

Minutes for July 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>TM</u>	_____
Gov. Szymczak	x <u>MP</u>	_____
Gov. Mills	x <u>[Signature]</u>	_____
Gov. Robertson	_____	x <u>R</u>
Gov. Balderston	x <u>CCB</u>	_____
Gov. Shepardson	_____	x <u>CS</u>
Gov. King	x <u>[Signature]</u>	_____

Minutes of the Board of Governors of the Federal Reserve System  
on Wednesday, July 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. Mills  
Mr. King

Mr. Sherman, Secretary  
Mr. Kenyon, Assistant Secretary  
Mr. Riefler, Assistant to the Chairman  
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. Furth, Associate Adviser, Division of  
International Finance  
Mr. Nelson, Assistant Director, Division of  
Examinations  
Mr. Goodman, Assistant Director, Division of  
Examinations  
Mr. Benner, Assistant Director, Division of  
Examinations  
Mr. Daniels, Assistant Director, Division of  
Bank Operations  
Mr. Hooff, Assistant Counsel

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

	<u>Item No.</u>
Letter to Bankers International Corporation, New York City, transmitting a final permit to commence business.	1

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	<u>Item No.</u>
Letter to the Bound Brook Trust Company, Bound Brook, New Jersey, approving the establishment of a branch at West Union and Vosseller Avenues.	2
Letter to the Western Security Bank, Sandusky, Ohio, approving the establishment of a branch in the Sandusky Plaza Shopping Center.	3
Letter to the Pan American State Bank, Brownsville, Texas, approving its request for permission to exercise fiduciary powers.	4
Letter to the Comptroller of the Currency recommending approval of an application to organize a national bank at Chardon, Ohio.	5
Letter to the Comptroller of the Currency recommending disapproval of an application to organize a national bank at Charleston, Illinois, unless arrangements for a change in the proposed management should be made.	6
Telegram to the Federal Reserve Bank of New York approving the opening and maintenance of an account in the name of the European Investment Bank.	7

Gold loan to Brazil. Mr. Marget referred to the discussion at the Board meeting on July 2, 1959, regarding an inquiry that had been made of the Federal Reserve Bank of New York by Banco do Brasil concerning the possibility of obtaining a \$50 million Federal Reserve gold loan for a three-month period, with option of renewals up to one year. The following day, he said, the New York Reserve Bank, having been informed of the Board's view that a loan on such terms would not fall within the scope of present gold loan policy and that the circumstances involved

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would not seem to warrant a deviation from that policy, sent a cable to Banco do Brasil indicating that present Federal Reserve policy limited gold loan facilities to seasonal or clearly short-run needs. The cable inquired whether the Brazilian authorities had explored the possibility of securing a gold loan from commercial bank sources. On July 6, Banco do Brasil cabled the New York Reserve Bank expressing interest in obtaining a short-term gold loan. Since funds were needed to meet commitments due in July, the cable indicated that the Brazilians would accept the Federal Reserve's best terms until a commercial bank accommodation could be arranged.

Mr. Marget stated that he understood the officers of the New York Reserve Bank were planning to present to the Bank's directors tomorrow a proposal for a \$50 million gold loan to Brazil which would mature in two months or upon such earlier date as sufficient proceeds of a loan or loans by commercial banks in the United States became available. In granting the loan, it would be stipulated that if the loan were not paid at maturity the Federal Reserve would expect the gold collateral to be sold and the proceeds applied to the repayment of the loan. It was understood by the New York Bank that certain United States commercial banks were forming a syndicate for the purpose of granting an accommodation to Brazil but that it would not be possible to complete the negotiations within the time that the Brazilians had indicated the funds were urgently needed.

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Mr. Marget then referred to and read a letter received this morning from Under Secretary of State Dillon supporting favorable consideration of a short-term gold loan to Brazil. He added that the desirability of financial assistance also had been suggested in communications received by the United States Government from its officials stationed in Brazil.

Mr. Marget pointed out that the current proposal was quite different from the original request. While even the modified proposal would represent a stretching of Federal Reserve gold loan policy, it was his view that in the circumstances the short-term accommodation probably should be granted. He then asked guidance from the Board in discussing the matter further with representatives of the New York Reserve Bank.

Governor Szymczak reported having had a discussion of the matter with officers of the Reserve Bank and said that they shared the Board's reluctance with regard to making a loan of this kind. In the light of pertinent considerations, however, it had been decided to present the proposed short-term loan for consideration by the directors. The letter from Mr. Dillon, Governor Szymczak pointed out, represented an indication that the Government would like the Federal Reserve to go along with such a loan in all of the circumstances. He added that he considered it desirable to include a proviso that the gold collateral would be sold if the loan had not been repaid by the maturity date.

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Governor Mills expressed the opinion that the System was being pressured into a transaction that was unfortunate. However, developments had moved in such a manner that it seemed difficult for the Federal Reserve to refuse to grant the accommodation. Assuming that the loan was approved, he raised the question whether it would be advisable to include a condition that the gold collateral must be sold at maturity unless the loan had been repaid from proceeds of a loan by United States commercial banks or in some other manner. The Brazilians, he noted, had been quite free to express opinions, officially or semi-officially, that had reached the press and brought criticism upon the United States. In connection with studies made by the International Monetary Fund, it had been charged that the United States was exploiting the position of Brazil and that it was necessary to retaliate. Thus, the inclusion of a provision that the gold collateral must be sold might expose the United States to further criticism from Brazilian sources.

In reply, Mr. Marget expressed the thought that unless the Brazilian authorities were given clearly to understand that the gold loan was strictly an interim transaction, the Federal Reserve might be faced with a loan that would remain outstanding longer than contemplated by its original terms.

Chairman Martin expressed a similar view, stating that if the Federal Reserve did not indicate some firmness the Brazilians might assume that renewal of the loan would be possible. Governor Szymczak

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agreed, adding that he thought it important from the standpoint of the State Department as well as the parties to the transaction that the situation be clear. Otherwise, pressure might be exerted for renewals of the loan.

At the conclusion of the discussion, Mr. Marget was authorized to advise the officers of the New York Reserve Bank informally that the Board would not be disposed to object to a gold loan to Brazil on the terms that the Reserve Bank's officers were now contemplating, if a loan on such terms should be authorized by the Reserve Bank directors and submitted to the Board for approval.

Messrs. Marget, Furth, and Nelson then withdrew from the meeting.

Payment of bonus for renewal of certificates of deposit (Item No. 8). In a letter dated April 24, 1959, the Federal Reserve Bank of St. Louis requested an expression of the Board's views on a question, presented by The First National Bank of Vandalia, Vandalia, Illinois, as to whether the bank might pay a "bonus" of 1/2 per cent per annum retroactive to January 1, 1957, to holders of outstanding five-year 2-1/2 per cent certificates of deposit if the certificates were renewed at maturity. Presumably, 3 per cent would be paid on the renewed certificates, and the beginning date for the retroactive payment of interest had been chosen because the maximum permissible rate of interest on time deposits was increased from 2-1/2 per cent to 3 per cent by the Board effective on that date. The memorandum noted that the question

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was essentially whether such an arrangement should be viewed as the payment of additional interest on the matured outstanding certificates or as additional interest on the renewed certificates. In citing the arguments on both sides, the memorandum pointed out that for a number of years the Board had given its approval to certificates of deposit which provided for increasing rates of interest, depending on the length of time the deposit was in the bank concerned, if the period of notice of withdrawal was consistent with that required by Regulation Q, Payment of Interest on Deposits. Furthermore, the Board took the position in 1958 that a member bank could modify the rate of interest on outstanding certificates so as to pay the maximum rate of 3 per cent, provided such rate of interest was not paid for any period before January 1, 1957.

The question now presented had been discussed at an interagency conference attended by representatives of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the Board of Governors, at which time the representatives of the Corporation were of the opinion that a bonus should be considered part of the inducement for renewal of the certificate and, therefore, part of the interest which would be paid on the renewed certificate. However, a representative of the Comptroller considered that the bonus related only to the time the money had been on deposit and brought out that, when added to the interest paid for such time, the total would not exceed the maximum permissible rate. A majority of those in the Board's Legal Division



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who had considered the matter were disposed toward the position favored by the Federal Deposit Insurance Corporation and suggested by the Reserve Bank in submitting the matter; namely, that the proposed bonus should be regarded as compensation for the renewed deposit. Submitted with the memorandum were alternative drafts of a letter to the St. Louis Reserve Bank. One draft would take the position that the bonus would have to be added to the stated rate in determining whether the renewed deposit complied with Regulation Q, while the alternate draft would take the opposite position.

Following introductory comments by Messrs. Hackley and Hooff, Governor Mills indicated that he would be inclined slightly toward the minority view that existed within the Legal Division. Where the Board had, in earlier instances, allowed variations in the rate of interest payable on a certificate of deposit to be credited over the life of the certificate, he did not see why a member bank should not be permitted, if it so desired, to make a retroactive payment of interest on such a certificate.

There followed further explanation regarding the earlier rulings of the Board referred to by Governor Mills, after which Mr. Benner stated that the Division of Examinations would favor the minority view. He suggested that in circumstances where there was not clearly a violation of the Board's regulations, it might be said that the inclination should be against interfering with a bank's manner of doing

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business. In this case, he felt a rather arbitrary decision would be involved in saying that the proposed bonus actually represented interest paid on the renewed certificate of deposit.

Governor King reported having been advised by Governor Shepardson that the latter would be inclined to support the majority view within the Legal Division. Governor Shepardson had noted that the retroactive payment of interest would be made only to the holders of certificates who renewed them at maturity. If, on the other hand, the retroactive payment were offered to all certificate holders on a uniform basis, Governor Shepardson felt that he would be prepared to go along with the minority view.

On this point, Mr. Hackley recalled that the Board had taken the position in the past that there was no objection to a bank's discriminating between depositors as to the rate of interest, provided the bank did not pay to any depositor more than the maximum permissible rate. As previously indicated, the Board also had taken the position that there was nothing in its regulations to prevent a member bank from adjusting the rate of interest within the maximum limitations of Regulation Q.

Governor Szymczak and Chairman Martin then indicated that they would be inclined toward the minority view and the alternative draft of letter expressing that position. Governor Balderston agreed, stating that such an opinion would not give the member bank an unfair competitive

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advantage in attracting new depositors but would help the bank to resist the inducements of other institutions to take away its present customers.

In further discussion, a minor change in the draft of letter was suggested by Governor King and the elimination of a paragraph from that letter was agreed to on the grounds that it was unnecessary. The view was expressed by Mr. Hackley that the sending of such a letter need not be contingent upon further discussion with the Federal Deposit Insurance Corporation, particularly since no strong expressions on the matter had been made at staff level.

Accordingly, subject to the modifications agreed upon at this meeting, approval was given to the draft of letter to the Federal Reserve Bank of St. Louis taking the position that the proposed bonus would not have to be added to the stated rate of interest in determining whether the renewed certificate of deposit would comply with Regulation Q. A copy of the approved letter is attached as Item No. 8, and copies were sent to all Federal Reserve Banks as a matter of information.

Messrs. Benner, Goodman, and Hooff then withdrew from the meeting.

Disposal of structure on New Orleans Branch building site.  
(Item No. 9). At the meeting on June 26, 1959, consideration was given to the proposal of the Federal Reserve Bank of Atlanta to demolish the Sewage and Water Building located on the recently acquired New Orleans

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Branch building site, and question was raised whether it was clear from the record that advantageous or profitable use could not be made of the building. Accordingly, Governor King was requested to make appropriate inquiry regarding this point.

Governor King reported that he had discussed the matter with President Bryan, Mr. Shaw, Vice President in charge of the New Orleans Branch, and one of the New Orleans Branch directors. He was advised during these conversations that the Reserve Bank had made an effort through a real estate broker to find tenants for the Sewage and Water Building but was unsuccessful in finding anyone who would like to lease more than a few rooms. The building was not air-conditioned and the plumbing was reported to be in bad condition. Mr. Bryan expressed agreement with the suggestion that it would be advisable to have a complete file on the matter prepared for the records of the Board and the Bank, such file to include the recommendations of the Bank's architects.

In concluding his report, Governor King said he was now satisfied that it would be appropriate for the Board to interpose no objection to the demolition of the Sewage and Water Building.

Accordingly, unanimous approval was given to the telegram to the Federal Reserve Bank of Atlanta of which a copy is attached as Item No. 9, it being understood that the file referred to by Governor King would be prepared by Mr. Bryan to complete the record.

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Retention of tax counsel by Chicago Bank (Item No. 10). At the meeting on June 26, 1959, the Board gave consideration to the request contained in a letter from President Allen of the Federal Reserve Bank of Chicago dated June 12, 1959, that the Board approve payment by the Bank of a fee of \$10,000 to the law firm of Holt and Kearney for legal services in connection with efforts to secure a reasonable tax assessment on the Bank's real properties for the 1959-1962 tax period. In view of questions raised at that time, it was decided to defer action on the matter pending discussion with Mr. Allen.

Governor Balderston stated that Mr. Allen, in a conversation yesterday, advised that both he and Reserve Bank Chairman Prall had gone into the matter thoroughly and had satisfied themselves that the retention of tax counsel was appropriate. Three commercial banks in Chicago had been contacted, and it was found that they also followed the practice. The law firm proposed to be retained had been checked into and was found to be highly regarded. Consequently, Messrs. Prall and Allen had reached the conclusion that it was appropriate to take the position that the handling of tax assessment matters in Chicago called for specialized knowledge and required the retention of appropriately qualified tax counsel. In this connection, Mr. Allen noted that the problem was magnified at this time because of assessment questions that would flow from the current head office building

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program. The practice of retaining tax counsel had been followed by the Reserve Bank over a period of 16 years, during which the Bank had paid approximately \$32,000 for legal services and had saved approximately \$250,000 through the reduction of assessments. Accordingly, although Messrs. Prall and Allen disliked the custom that had grown up in Chicago with respect to the negotiation of assessments, the practice of employing special counsel to deal with such matters was followed by banks and other firms in the community and they concluded that the retention of tax counsel by the Reserve Bank was justifiable.

Governor Balderston reported also having been advised by Mr. Allen that, in addition to employing tax counsel for work in connection with the quadrennial tax assessments, the Reserve Bank had been paying regularly a modest fee of around \$200 per year to outside counsel for dealing with tax assessment problems arising on an annual basis. Because of the small payments involved, it had not been necessary to secure Board approval under the provisions of the Board's letter of March 4, 1940 (S-206), but the principle involved appeared to be the same. It was Mr. Allen's view that this retention of counsel annually to deal with technical matters required specialized knowledge and was justifiable.

On the basis of Governor Balderston's report, it was the unanimous view of the Board that the payment of a fee for legal services

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in connection with the quadrennial tax assessment, as requested in Mr. Allen's letter of June 12, 1959, should be approved. A copy of the letter sent to the Reserve Bank pursuant to this action is attached as Item No. 10.

Messrs. Riefler and Daniels then withdrew from the meeting.

Legislation on reserve requirements. As mentioned at the Board meeting on July 2, 1959, the House of Representatives approved on the previous day the bill on member bank reserve requirements reported by the Banking and Currency Committee, subject to an amendment that would set a range of 10 to 22 per cent, rather than 10 to 20 per cent, on reserve requirements of reserve city banks. In view of adoption of this amendment by the House and inclusion in the bill approved by the Senate of a provision having to do with reserves of holding company affiliates, not found in the House bill, the two bills were to go to conference.

Chairman Martin reported a request from Chairman Robertson of the Senate Banking and Currency Committee for an expression as to how vigorously the Board felt about the amendment to the House bill. It was his own view, Chairman Martin said, that the amendment did not make too much difference one way or the other. Accordingly, he felt the Board's position might be that it believed the bill originally introduced at its request was appropriate, that it would prefer a maximum reserve requirement of 20 per cent for reserve city banks,

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but that changes had been made in the bill originally introduced, including elimination of the central reserve city classification, and the Board was not disposed to feel that the fixing of a maximum requirement of 22 per cent rather than 20 per cent for reserve city banks made too much difference. It was Chairman Martin's view that it would be preferable to express this position orally unless a request should be received for a written statement.

After discussion, it was agreed unanimously that it would be appropriate for Chairman Martin to advise Senator Robertson along the lines that he (Chairman Martin) had indicated.

Submission of examination reports. Chairman Martin referred to the decision at the Board meeting on June 23, 1959, to accede to the request of Congressman Patman that copies of the examination reports of the Federal Reserve Banks for the year 1958 be made available for his review, and to the letter sent to Mr. Patman thereafter indicating that the reports would be transmitted to the House Banking and Currency Committee. The Board's action contemplated that the reports would not be sent until copies thereof had been obtained for the Board's files from the respective Reserve Banks. Such copies had now been received and the reports of examinations had been made ready for transmittal to the Banking and Currency Committee, with a covering letter.



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In commenting on the matter, Chairman Martin noted that reports of examination of the Reserve Banks for years prior to 1958 had been transmitted to the Banking and Currency Committee with letters expressing the understanding that the contents would be held in confidence. However, this understanding had not been adhered to by Congressman Patman. On this account, and for other reasons that he mentioned, Chairman Martin said that he was deferring the actual transmittal of the 1958 examination reports.

No disagreement was expressed with the position taken by Chairman Martin.

Board and Reserve Bank budgets. Mr. Farrell reported that a letter to the Federal Reserve Banks concerning preparation and submission of the 1960 budgets was being drafted for the Board's consideration and that this letter would call for continuation of the practice instituted last year whereby the respective Presidents had informal discussion with a committee of Board members regarding plans for the year 1959. He indicated that the letter would come before the Board for consideration on or about July 15 and that it would seem appropriate to hold the discussions with the individual Presidents during the month of August and in early September. Such a schedule would permit the Reserve Banks to have available expense information for the first half of 1959 to serve as a basis for 1960 estimates.

In the light of Mr. Farrell's comments, and after consideration of Board members' schedules and related matters, Governors Balderston,

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Mills, and King were designated as the committee of the Board to hold the aforementioned discussions with the Reserve Bank Presidents and, after submission and staff analysis of the respective budgets, to submit recommendations for the Board's consideration.

It was agreed that the preparation of the Board's budget for 1960 would be under the direction of Governor Shepardson, who would have discussions with the heads of the respective divisions and then submit recommendations to the Board.

All of the members of the staff except Mr. Sherman then withdrew from the meeting.

Governor Szymczak referred to the recent informal discussion by the Board of Mr. Noyes' memorandum to Governor Shepardson dated June 2, 1959, in which Mr. Noyes reviewed several telephone calls and meetings that he and other staff members had had with Mr. Sergei Bogomolov of the Economic Staff of the Russian Embassy. Governor Szymczak stated that, in accordance with the request of the Board, he had attempted to talk with Under Secretary of State Douglas Dillon for the purpose of ascertaining whether the State Department had views as to the furnishing of information to Mr. Bogomolov regarding gold movements and economic developments in the United States. In Mr. Dillon's absence, he had talked with Mr. Robert P. Terrill, Special Assistant to Under Secretary Dillon (for Communist Economic Affairs) on June 24,

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who said that he did not know whether the State Department had a policy on matters of this kind but that he doubted it.

On July 2, Governor Szymczak said, Mr. William Turpin of the State Department, who identified himself as an international economist in the Office of the Soviet Union Affairs, called on the telephone to say that the State Department could not encourage or discourage giving out or not giving out of information as requested by people from the Soviet Union Embassy. Mr. Turpin commented, however, that while he was in the Soviet Union not so long ago he attempted to obtain certain information regarding that country and the response to his inquiry was that he should put his questions in writing. Mr. Turpin indicated that this was done but that he received no answers to his questions. His thought, therefore, was that at some time the State Department should discuss with the Soviet Union the subject of reciprocal exchanges of information. A summary of his conversations with Messrs. Terrill and Turpin was contained in a memorandum dated July 2 that Governor Szymczak sent to each member of the Board.

Governor Szymczak commented that the essence of the discussions with Messrs. Terrill and Turpin seemed to be that there was no position in the State Department that would preclude giving representatives of the Russian Embassy information that would be given to any other person making inquiry, and that there was no reason to cease seeing or talking with representatives from the Embassy along the lines that had been described by Mr. Noyes. On the other hand, Governor Szymczak gathered

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that it would be appropriate to "drag our feet" on giving anything other than routine published information so long as information regarding the Soviet Union was not available to any great extent on a reciprocal basis, partly because so little information on that country is available through published sources.

Thereupon the meeting adjourned.

Secretary's Notes:

On July 7, 1959, Governor Shepardson approved on behalf of the Board the following actions affecting the Board's staff that had been recommended in memoranda from appropriate individuals concerned:

Merit salary increases, effective July 12, 1959

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Secretary's Office</u>			
Marjorie Eaton, Secretary		\$ 5,580	\$ 5,730
Mary Jane Heiss, Clerk		4,490	4,640
Jane C. Charuhas, Records Clerk		3,755	3,850
<u>Legal</u>			
Donald W. Farrell, Legal Assistant		6,735	6,885
Patricia D. Kevilly, Stenographer		3,850	3,945
<u>Research and Statistics</u>			
Mona E. Dingle, Chief, Consumer Credit and Finances Section		12,770	13,070
Peter M. Keir, Chief, Government Finance Section		11,355	11,595
Stephen H. Axilrod, Economist		9,890	10,130
Dorothy S. Projector, Economist		8,570	8,810
Helmut F. Wendel, Economist		8,330	8,570
James C. Byrnes, Economist		7,750	7,990
Richard C. Pickering, Economist		7,750	7,990
Helen R. Grunwell, Chief Draftsman, Economic Illustrating Unit		7,510	7,750
Athens J. Messick, Secretary		5,730	5,880
Rose C. Cassidy, Research Assistant		5,280	5,430
Natalie C. Strader, Research Assistant		4,980	5,130
Virginia Johns, Secretary		4,640	4,790
Eleanor J. Pratt, Research Assistant		4,190	4,340

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Merit salary increases, effective July 12, 1959 (continued)

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>International Finance</u>			
Frederick R. Dahl, Economist		\$ 8,330	\$ 8,570
Samuel I. Katz, Chief, British Commonwealth, Scandinavia, and Near East Section		13,070	13,370
Marcia G. Patz, Secretary		4,490	4,640
Betty B. Taylor, Secretary		4,790	4,940
<u>Examinations</u>			
M. Patricia McShane, Training Assistant		5,240	5,390
Patricia D'Ambrosio, Stenographer		3,850	3,945
Robert F. Achor, Review Examiner		8,570	8,810
John M. Poundstone, Federal Reserve Examiner		8,810	9,050
Wilson D. Dougal, Senior Federal Reserve Examiner		11,355	11,595
John P. Donovan, Federal Reserve Examiner		7,030	7,270
Michael W. Flynn, Federal Reserve Examiner		7,030	7,270
Jerry B. Riley, Federal Reserve Examiner		7,270	7,510
Louis W. Zidek, Federal Reserve Examiner <sup>1/</sup>		7,030	7,270
Francis J. McGarvey, Assistant Federal Reserve Examiner		6,585	6,735
Alexander J. Harris, Jr., Assistant Federal Reserve Examiner		5,280	5,430
Thomas G. Young, Assistant Federal Reserve Examiner		4,640	4,790
<u>Bank Operations</u>			
Evelyn Bryan, Supervisor, Member Bank Statement Unit		5,580	5,730
Kathryn A. Jackson, Statistical Clerk		4,190	4,340
Mary Patricia Barlow, Statistical Clerk		3,945	4,040
<u>Personnel Administration</u>			
June E. Ayers, Administrative Assistant		8,570	8,810
Judith J. Sherbine, Clerk-Stenographer		3,850	3,945

<sup>1/</sup> Title change from Assistant Federal Reserve Examiner to Federal Reserve Examiner effective July 12, 1959.

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Merit salary increases, effective July 12, 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>			
Davis H. Wilson, Chief, Automatic Data Processing and Telegraph Section		\$ 9,050	\$ 9,290
John C. Simmons, Laborer		3,150	3,245
Blanche E. Peacock, Charwoman		3,340	3,435
Charles E. Evans, Messenger		3,150	3,245
<u>Office of the Controller</u>			
Jean S. Glascock, Secretary		5,280	5,430
Joseph H. Hoyle, Supervisor, Payroll and Disbursing		5,580	5,730

Salary increases, effective July 12, 1959

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Legal</u>			
Margaret A. Smith, Stenographer		\$ 4,040	\$ 4,135
<u>Research and Statistics</u>			
Mary T. Gregory, Statistical Clerk		3,945	4,040
Mary Jane Harrington, Economist		7,030	7,270
David R. Hull, Jr., Economist		5,280	5,430
Marcia L. Mehl, Clerk-Stenographer		4,040	4,135
<u>Examinations</u>			
Herbert H. Hagler, Federal Reserve Examiner		7,990	8,230
Linwood N. Tyndall, Assistant Federal Reserve Examiner		5,280	5,430
<u>Personnel Administration</u>			
Judith J. Sherbine, Clerk-Stenographer		3,755	3,850

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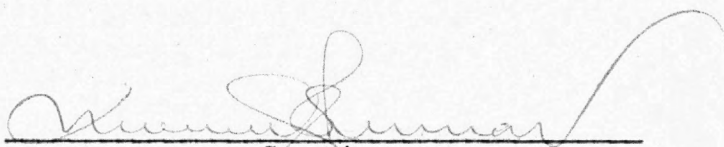
Salary increases, effective July 12, 1959 (continued)

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Administrative Services</u>			
Donald B. Fitzhugh, Tabulation Planner		\$ 6,135	\$ 6,285
Herbert E. Haney, Operator, Tabulating Equipment		5,130	5,280
Blanche E. Peacock, Charwoman		3,245	3,340

Acceptance of resignation

Mary E. Prather, Cafeteria Helper, Division of Administrative Services, effective July 7, 1959.

Governor Shepardson today approved on behalf of the Board a letter to the Federal Reserve Bank of Richmond (attached Item No. 11) approving the designation of Douglas L. Anderson, L. Gerald Perks, Jr., Reginald E. Slaughter, and Carroll E. Taylor as special assistant examiners, and a letter to the Federal Reserve Bank of Chicago (attached Item No. 12) approving the appointment of John E. Ryan as assistant examiner.

  
Secretary

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

Item No. 1  
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ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

July 8, 1959.

Bankers International Corporation,  
16 Wall Street,  
New York 15, New York.

Gentlemen:

The Board of Governors has received a certificate of the Secretary and three directors of Bankers International Corporation, dated June 24, 1959, certifying the information required by Section 3(c) of Regulation K as prerequisite to the issuance of a final permit to commence business.

There is enclosed herewith a final permit of the Board of Governors granting to Bankers International Corporation authority to commence business as a corporation organized under the provisions of Section 25(a) of the Federal Reserve Act.

Upon completion of the organization of the Corporation, it will be appreciated if you will furnish the Board of Governors, through the Federal Reserve Bank of New York, with a copy of the by-laws of the Corporation and advise, in writing, as to the date the Corporation commences business.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

Enclosure



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON

July 8, 1959.

WHEREAS, the Board of Governors of the Federal Reserve System on the twenty-eighth day of May, Nineteen Hundred and Fifty Nine, approved the Articles of Association and Organization Certificate of Bankers International Corporation in accordance with the terms of Section 25(a) of the Federal Reserve Act; and

WHEREAS by satisfactory evidence presented to the Board of Governors of the Federal Reserve System it appears that Bankers International Corporation has complied with all of the provisions of the statutes of the United States required to be complied with before a corporation shall be authorized to commence business as a corporation organized under Section 25(a) of the Federal Reserve Act;

NOW, THEREFORE, it is hereby certified that Bankers International Corporation is authorized to commence business as a corporation organized and operating under the provisions of Section 25(a) of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System issued in accordance therewith.

IN WITNESS WHEREOF I have hereunto set my hand and caused the seal of the Board of Governors of the Federal Reserve System to be affixed on the day and year first above written.

(Signed) Merritt Sherman

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Merritt Sherman,  
Secretary.

(SEAL)

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

Item No. 2  
7/8/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

July 8, 1959.

Board of Directors,  
Bound Brook Trust Company,  
Bound Brook, New Jersey.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of New York, the Board of Governors of the Federal Reserve System approves the establishment of an in-town branch at the southwest corner of West Union Avenue and Vosseller Avenue, by Bound Brook Trust Company, Bound Brook, New Jersey, provided the branch is established within one year from the date of this letter and approval of State authorities is in effect as of the date of the establishment of the branch.

It is understood that additional capital funds of not less than \$200,000 will be provided through the sale of additional common stock prior to the establishment of the proposed 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. 3  
7/8/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

July 8, 1959.

Board of Directors,  
The Western Security Bank,  
Sandusky, Ohio.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Cleveland, the Board of Governors of the Federal Reserve System approves the establishment by The Western Security Bank of a branch in the Sandusky Plaza Shopping Center, Cleveland Road, Sandusky, Ohio, provided the branch is established within nine months from the date of this letter.

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  
7/8/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

July 8, 1959.



Board of Directors,  
Pan American State Bank,  
Brownsville, 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 Pan American State Bank to exercise the fiduciary powers now or hereafter authorized by its charter and the laws of the State of Texas.

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  
7/8/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

July 8, 1959.

Comptroller of the Currency,  
Treasury Department,  
Washington 25, D. C.

Attention Mr. Hollis S. Haggard,  
Chief National Bank Examiner.

Dear Mr. Comptroller:

Reference is made to a letter received from your office dated April 20, 1959, enclosing an application to organize a national bank at Chardon, Ohio, and requesting a recommendation as to whether or not the application should be approved.

Information contained in a report of investigation of the application made by an examiner for the Federal Reserve Bank of Cleveland indicates generally favorable findings with respect to the factors usually considered in connection with such proposals. Accordingly, the Board of Governors recommends favorable consideration of the application.

The Board's Division of Examinations will be glad to discuss any aspects of this case with representatives of your office if you so desire.

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. 6  
7/8/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD



July 8, 1959.

Comptroller of the Currency,  
Treasury Department,  
Washington 25, D. C.

Attention Mr. W. M. Taylor,  
Deputy Comptroller of the Currency.

Dear Mr. Comptroller:

Reference is made to a letter from your office dated May 6, 1959, enclosing copies of an application to organize a national bank at Charleston, Illinois, and requesting a recommendation as to whether or not the application should be approved.

A report of investigation of the application made by an examiner for the Federal Reserve Bank of Chicago indicates that a capital structure of \$300,000 would be provided for the bank instead of \$200,000 shown in the application. This revised capital structure would appear to be adequate. The investigation also indicates that the community could support another bank and that prospects for profitable operations are reasonably good. With respect to management, it appears that Mr. George A. Edwards and his brother, Mr. J. Thomas Edwards, together with one of their present associates, will participate in the management of the proposed bank. Their management of State Bank of Eureka, Eureka, Illinois, has been unsatisfactory and unreliable and we would not look with favor on the application for the proposed bank if the Edwards' had a vested interest in the management. However, if arrangements are made for other competent management which would be satisfactory to your office, the Board recommends approval of the application to organize a national bank at Charleston, Illinois.

The Board's Division of Examinations will be glad to discuss any aspects of this case with representatives of your office if you so desire.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.

TELEGRAM  
BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
LEASED WIRE SERVICE  
WASHINGTON

Item No. 7  
7/8/59

July 8, 1959.

COOMBS - NEW YORK

Your wire July 2. Board approves the opening and maintenance of an account on your books in the name of the European Investment Bank subject to the usual terms and conditions upon which your Bank maintains accounts for foreign central banks and governments. It is understood that you will in due course offer participation in this account to the other Federal Reserve Banks.

(Signed) Merritt Sherman

SHERMAN

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

Item No. 8  
7/8/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

July 8, 1959.

Mr. George E. Kroner, Vice President,  
Federal Reserve Bank of St. Louis,  
Post Office Box 442,  
St. Louis 66, Missouri.

Dear Mr. Kroner:

This refers to your letter of April 24, 1959, requesting the Board's views on the question presented by the First National Bank of Vandalia, Illinois, as to whether the bank may pay a bonus of 1/2 per cent per year retroactive to January 1, 1957, to all who hold its outstanding five-year, 2-1/2 per cent certificates of deposit, provided they renew the certificates at maturity. Presumably, 3 per cent would be paid on the renewed certificates.

The Board has given its approval to certificates of deposit providing for increasing rates of interest depending on the length of time the deposit is in the bank if the period of notice of withdrawal is consistent with that required by the Supplement to Regulation Q for the rate of interest paid. For example, if a certificate provides for payment five years after date at a rate of 2-1/2 per cent but permits earlier payment after 90 days notice at a rate of 2 per cent, the certificate complies with Regulation Q. (1953 BULLETIN 721; F.R.L.S. #6301.2) In such a case, the extra interest provides an inducement for the depositor to leave his deposit with the bank until the end of the 5-year period rather than withdraw it prior to that time. While admittedly the present case is not exactly the same, it may be regarded as closely analogous.

Also, the Board has taken the position that a member bank may modify the rate of interest on outstanding certificates of deposit so as to pay the maximum rate of 3 per cent on such certificates provided this rate of interest is not paid for any period before January 1, 1957, although in that case there was no suggestion that the higher interest would be conditioned upon the renewal of the outstanding certificates.





Mr. George E. Kroner

-2-

The Board is of the opinion that, consistent with the positions taken in the situations mentioned above, the proposed bonus in the present case relates only to the time the money has been on deposit, the additional interest would be paid for such time, and the total would not exceed the maximum permissible rate.

The Board has no objection to use of the so-called "savings investment coupon certificate" by a national bank as a form of time certificate of deposit.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

T E L E G R A M  
LEASED WIRE SERVICEBOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTONItem No. 9  
7/8/59

July 8, 1959

Bryan - Atlanta

Referring Mr. Patterson's letter of June 12, 1959,  
Board will interpose no objection to demolition of the Sewage  
and Water Building on the recently acquired New Orleans  
Branch building site, as approved by the head office and  
branch directors.

(Signed) Merritt Sherman

Sherman

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

Item No. 10  
7/8/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

July 8, 1959

Mr. Carl E. Allen, President,  
Federal Reserve Bank of Chicago,  
Chicago 90, Illinois.

Dear Mr. Allen:

Reference is made to your letter of June 12, 1959, requesting the Board's approval for the payment by the Federal Reserve Bank of Chicago of a fee of \$10,000 to the law firm of Holt & Kearney, Chicago, for services to be rendered by that firm looking toward a reasonable tax assessment for the period 1959-1962 on the real properties owned by the Bank.

The Board approves the payment of this sum to the designated law firm on the basis of the understanding stated by you to exist that this fee is subject to reconsideration contingent upon satisfaction with the amount of the final assessment.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.



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

Item No. 11  
7/8/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

July 8, 1959

Mr. N. L. Armistead, Vice President,  
Federal Reserve Bank of Richmond,  
Richmond 13, Virginia.

Dear Mr. Armistead:

In accordance with the request contained in your letter of July 3, 1959, the Board approves the designation of the following employees as special assistant examiners for the Federal Reserve Bank of Richmond, for the purpose of participating in the examination of member banks only:

Douglas L. Anderson  
L. Gerald Perks, Jr.

The Board also approves the designation of the following employees as special assistant examiners for the Federal Reserve Bank of Richmond, for the purpose of participating in the examination of member banks only, except the bank listed immediately above their names:

The Bank of Virginia, Richmond, Virginia

Reginald E. Slaughter  
Carroll E. Taylor

The Central National Bank of Richmond, Richmond, Virginia

Reginald E. Slaughter

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. 12  
7/8/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

July 8, 1959



Mr. W. R. Diercks, Vice President,  
Federal Reserve Bank of Chicago,  
Chicago 90, Illinois.

Dear Mr. Diercks:

In accordance with the request contained  
in your letter of July 2, 1959, the Board approves  
the appointment of John E. Ryan as an assistant  
examiner for the Federal Reserve Bank of Chicago.  
Please advise as to the date on which the appoint-  
ment is made effective.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.