

Minutes for May 13, 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>(initials)</u>
Gov. Szymczak	x <u>(initials)</u>	_____
Gov. Mills	x <u>(initials)</u>	_____
Gov. Robertson	x _____	_____
Gov. Balderston	x <u>(initials)</u>	_____
Gov. Shepardson	x <u>(initials)</u>	_____
Gov. King	x <u>(initials)</u>	_____

Minutes of the Board of Governors of the Federal Reserve System
 on Wednesday, May 13, 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. Thomas, Economic Adviser to the Board
 Mr. Marget, Director, Division of
 International Finance
 Mr. Hackley, General Counsel
 Mr. Farrell, Director, Division of Bank
 Operations
 Mr. Shay, Legislative Counsel
 Mr. Solomon, Assistant General Counsel
 Mr. O'Connell, 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. Daniels, Assistant Director, Division
 of Bank Operations
 Mr. Hill, Assistant to the Secretary
 Mr. Poundstone, Federal Reserve Examiner,
 Division of Examinations
 Mr. Huning, Review Examiner, Division of
 Examinations

Reserve requirement legislation. Governor Balderston stated
 that he had just finished talking with Senator Bush of Connecticut,
 who called to ask if an amendment to the pending reserve requirement
 bill that provided a three-year period for the termination of the
 central reserve city classification would remove the Board's objection

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to elimination of that classification. Governor Balderston told Senator Bush he felt sure this would not change the Board's position, which had been made clear in testimony before Senate and House Committees. After Governor Balderston reviewed the basis for the Board's position, Senator Bush asked if he could say, when introducing the amendment, that the three-year period would make it easier for the Board to work out the administrative problems that would result from enactment of such legislation. In reply, Governor Balderston said that the three-year period would be helpful but repeated that the Board had a fundamental objection to elimination of the central reserve city category.

Governor Balderston commented that there was still time to call Senator Bush in the event the Board wished to express a different view. However, none of the other members of the Board suggested any change in the position that had been stated by Governor Balderston.

Messrs. Thomas and Shay then withdrew from the meeting.

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 item numbers indicated, were approved unanimously:

Item No.

1

Letter to The Community Bank and Trust Company, New Haven, Connecticut, granting an extension of time to establish a branch at College Street Extension and Congress Avenue. (For transmittal through the Federal Reserve Bank of Boston)

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	<u>Item No.</u>
Letter to Bank of America, New York, New York, approving the relocation of its Hong Kong branch to permanent quarters. (For transmittal through the Federal Reserve Bank of New York)	2
Letter to the First State Bank and Trust Company, Bryan, Texas, approving its request for permission to exercise limited fiduciary powers. (For transmittal through the Federal Reserve Bank of Dallas)	3
Letter to the Federal Deposit Insurance Corporation regarding the application of The Veedersburg State Bank, Veedersburg, Indiana, for continuance of deposit insurance after withdrawal from membership in the Federal Reserve System.	4
Letter to the Presidents of all Federal Reserve Banks transmitting copies of a new Trust Report Manual.	5
Letter to the Federal Communications Commission regarding the request of the Federal Reserve Bank of Cleveland for assignment to it of a Federal radio transmitting frequency.	6
Letter to the Federal Reserve Bank of Philadelphia interposing no objection to participation by a member of its staff in preparatory sessions for an operations conference of Latin American central banks.	7

Fidelity Bank and Trust Company. It was agreed to hold over a letter to the Fidelity Bank and Trust Company, Indianapolis, Indiana, that would approve establishment of a branch in Speedway, pending development by the staff of further information regarding a report concerning a proposed merger of this bank with a national bank.

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Leasing of space in the Louisville Branch (Item No. 8).

Mr. Freutel, First Vice President of the Federal Reserve Bank of St. Louis, had called Governor Balderston regarding a request from Citizens Fidelity Bank & Trust Co., a member bank in Louisville, Kentucky, to lease vacant space on the third floor of the Louisville Branch building at the going community rate while the member bank's rebuilding program was in progress, which might involve a tenancy of about one year. It was understood that the bank proposed to house transit operations and its correspondent bank department in the Branch space. Mr. Freutel said that he and President Johns were aware of the policy set forth in the Board's letter of June 12, 1953, and would like guidance from the Board before taking the matter up with the Louisville Branch or head office directors.

Mr. Farrell reviewed the position the Board had taken in its letter of June 12, 1953, which stated that "in connection with the question of tenants, the Board is of the opinion that, as a general policy, space in a Federal Reserve Bank building should not be rented to banks, savings and loan associations, investment houses, security dealers, or other similar financial organizations dealing with the public." He also recalled that last year the bankers associations of New York and Maryland had been requested to terminate their occupancy of space in Reserve Bank buildings.

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Following further discussion, the unanimous view was expressed that an exception to the 1953 policy statement in the case of Citizens Fidelity would not be warranted. It was understood that a letter to such effect would be sent to the St. Louis Bank and also that Governor Shepardson would indicate the Board's position to Mr. Freutel while in St. Louis tomorrow. A copy of the letter sent pursuant to this understanding is attached as Item No. 8.

In this connection, Mr. Farrell was requested to review the arrangements to provide quarters for the United States Fidelity and Guaranty Company under the current building program of the Federal Reserve Bank of Chicago.

Firstamerica Corporation. Mr. Hackley reported that he received a call last night from Mr. O'Kane, Counsel for the Federal Reserve Bank of San Francisco, advising that the United States District Court had denied Firstamerica Corporation's motion for dismissal of the suit instituted by the Justice Department to prevent the acquisition of California Bank, Los Angeles, by Firstamerica, which meant that the case would now be set down for trial. Mr. Hackley said it would also mean that representatives of the Justice Department, and perhaps the United States Attorney's Office, might approach the System for information concerning Firstamerica, which could present a question regarding the release of unpublished information. While a great deal of information

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had been made a matter of record during the course of the public hearing on Firstamerica's application under the Bank Holding Company Act, it was possible that other material would be requested at the Reserve Bank or the Board. It was recalled that certain information concerning the management of First Western Bank and Trust Company, San Francisco, was not included in the public record of the hearing, and there were also such items as memoranda written by the staff of the Board and perhaps the Reserve Bank staff. Mr. Hackley commented that, while the Board's rules contemplate cooperation with other Government agencies by making available to them unpublished information needed in the performance of their official functions, he was of the opinion that no unpublished information should be supplied in this instance except upon the specific request of the Attorney General and the specific approval of the Board.

Governor Mills inquired as to the distinction between furnishing another agency with information for use in the conduct of its official duties and protecting the confidentiality of certain kinds of information in court cases, particularly where the information could be obtained from parties to the litigation.

Mr. Hackley replied that this was a difficult question to answer without identifying the particular information involved. He again made it clear that he did not propose to mention the existence of staff memoranda to the Justice Department in connection with the Firstamerica proceeding.

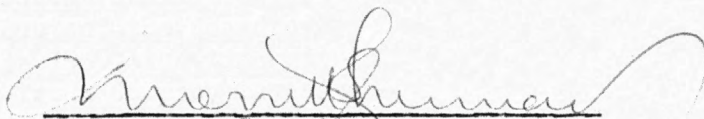
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After further discussion, it was agreed that no request by the Justice Department for information in connection with the First-america matter, except non-confidential information of a purely factual nature, should be granted without being considered by the Board, and that approval by the Board probably would not be warranted.

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. 9) approving the reappointment of Constantinos L. Costalas as assistant examiner.


Secretary

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

Item No. 1
5/13/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 13, 1959

Board of Directors,
The Community Bank and Trust Company,
New Haven, Connecticut.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Boston, the Board of Governors extends to August 3, 1959, the time within which The Community Bank and Trust Company may establish a branch at the junction of College Street Extension and Congress Avenue, New Haven, Connecticut, as originally approved in letter of the Board of Governors dated December 1, 1958.

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
5/13/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 13, 1959

Mr. Tom B. Coughran,
Executive Vice President,
Bank of America,
40 Wall Street,
New York 15, New York.

Dear Mr. Coughran:

This will acknowledge receipt of your letter of April 27, 1959, transmitted through the Federal Reserve Bank of New York, advising that your Bank opened a branch in Hong Kong, British Crown Colony, on April 20, 1959 in temporary quarters in the Queens Building, Rooms 218-219, Ice House Street, Hong Kong.

The Board of Governors notes, with approval, that you will relocate the branch in more suitable quarters on the second floor of the Prince's Building (corner of Ice House Street and Charter Road at a distance of one block from the present address), as soon as the Hong Kong Government Treasury vacates these premises, which, it is anticipated, will occur around July 1959. Please advise the Board of Governors in writing, through the Federal Reserve Bank of New York, when the branch is removed to permanent quarters.

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
5/13/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 13, 1959



Board of Directors,
First State Bank and Trust Company,
Bryan, Texas.

Gentlemen:

This refers to your request for permission, under applicable provisions of your condition of membership numbered 1, to exercise fiduciary powers.

Following consideration of the information submitted, the Board of Governors of the Federal Reserve System grants permission to First State Bank and Trust Company to administer the two accounts in respect to which it is now acting as guardian.

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
5/13/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 13, 1959

The Honorable Jesse P. Wolcott,
Chairman,
Federal Deposit Insurance Corporation,
Washington 25, D. C.

Dear Mr. Wolcott:

Reference is made to your letter of April 21, 1959, concerning the application of The Veedersburg State Bank, Veedersburg, Indiana, for continuation of deposit insurance after withdrawal from membership in the Federal Reserve System.

No corrective programs have been urged upon the bank which, in the opinion of the Board of Governors, it would be considered desirable to incorporate as conditions to continuance of deposit insurance.

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
5/13/59



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 12, 1959.

Dear Sir:

Enclosed herewith is a copy of the Trust Report Manual for use of the members of your staff who are concerned with the trust examination function. Additional copies are being forwarded to your Examination Department under separate cover.

The manual was prepared by the Board's Division of Examinations and is, in substance, a compilation of the better reporting practices of trust examiners of all twelve Federal Reserve Banks. Its contents were reviewed in part at the Conference of Trust Examiners of the Federal Reserve Banks held in New York on February 12, 1959, and the representatives were requested to forward comments and suggestions on its contents to the Board's Division of Examinations. The manual has been revised in accordance with the suggestions offered and may now be distributed to appropriate members of your staff for use.

The loose-leaf form of presentation has been adopted, for it is contemplated that comment under the various sections will be revised from time to time in order to keep the material contained therein current. By this means, it is believed the manual will become an effective medium through which helpful guidance will be available to those concerned with this specialized field of endeavor.

Very truly yours,

Merritt Sherman,
Secretary.

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

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

Item No. 6
5/13/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



May 13, 1959

Miss Mary Jane Morris, Secretary,
Federal Communications Commission,
Washington 25, D. C.

Dear Miss Morris:

The Board has been requested by the Federal Reserve Bank of Cleveland to explore the possibility of having a Federal radio transmitting frequency in the 150 megacycle range assigned to the Cleveland Reserve Bank. Such a frequency is considered desirable by the Cleveland Bank in order that it may establish more effective communication between its armored truck and guard headquarters, and thereby improve its protection of valuables entrusted to it.

With respect to the request for a Federal rather than a commercial frequency, it may be helpful to mention that a very large portion of the valuables carried by the Reserve Bank's armored truck represents cash and securities which the Reserve Bank is handling in its capacity as an instrumentality of the Federal Government. For instance, acting as fiscal agent of the Treasury Department, the Bank uses its truck to pick up and deliver Government securities having an average monthly value of nearly \$600 million. These securities are carried at the risk and expense of the Treasury Department.

Enclosed is a Form 400, which the Federal Reserve Bank understands to be the appropriate means of applying for the desired frequency. If additional information of a technical nature is needed, it is suggested that the inquiry be addressed to Mr. Dwight L. Allen, Vice President, Federal Reserve Bank of Cleveland. However, the Board will be glad to supply any further information deemed desirable with regard to the general nature of the Federal Reserve Banks.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

Enclosure.

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

Item No. 7
5/13/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 13, 1959



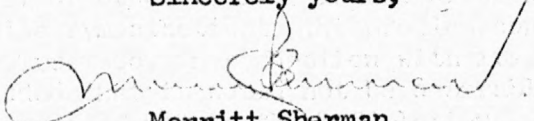
Mr. Karl R. Bopp, President,
Federal Reserve Bank of Philadelphia,
Philadelphia 1, Pennsylvania.

Dear Mr. Bopp:

This letter is in reply to your letter of May 8,
regarding the proposed participation of Mr. James V. Vergari,
in preparatory sessions for an Operations conference of the
Latin American central banks.

The Board interposes no objection to Mr. Vergari's
participation in these sessions on the basis of the arrange-
ments outlined in your letter.

Sincerely yours,


Merritt Sherman,
Secretary.



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

Item No. 8
5/13/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 13, 1959

Mr. Delos C. Johns, President,
Federal Reserve Bank of St. Louis,
St. Louis 66, Missouri.

Dear Mr. Johns:

On the basis of Mr. Fruetel's telephone conversation with Governor Balderston, the Board has given consideration to the request of the Citizens Fidelity Bank & Trust Co., Louisville, Kentucky, to rent space in the Louisville Branch building for a temporary period at the going community rate for similar space. It is understood that the member bank is in the midst of a building program and would like to use certain vacant space on the third floor of the Branch building to accommodate transit operations and members of its correspondent banking staff.

As you will recall, the Board's letter to the Presidents of all Federal Reserve Banks dated June 12, 1953, which was sent after discussion with the Presidents' Conference, reflects the opinion that, as a general policy, space in a Federal Reserve Bank or branch building should not be rented to banks, savings and loan associations, investment houses, security dealers, or other similar financial organizations dealing with the public. While sympathetic to the problem confronting the Citizens Fidelity Bank & Trust Co. in connection with its building program, the Board has concluded that it would not be desirable to depart from the general policy set forth in the 1953 letter.

This letter supplements the advice being given to Mr. Freutel informally by Governor Shepardson on the occasion of his current visit to St. Louis.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 9
5/13/59



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 13, 1959

To: Mr. John F. Pierce, Chief Examiner,
Federal Reserve Bank of New York,
New York 45, New York.

Re: Request for a copy of the minutes of the
Board of Governors of the Federal Reserve System on
the above matter.

Mr. John F. Pierce, Chief Examiner, to include a statement
Federal Reserve Bank of New York, as to the status of
New York 45, New York. of policy actions required to
be taken in order to meet the needs of the Federal

Dear Mr. Pierce:

In accordance with the request contained in your
letter of May 8, 1959, the Board approves the reappointment
of Constantinos L. Costalas as an assistant examiner for
the Federal Reserve Bank of New York. Please advise as to
the date on which the reappointment is made effective.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.