Minutes for May 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.

<table>
<thead>
<tr>
<th>A</th>
<th>B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chm. Martin</td>
<td>x</td>
</tr>
<tr>
<td>Gov. Szymczak</td>
<td>x</td>
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<tr>
<td>Gov. Mills</td>
<td>x</td>
</tr>
<tr>
<td>Gov. Robertson</td>
<td>x</td>
</tr>
<tr>
<td>Gov. Balderston</td>
<td>x</td>
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<tr>
<td>Gov. Shepardson</td>
<td>x</td>
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<tr>
<td>Gov. King</td>
<td>x</td>
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Minutes of the Board of Governors of the Federal Reserve System

on Thursday, May 21, 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. 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. Young, Assistant Counsel

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:

Letter to The Midland National Bank, Midland, Michigan, approving its application for fiduciary powers. (For transmittal through the Federal Reserve Bank of Chicago)  

Letter to the Federal Deposit Insurance Corporation regarding compliance by the Bank of Belmont Shore, Long Beach, California, with the provisions of the corrective program prescribed by the Corporation. (With a copy to the Federal Reserve Bank of San Francisco)
Letter to the Senate Committee on Banking and Currency regarding S. 1879, a bill "To amend the Small Business Act, and for other purposes." (With a copy to the Bureau of the Budget)

Telegram to the Federal Reserve Bank of Chicago approving the addition of three items to the program of alterations to the head office building and authorizing completion of two of the items.

Messrs. Daniels, Benner, and Young then withdrew from the meeting.

Report of examination of the Federal Reserve Bank of Kansas City. There had been circulated to the Board, with the customary supporting memoranda from the Division of Examinations, the report of examination of the Federal Reserve Bank of Kansas City as of March 4, 1959.

In commenting on the examination, Mr. Smith noted that a letter had now been received from the Chairman of the Board of the Kansas City Bank advising of review and acceptance of the report by the directors. Among the matters then mentioned by Mr. Smith were the building programs at the head office and branches, the installation and initial use of an electronic computer, member bank borrowing experience, and management factors. His comments called for no action by the Board.

Messrs. Farrell and Smith then withdrew from the meeting.
Officer salaries at Federal Reserve Banks (Item No. 5).

There had been distributed to the Board a draft of letter to the Federal Reserve Bank of New York approving the payment of salary to two officers of that Bank, including an officer transferred to the position of Assistant General Auditor, at annual rates specified by the Board of Directors.

In this connection, question was raised regarding the procedures followed at the Reserve Banks in making the selection of the general auditor and at least his principal assistant and in fixing their salaries. It was recalled that the Board had requested that the agenda of the June Presidents' Conference, and the subsequent joint meeting of the Board and Presidents, include a discussion of the practice of senior Bank officers attending meetings of the audit committee of the Board of Directors, along with the somewhat related question of responsibility for salary administration as it affects those engaged in the audit function. With this in mind, it was suggested the Secretary express informally to Chairman Erickson of the Presidents' Conference the Board's desire that the discussion include the method of selection of senior auditing personnel. The thought also was expressed that the desirability of further discussion with the Chairmen's Conference of relationships between the general auditor and the Reserve Bank directors should be kept in mind.
Governor King then commented on the functions of branch directors in the light of his experience as a director of the New Orleans Branch, and Governor Shepardson reviewed briefly the program in the Dallas District to expand the responsibilities of branch directors. The need for giving continued thought to this problem was agreed upon, and the suggestion was made that the Dallas program be reviewed at a meeting of the Chairmen's Conference.

Thereupon, the letter to the Federal Reserve Bank of New York was approved unanimously. A copy is attached hereto as Item No. 5.

The meeting then adjourned.

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

Appointments

William Francis Upshaw as Legal Assistant, Legal Division, with basic annual salary at the rate of $7,030, effective the date of entrance upon duty.

C. Hadley Fraser as Assistant Federal Reserve Examiner, Division of Examinations, with basic annual salary at the rate of $6,735, effective the date of entrance upon duty.

Transfer

Eunice M. Boyd, from the position of Secretary in the Division of Research and Statistics to the position of Secretary in the Office of the Controller, with no change in her basic annual salary at the rate of $4,940, effective May 25, 1959.
May 21, 1959.

Board of Directors,
The Midland National Bank,
Midland, Michigan.

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 Michigan, 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 that The Midland National Bank 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 Directors,
Federal Deposit Insurance Corporation,
Washington 25, D. C.

Gentlemen:

Mr. DeHority's letter of May 7, 1959, requested an expression from the Board of Governors as to whether or not the Bank of Belmont Shore, Long Beach, California, has complied with the provisions of the seven-point corrective program prescribed for the bank by the Federal Deposit Insurance Corporation in its letter of December 5, 1958. He indicated you were especially interested in the Board's views on the method used by the bank in complying with Condition No. 7 which deals with capitalization of fixed assets.

The Board is not disposed to object to the carrying values assigned to fixed assets since the values assigned furniture and fixtures and the Seal Beach lots represent actual costs, and the value assigned bank premises appears to be supported by a satisfactory appraisal. Although management is not entirely satisfactory, the Board is of the view that any possible request for further strengthening of management might well be deferred for a time pending a more accurate assessment of progress with the bank's remaining problems. It is the opinion of the Board that the bank's actions constitute reasonable compliance with the terms of the Corporation's corrective program.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.
May 21, 1959.

The Honorable A. Willis Robertson,
Chairman, Committee on Banking and Currency,
United States Senate,
Washington 25, D. C.

Dear Mr. Chairman:

This will advise you, in response to your letter of May 11, 1959, that the Board has no comment on the bill S. 1879, "To amend the Small Business Act, and for other purposes."

Sincerely yours,

C. Canby Balderston,
Vice Chairman.
May 21, 1959.

Allen - Chicago

Board approves addition of three items to program of alterations to the present Bank building as outlined in Mr. Harris' letter of April 20, 1959. Board also authorizes completion of two of the items at an estimated cost of $71,000, exclusive of architects fees, as requested.

(Signed) Merritt Sherman

SHERMAN
Confidential (FR)

Mr. William F. Treiber,
First Vice President,
Federal Reserve Bank of New York,
New York 45, New York.

Dear Mr. Treiber:

The Board of Governors approves the payment of salaries to the following named officers of the Federal Reserve Bank of New York for the period May 7, 1959, through December 31, 1959, at the rates indicated, which are the rates fixed by your Board of Directors as reported in your letter of May 8, 1959.

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>Annual Salary</th>
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<tbody>
<tr>
<td>John P. Jensen</td>
<td>Assistant General Auditor</td>
<td>$15,500</td>
</tr>
<tr>
<td>Frank W. Schiff</td>
<td>Manager</td>
<td>14,000</td>
</tr>
</tbody>
</table>

The Board has noted the changes in assignments of Messrs. Tilford C. Gaines and Alan R. Holmes.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.