak	x <u>mm</u>	_____
Gov. Mills	x <u>[Signature]</u>	_____
Gov. Robertson	x _____	_____
Gov. Balderston	x <u>ccob</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 Thursday, May 7, 1959. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Hackley, General Counsel
Mr. Farrell, Director, Division of
Bank Operations
Mr. Solomon, Assistant General Counsel
Mr. Hostrup, Assistant Director, Division
of Examinations
Mr. Nelson, Assistant Director, Division
of Examinations
Mr. Smith, Assistant Director, Division
of Examinations
Mr. Davis, Assistant Counsel
Miss Hart, Assistant Counsel

Discount rates. The establishment without change by the Federal Reserve Bank of San Francisco on May 6, 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 the Bank.

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

Item No.

Letter to The National Shawmut Bank of Boston, Boston, Massachusetts, granting an extension of time within which to comply with the divestment provisions of the Bank Holding Company Act. (For transmittal through the Federal Reserve Bank of Boston)

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	<u>Item No.</u>
Letter to the Bank of Amherst, Amherst, Virginia, approving the establishment of a branch in Madison Heights. (For transmittal through the Federal Reserve Bank of Richmond)	2
Letter to the Progressive Bank and Trust Company, New Orleans, Louisiana, approving the establishment of a branch in the 5400 block of Canal Boulevard. (For transmittal through the Federal Reserve Bank of Atlanta)	3

Prize contest. In advertisements concerning a contest sponsored by the Procter & Gamble Co., Cincinnati, Ohio, reference had been made to a pictured bag of silver dollars "as obtained from a Federal Reserve Bank." This reference led to a large number of inquiries and it appeared that the association of the Reserve Banks with the contest could possibly result in embarrassment to the System. Accordingly, there had been distributed to the Board copies of a draft of suggested letter to the company expressing the hope that arrangements would be made with its advertising agency to delete all references to a Federal Reserve Bank from announcements regarding the contest.

After discussion, during which it was noted that the contest had reached an advanced stage, it was agreed not to send the proposed letter and instead to request President Fulton of the Federal Reserve Bank of Cleveland to have the matter brought to the attention of an appropriate person at Procter & Gamble with a view to avoiding similar reference to the Federal Reserve in any contest that might be held in the future.

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Oral argument. In preparation for the hearing of oral arguments from four bank holding companies on May 11, 1959, in connection with pending requests for determinations under section 4(c)(6) of the Bank Holding Company Act, there had been distributed to the Board copies of a memorandum from Miss Hart dated May 6, 1959, submitting a tabulation of the nature of the organizations involved and a summarization of the facts and issues. Also submitted with the memorandum was a summarization of the facts and issues pertaining to the request for interpretation of the Act by St. Joseph Bank and Trust Company and St. Joseph Agency, both of South Bend, Indiana, concerning which action had been deferred pending a decision on the insurance agency question involved in the cases to be heard next Monday.

At the Board's request, Mr. Solomon outlined a suggested procedural arrangement for the hearing of oral argument which reflected complications arising out of the reluctance of Otto Bremer Company to associate itself in the proceedings with the other three bank holding companies.

After discussion, the Board expressed agreement with the arrangements proposed by Mr. Solomon and it was understood that a memorandum reflecting them would be distributed for the use of the members of the Board.

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In response to an inquiry regarding the procedure for consideration of the cases following receipt of oral argument, Mr. Hackley indicated that the legal staff would undertake to prepare a memorandum for the Board's assistance analyzing each of the points at issue and perhaps making recommendations. Then, after consideration of each case by the Board on the basis of such memorandum, the hearing examiner's report and recommended decision, and the oral presentation, the Legal Division would be prepared to draft appropriate orders and statements.

After Governor Mills commented that the several cases presented not only broad problems of importance from the standpoint of precedent but also subsidiary issues that might tend to confuse the major points, Mr. Hackley indicated that the staff would have such considerations in mind in developing its analytical material for the Board.

Messrs. Nelson and Davis then withdrew and Mr. Molony, Special Assistant to the Board, entered the room.

Amendments to Regulations T and U. With reference to the action taken by the Board on May 1, 1959, in adopting certain amendments to Regulation T, Extension and Maintenance of Credit by Brokers, Dealers, and Members of National Securities Exchanges, and Regulation U, Loans by Banks for the Purpose of Purchasing or Carrying Stocks Registered on a National Securities Exchange, but reserving a final decision on the timing of public announcement and the effective date, Mr. Solomon

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outlined a suggested schedule whereby there would be issued at 4:00 p.m. on Friday, May 8, a brief press release to which would be attached the approved amendments and a factual explanation, all in approximately the same style as when proposed amendments to the regulations were announced on March 13, 1959. This schedule contemplated that the amendments would be published in the Federal Register on or about May 13 and would become effective Monday, June 15, 1959.

In discussion, consideration was given to a suggestion by Governor Robertson that the effective date be advanced to June 1, 1959, since publication of the proposed amendments in the Federal Register had given interested parties ample opportunity to inspect and comment upon them and the approved amendments were less restrictive, taken as a group, than those published for comment. It was noted, however, that under the Administrative Procedure Act a decision to provide less than a thirty-day period after publication of the approved amendments in the Federal Register would require a finding by the Board that this was necessary in the public interest. In view of that requirement, and inasmuch as the amendments would exert a tightening effect, it was the majority view that the originally suggested effective date would be preferable to the first of June or June 8, which had been mentioned during the discussion as a possible alternative.

Because of the current Treasury financing operation, Governor Szymczak suggested that it might be advisable to check informally with

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an appropriate Treasury representative to ascertain whether there would be any feeling against public announcement of the amendments tomorrow afternoon. It was agreed that such a check should be made by the Vice Chairman, with the understanding that in the light of the views expressed to him the announcement would either be made on the date contemplated or on a date as soon thereafter as might appear appropriate.

Secretary's Note: On the basis of conversation with a Treasury representative following the meeting, Governor Balderston concluded that it would be advisable to defer public announcement of the amendments at least until 4:00 p.m. on Tuesday, May 12, and the other members of the Board were so informed.

All of the members of the staff except Messrs. Sherman, Kenyon, Hackley, Farrell, and Smith then withdrew.

Report of examination of San Francisco Bank. The report of an examination of the Federal Reserve Bank of San Francisco made by the Board's examining staff as of February 2, 1959, had been circulated to the Board along with the customary supplemental memoranda.

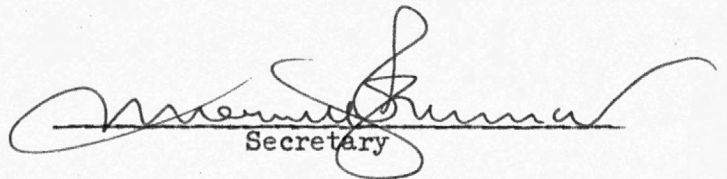
At the Board's request, Mr. Smith reviewed the highlights of information developed through the examination. Nothing in his comments was deemed to require further inquiry or action on the part of the Board.

The meeting then adjourned.

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Secretary's Note: Governor Shepardson today approved on behalf of the Board a letter to the Federal Reserve Bank of Boston (attached Item No. 4) approving the appointment of David Kent Sheppard as assistant examiner.



Secretary

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

Item No. 1
5/7/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 7, 1959



Mr. A. B. Tyler, Vice President,
The National Shawmut Bank of Boston,
Boston, Massachusetts.

Dear Mr. Tyler:

This refers to The National Shawmut Bank of Boston's application, pursuant to section 4(a) of the Bank Holding Company Act of 1956, for an extension of the period, for one year from May 9, 1959, within which it may retain its direct ownership of 12,601 of the 100,000 shares of the Nevada-Massachusetts Company, and 6,970 of the 100,000 shares of the Loyal Protective Life Insurance Company.

In accordance with the provisions of section 4(a) of the Act, the Board has granted the requested extension.

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
5/7/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 7, 1959

Board of Directors,
Bank of Amherst,
Amherst, Virginia.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Richmond, the Board of Governors of the Federal Reserve System approves the establishment of a branch on the west side of U. S. Route 29, one mile north of its intersection with Alternate Route 29, in the unincorporated community of Madison Heights, Amherst County, Virginia, provided capital stock is increased to \$100,000 to meet Federal statutory requirements, and the branch is established within nine months from the date of this letter.

It is noted that outstanding preferred stock will be retired prior to the establishment of the branch through a sale of additional common stock, and that the board of directors has agreed to provide additional capital in January 1961, if necessary.

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
5/7/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 7, 1959

Board of Directors,
Progressive Bank and Trust Company,
New Orleans, Louisiana.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Atlanta, the Board of Governors of the Federal Reserve System approves the establishment of a branch in the 5400 block of Canal Boulevard, New Orleans, Louisiana, by Progressive Bank and Trust Company, provided (1) the branch is established within one year from the date of this letter, (2) branch operations now conducted at 5055 Canal Street will be discontinued simultaneously with the establishment of the above branch, and (3) the approval of the State authorities is in effect as of the date of the establishment of the branch.

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. 4
5/7/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 7, 1959

Mr. B. F. Groot, Vice President,
Federal Reserve Bank of Boston,
Boston 6, Massachusetts.

Dear Mr. Groot:

In accordance with the request contained in your letter of May 1, 1959, the Board approves the appointment of David Kent Sheppard as an assistant examiner for the Federal Reserve Bank of Boston. Please advise as to the date on which the appointment is made effective.

Very truly yours,
(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

