

Minutes for June 8, 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>24</u>	_____
Gov. Szymczak	x <u>[Signature]</u>	_____
Gov. Mills	_____	<u>[Signature]</u>
Gov. Robertson	x <u>[Signature]</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 Monday, June 8, 1959. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Young, Director, Division of Research
and Statistics
Mr. Hackley, General Counsel
Mr. Farrell, Director, Division of Bank
Operations
Mr. Molony, Special Assistant to the Board
Mr. Noyes, Adviser, Division of Research and
Statistics
Mr. Benner, Assistant Director, Division of
Examinations
Mr. Hill, Assistant to the Secretary

Discount rates. The establishment without change by the
Federal Reserve Banks of New York and Minneapolis on June 4, 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.

Item circulated to the Board. The following item, which had
been circulated to the Board with appropriate supporting information,
and a copy of which is attached to these minutes as Item No. 1, was
approved unanimously:

Letter to The First State Bank, Rockwall, Texas,
approving an investment in bank premises.

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Questions on Regulation U. There had been distributed to the Board a draft of reply to a letter dated May 28, 1959, from Continental Illinois National Bank and Trust Company of Chicago, Chicago, Illinois, raising questions regarding certain provisions of Regulation U, as amended effective June 15, 1959. Mr. Hackley reported that a revised draft was in process, and at his request consideration of the matter was deferred.

Continental Bank proceeding (Item No. 2). There had been distributed to the Board a memorandum from Mr. Hackley dated June 5, 1959, advising that a motion had been filed in which Special Counsel to the Board and Counsel for Respondent jointly requested that oral argument in The Continental Bank and Trust Company proceeding be held on such day of the week of July 20, 1959, as would be convenient to the Board. The Legal Division was of the opinion there was no reason for denial and submitted a draft motion granting the joint request. One and one-half hours would be allowed for presentation of oral argument by counsel for each party.

After a brief discussion, it was agreed to hear oral argument in the case at 9:30 a.m. on Wednesday, July 22, 1959. A copy of the order issued pursuant to this action is attached hereto as Item No. 2.

Messrs. Benner and Hill then withdrew from the meeting and Mr. Sprecher, Assistant Director, Division of Personnel Administration, entered the room along with Miss Hart, Assistant Counsel.

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Appointment of research officers. At the meeting on June 3, 1959, consideration was given to procedures followed in connection with the appointment of research officers at the Federal Reserve Banks, along with various related matters. As Governor Szymczak, who was not present at that meeting, had expressed a desire to participate in the discussion, action on the matter was held in abeyance.

Governor Szymczak recalled that when the research departments were first established in the Federal Reserve Banks, those activities fell under the jurisdiction of the Chairman and Federal Reserve Agent, who was a full-time officer. However, following enactment of the Banking Act of 1935, the organizational structure of the Reserve Banks was changed and the President became the chief executive officer. Subsequently, the Board wrote to the Reserve Banks that the appointment of the officer in charge of examinations should have the approval of the Board because of the provisions of the law relating to the examination of State member banks. At the same time, the Board advised the Reserve Banks that supervisory personnel in research likewise should have the approval of the Board. Since that time, the Reserve Banks had not consistently followed the practice of consulting the Board in advance of appointing an officer in charge of the research function; in certain cases the matter had been brought to the Board's attention only when approval of the officer's salary was requested. The question, therefore,

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was whether to take a look at the whole procedure and determine if the Board wished to continue its outstanding instruction or to change its position and notify the Reserve Banks accordingly.

Following a comment by the Chairman that the sense of the meeting on June 3 favored review of the entire matter, Governor Shepardson said he had reservations about any procedure which placed the Board in the position of laying down an instruction when there was a question concerning the requirement from a legal standpoint. After mentioning the discussions that had taken place within the Presidents' Conference and the work done by the Committee on Research and Statistics relating to the System's research organizational structure, he suggested, as he had previously at the June 3 meeting, the possibility of establishing a joint committee of Board members and Presidents to review the whole problem, including the procedures followed in the appointment of research officers. With respect to the outstanding instruction relating to research officers, he expressed the view that it would be desirable to work out arrangements on a cooperative basis whereby the respective Reserve Banks would confer with the Board in advance concerning such appointments. With regard to the appointment of Mr. Roosa as Vice President in charge of the research function at the New York Bank, he suggested that in view of the circumstances described at the meeting on June 3, it would seem preferable for the Board to take

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no action and instead to approach the broader problem at the earliest opportunity. In view of the policy questions involved, he felt that the problem might well be studied by a committee at the level of the Board and the Presidents rather than by a staff committee.

In further discussion, question was raised with respect to the disposition of the study made by the Committee on Research and Statistics concerning the organization of the research function. It was recalled that Governor Mills had been designated by the Board on October 11, 1956, to keep in touch with the Presidents through the Committee on Research and Statistics, but that in 1958 he received advice from the Committee Chairman (Mr. Bryan) that the Committee had been relieved by the Presidents' Conference from pursuing the project further, which in effect terminated the assignment.

In the circumstances, Chairman Martin suggested that Governor Balderston be requested to review the various facets of the subject that had been discussed at Board meetings within the last few days, and thereafter to make recommendations to the Board with respect to procedure from this point.

There was unanimous agreement with this suggestion, it being understood that the assignment would include a review of the procedures followed in connection with the appointment of all Reserve Bank officers and approval by the Board of compensation for such officers. This

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reference of the matter to Governor Balderston contemplated that no action would be taken by the Board with respect to the appointment by the New York Bank of Mr. Roosa as the officer in charge of the research function at that Bank.

Messrs. Farrell and Sprecher then withdrew and Mr. Riefler, Assistant to the Chairman, entered the room.

Testimony before Ways and Means Committee. Chairman Martin had been asked to appear before the Ways and Means Committee of the House of Representatives on Wednesday, June 10, to give testimony in connection with hearings on the recent proposals of the Administration with respect to increasing the national debt limit, eliminating the current interest rate ceiling on United States Treasury bonds, and adjusting the rates of interest on United States savings bonds. A draft of statement for the Chairman's use at that time had been distributed prior to this meeting.

Since some of the members of the Board had not yet had an opportunity to review the draft, Chairman Martin turned to Mr. Young who summarized the proposed testimony and indicated reasons why it had been thought desirable to prepare the draft statement in the form in which it was distributed.

There followed discussion of the circumstances under which the hearings were to be held, after which Chairman Martin requested that the other members of the Board review the draft of testimony and send any suggestions to Mr. Young for use in preparing a final draft.

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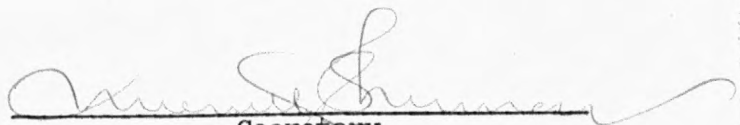
There being agreement with the suggested procedure, it was understood that the draft statement would be revised by the staff in the light of such suggestions as might be received and that the statement would be presented in a final form satisfactory to Chairman Martin.

The meeting then adjourned.

Secretary's Notes:

In accordance with the recommendation contained in a memorandum dated June 1, 1959, from Mr. Kelleher, Director, Division of Administrative Services, Governor Robertson, acting in the absence of Governor Shepardson on June 5, 1959, granted permission to Barbara Reighter, a member of the staff of that Division, to work part-time as a bookkeeper for Lindsley Service, Arlington, Virginia.

Pursuant to the recommendation contained in a memorandum dated May 21, 1959, from Mr. Noyes, Adviser, Division of Research and Statistics, Governor Shepardson today approved on behalf of the Board the appointment of John D. Hogan as Economist in that Division to fill the budget position occupied by Mr. Hald for approximately one year, with basic annual salary at the rate of \$12,555, effective the date of entrance upon duty.


Secretary

Item No. 1
6/8/59

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

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 8, 1959

Board of Directors,
The First State Bank,
Rockwall, Texas.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Dallas, the Board of Governors of the Federal Reserve System approves, under the provisions of Section 24A of the Federal Reserve Act, an aggregate investment in bank premises of \$80,169 by The First State Bank, Rockwall, Texas, which amount includes present investments together with expenditures for construction of a new building. It is understood that the proceeds from the sale of the existing bank building are to be applied to reduce the book value of the new banking house.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

Item No. 2
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UNITED STATES OF AMERICA

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

In the Matter of)
THE CONTINENTAL BANK)
AND TRUST COMPANY)
Salt Lake City, Utah)

ORDER GRANTING REQUESTS FOR ORAL ARGUMENT

Upon consideration of the motion filed herein by special counsel to the Board of Governors and counsel for the Respondent, The Continental Bank and Trust Company, jointly requesting that this matter be set down for oral argument before the Board on such day of the week of July 20, 1959, as shall meet the convenience of the Board, it is

ORDERED that the requests for oral argument are hereby granted, said oral argument to commence at 9:30 a.m. on July 22, 1959, at the offices of the Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue, N. W., Washington, D. C., with an allowance of one hour and thirty minutes for presentation of such oral argument by counsel for each party.

This 8th day of June, 1959.

By order of the Board of Governors.

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

(SEAL)
Washington, D. C.