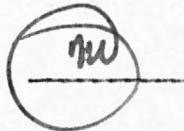


The attached set of minutes of the meeting of the Board of Governors of the Federal Reserve System on July 24, 1959, which you have previously initialed, has been amended at the request of Governor Robertson to substitute the last paragraph on page 9 (continuing on page 10) for the final two paragraphs on page 9 of the minutes as originally drafted.

Chairman Martin



Minutes for July 24, 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>M</u>	_____
Gov. Szymczak	x <u>MS</u>	_____
Gov. Mills	x <u>MS</u>	_____
Gov. Robertson	x <u>R</u>	_____
Gov. Balderston	x <u>CCB</u>	_____
Gov. Shepardson	_____	x <u>Shep</u>
Gov. King	_____	x <u>King</u>

Minutes of the Board of Governors of the Federal Reserve System
on Friday, July 24, 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. Robertson

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Thomas, Economic Adviser to the Board
Mr. Farrell, Director, Division of Bank
Operations
Mr. Solomon, Assistant General Counsel
Mr. Hexter, Assistant General Counsel
Mr. Nelson, Assistant Director, Division
of Examinations
Mr. Smith, Assistant Director, Division
of Examinations
Mr. Conkling, Assistant Director, Division
of Bank Operations
Mr. Thompson, Supervisory Review Examiner,
Division of Examinations
Messrs. Guth and Huning, Review Examiners,
Division of Examinations
Mr. Lyon, Federal Reserve Examiner, Division
of Examinations

Discount rates. The establishment without change by the Federal Reserve Banks of New York, Philadelphia, Cleveland, Richmond, Chicago, St. Louis, and Dallas on July 23, 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.

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

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	<u>Item No.</u>
Letter to The First National Bank of Mantua, Mantua, Ohio, approving its application for fiduciary powers.	1
Letter to the Arkansas Valley Bank, Pueblo, Colorado, approving an investment in bank premises.	2
Letter to The First Bank of Brighton, Brighton, Colorado, granting an extension of time within which to effect withdrawal from membership in the Federal Reserve System.	3
Letter to the Presidents of all Federal Reserve Banks requesting continuation of the final mid-month reports of assets and liabilities of member banks on Form F.R. 635.	4
Letter to the Federal Deposit Insurance Corporation regarding the application of The Vermont Bank and Trust Company, Brattleboro, Vermont, for continuance of deposit insurance.	5
Letter to the Chemical Corn Exchange Bank, New York City, approving the establishment of a branch at Queens Boulevard and 64th Road, Rego Park, instead of at Junction Boulevard and 62nd Drive.	6

Application of Marine Corporation. The Marine Corporation, Milwaukee, Wisconsin, had applied under section 3(a)(2) of the Bank Holding Company Act for prior approval of the acquisition of 80 per cent or more of the 3,000 voting shares of Pewaukee State Bank, Pewaukee, Wisconsin. Approval was recommended by the Federal Reserve Bank of Chicago, and no objection was interposed by the Commissioner of Banks for the State of Wisconsin.

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There had been distributed to the members of the Board two memoranda from the Division of Examinations dated June 30, 1959, and a memorandum from the Legal Division dated July 16, 1959. The Division of Examinations concluded that although a strong case for approval of the application on the basis of the convenience, needs, and welfare of the communities and areas concerned had not been made, some benefits relating to this factor might flow from the alliance of Pewaukee State Bank with the holding company. The Division also concluded that consummation of the proposed transaction would not expand The Marine Corporation's scope of operations beyond limits consistent with adequate and sound banking, the public interest, and the preservation of competition in the field of banking. Accordingly, the Division recommended that a notice of tentative decision granting the application be issued by the Board.

The Legal Division expressed the view that agreement by the Board with the conclusions of the Division of Examinations would constitute sufficient ground for approval of the application, but that in the absence of strong affirmative factors the Board also could lawfully deny the application if it concluded that the public interest in the field of banking would be better served by the continuance of Pewaukee as an independent bank. The Legal Division pointed out that the circumstances of the instant case were quite similar to those involved in applications of New Hampshire Bankshares, Inc. and BancOhio Corporation which the Board approved in 1958.

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At the request of the Board, Mr. Thompson made a statement concerning the findings and conclusions of the Division of Examinations, his comments being based on the memoranda submitted by that Division, while Mr. Hexter summarized the views expressed in the memorandum from the Legal Division.

The Chairman then turned to the members of the Board, each of whom indicated that he would favor the issuance of a notice of tentative decision approving the application.

Governor Robertson commented that in his opinion most of the factors required to be considered by the Bank Holding Company Act were neutral but that there was sufficient indication of benefit to the convenience, needs, and welfare of the communities and areas concerned to justify approval of the application.

Accordingly, it was understood that the Legal Division would prepare for the Board's consideration drafts of a notice of tentative decision and tentative statement granting the application of The Marine Corporation.

At this point Mr. Riefler, Assistant to the Chairman, entered the room.

Application of Bank Stock Corporation of Milwaukee. Bank Stock Corporation of Milwaukee, Milwaukee, Wisconsin, had applied, pursuant to section 3(a)(1) of the Bank Holding Company Act, for approval of

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action to become a bank holding company by acquiring 80 per cent or more of the outstanding common shares of the Marshall and Ilsley Bank and the Northern Bank, both of Milwaukee. The Commissioner of Banks for the State of Wisconsin indicated that he did not find grounds upon which to object to the application, and the Federal Reserve Bank of Chicago recommended favorable consideration.

Two memoranda from the Division of Examinations had been distributed to the Board under date of July 14, 1959, along with a memorandum from the Legal Division dated July 22, 1959. The Division of Examinations concluded that a strong case had not been made, and probably could not be made, for approval of the application on the basis of the convenience, needs, and welfare of the communities and areas concerned, but that consummation of the transaction would not be inconsistent with this factor. The Division also concluded that approval of the application would not bring into being a bank holding company whose size and extent would be beyond limits consistent with adequate and sound banking, the public interest, or the preservation of competition in the field of banking.

The Legal Division noted that this application presented the question whether the Board should approve the formation of a new holding company system that would significantly affect existing inter-bank competition provided a number of other sources of banking services

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would still be available to the public. It was noted that in the case of the application of The Marine Corporation, approved by the Board in 1958, the banks taken into the holding company system were not in substantial competition with each other, whereas in this case the creation of the new holding company system would eliminate significant actual and potential competition between two large banks. In the Marine case, the third largest bank in Milwaukee proposed to affiliate with itself three small banks not in substantial competition with it, while in this case the second largest bank in Milwaukee would be joined with the fourth largest. In addition, affiliation of the Northern Bank with the Marshall and Ilsley Bank would destroy any possibility of affiliation between the former and any one of certain small independent banks so as to develop a fourth substantial banking organization in the Milwaukee area. If the application were approved, Milwaukee would become in practical effect a three-bank city. It was the opinion of the Legal Division that either approval or denial of the application would be legally supportable.

At the request of the Board, Mr. Thompson summarized the findings of the Division of Examinations in the light of the five statutory factors required to be considered in a case of this kind, his comments being based on the memoranda that had been distributed to the Board, after which Mr. Hexter amplified the views expressed in the memorandum from the Legal Division.

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The Chairman then turned to the members of the Board, and Governor Mills, who spoke first, pointed out that there was no impediment in the laws of the State of Wisconsin to the establishment of a new bank holding company, so the question resolved itself to one of judgment on the part of the Board as to whether the creation of the new holding company would be consistent with the five factors set forth in the Bank Holding Company Act. He suggested that the Board's approach to such an application might be to look at the sponsoring bank as the nucleus of the holding company system and the expansion that would stem therefrom if the application were approved. In the instant case, such an approach would mean starting with the Marshall and Ilsley Bank and then considering, in the light of the five statutory factors, whether the covering of Northern Bank into a holding company group would constitute an expansion incompatible with those factors, particularly the fifth. The application of that kind of test produced, in his judgment, a narrow justification for approving the creation of the new holding company system, which would afford desirable and stronger competition to the two existing holding companies. Although in a sense its creation would reduce the competitive status of the remaining independent banks within metropolitan Milwaukee, those banks tended to operate in areas that were self-sufficient, or at least nearly enough so to provide business for the independent banks and to

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suggest that the creation of the new holding company would not be prejudicial to their longer-term further growth. Accordingly, Governor Mills indicated that he would be inclined to favor approval of the application.

Governor Robertson said that he viewed this as a very close case. Were it not for the fact that so much of the banking business in the Milwaukee area was now concentrated in two holding company systems, he would feel that the application should be denied. However, in view of the situation prevailing in the particular area, he could see some basis for approving the application to obtain whatever benefits were to be derived from competition between three large banking organizations rather than two such organizations.

Governor Szymczak stated that he would favor approval of the application, recognizing that this was a close case.

Governor Balderston raised the question whether certain distinctions should not be drawn between an application to establish a new holding company and an application to expand an existing holding company system. While the Bank Holding Company Act did not preclude the creation of holding companies, it seemed to him there was a difference between permitting extension of the scope of operations of an existing holding company and permitting the birth of a new one, and he had a little more concern about an application of the latter

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type. The establishment of the proposed holding company in the Milwaukee area, even though that company would be smaller than the largest holding company now in existence in the area, suggested that there might be set in motion a movement that would make it difficult for those banks still independently operated to remain in that status. On balance, therefore, he would be inclined to recommend against approval of the application.

Chairman Martin indicated that he would favor approval of the application, although the case was a close one. He recognized the points made by Governor Balderston, but they were not convincing to him to the extent that he would deny the application.

The Secretary reported having been informed by Governor King that he had reviewed both this application and that of The Marine Corporation, previously discussed at this meeting, and would be inclined to feel that both applications should be approved. The Secretary added that to his knowledge Governor Shepardson had not expressed any views with regard to either application.

As a result of the remarks made by Governor Balderston, especially those relating to the analogy he drew between this case and the elimination of competition between the second and fourth largest automobile producers in order to enable them (combined) to compete more effectively against General Motors, and in view of the fact that this was admittedly a close and difficult case, Governor Robertson stated that he felt more doubtful as to whether the application should be approved.

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Accordingly, he suggested that the case be put over for a subsequent meeting in order to allow further study. This request did not meet with approval. Governor Robertson then stated that on further reflection he had decided to resolve his doubts in favor of denial of the application.

There ensued further discussion of the procedure to be followed, and it was brought out that the action today would be only to authorize the drafting of a notice of tentative decision. In issuing a tentative decision in other cases, it had been the Board's practice not to indicate whether there were minority views, and the final decision in the matter would await elapse of the requisite number of days following publication of the tentative decision. At that time consideration would be given to whatever comments might have been received from interested parties.

Accordingly, it was understood that the Legal Division would prepare for the Board's consideration a notice of tentative decision and a tentative statement granting the application of Bank Stock Corporation of Milwaukee. In this connection, the view was expressed that if a notice of tentative decision granting the application were published, the position taken therein should not be reversed merely because of a change in the composition of the Board at the meeting when the case came up for final decision.

Messrs. Hexter, Thompson, Guth, Huning, and Lyon then withdrew from the meeting, and Messrs. Noyes, Adviser, Williams, Associate Adviser, Eckert, Chief, Banking Section, and Fisher, Economist, Division of Research and Statistics, entered the room.

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Correspondence with Congressman Patman. As stated at the meeting on July 20, 1959, Congressman Patman had addressed a letter to Chairman Martin under date of July 17, 1959, raising a series of questions with respect to bank reserves. Members of the staff had joined in the drafting of replies to such questions and copies of the proposed replies were distributed at this meeting.

Information was reported from the office of the Board's Legislative Counsel that Mr. Patman had expressed a desire to receive the answers to his questions not later than today, apparently so that he might have them for study prior to Chairman Martin's appearance before the Joint Economic Committee on Monday, July 27. It was also reported that Mr. Patman had requested replies to as many of the questions as possible if the full set of answers could not be sent to him today, and that he had later presented a single question, related to those found in his letter but somewhat different in form from any of them. As transcribed in the office of the Legislative Counsel, this particular question left some doubt as to meaning, which suggested that the advisable course would be to transmit today to Mr. Patman the answers to all of the questions contained in his letter.

In discussion, it was noted that the questions asked by Mr. Patman were so phrased as to be susceptible in most cases to rather short answers, but that the replies had been drafted in such manner as to afford as full information as possible.

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From preliminary review, no questions were raised as to the accuracy or clarity of the proposed replies. It was then agreed that the members of the Board would review the draft answers at greater length, that any comments or suggestions would be forwarded to Mr. Thomas or Mr. Sherman, and that the answers would be sent to Congressman Patman this afternoon.

Secretary's Note: After certain changes had been made in the light of comments received, the answers were sent to Congressman Patman later in the day, with a letter of transmittal signed by Chairman Martin.

Mr. Conkling then withdrew from the meeting.

Maximum rates on time and savings deposits. There had been distributed to the members of the Board copies of a letter dated July 21, 1959, from the Federal Reserve Bank of New York transmitting a letter dated July 13, 1959, from the Manufacturers Trust Company, New York City, requesting increases in the maximum rates of interest payable on time and savings deposits under Regulation Q, Payment of Interest on Deposits. The Reserve Bank's letter also enclosed a memorandum submitted under date of July 14, 1959, by The Chase Manhattan Bank, New York City, concerning the degree of stability purported to have been shown by that bank's foreign-owned time deposits. The Reserve Bank recommended increases in the rates on time deposits with maturities of 90 days and over but expressed the

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view, as it had previously, that the maximum rate on savings deposits need not be increased because the rates on other time deposits were raised.

There had also been distributed to the Board copies of a letter from the Michigan National Bank, Lansing, Michigan, dated July 20, 1959, requesting an increase to 3-1/2 per cent, compounded quarterly, in the maximum rate payable on savings deposits and time certificates, and the Secretary reported at this meeting that the New York Reserve Bank had now transmitted a letter dated July 20 from The Hillside National Bank, Hillside, New Jersey, requesting an increase to 3-1/2 per cent in the maximum savings deposit rate.

Chairman Martin stated that he had suggested the inclusion of this topic on the agenda because of his feeling that such treatment should be accorded to communications of the nature that had been received. He would recommend, however, that no action be taken at this time, particularly in view of the current controversy in the Congress relating to interest rate ceilings on Treasury bonds and United States savings bonds.

There was no indication of disagreement with the view expressed by the Chairman.

Mr. Eckert then withdrew and Mr. Allison, Special Consultant to the Board, entered the room.

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Facilities at cash agent banks. There had been distributed to the Board copies of a memorandum from Mr. Harris, Coordinator of Defense Planning, dated July 23, 1959, reporting that the Federal Reserve Bank of Cleveland had selected its emergency cash agent banks and was now ready to enter into lease agreements with such banks for the use of vault facilities. In order to provide appropriate protection for the currency stored at such points, regardless of whether it was stored pre-attack or post-attack, it appeared that certain expenditures would be necessary to improve vault facilities. In most instances the requirements and estimated expenditures were minor, but in a few instances they involved such things as vault doors and door frames. In a letter dated July 13, 1959, President Fulton inquired whether the Board had yet taken any position with respect to such expenditures or whether the matter would be left to the discretion of the individual Reserve Banks. Mr. Harris recommended that the Board provide the Federal Reserve Banks guidance on the subject along lines set forth in his memorandum. In essence, this guidance would permit a Reserve Bank, in its discretion, to make necessary capital expenditures for the improvement of a cash agent bank's vault facilities, provided the cost would come within what would be considered a reasonable rent over the life of the lease if the improvements had been made by the cash agent bank. Special cases would be brought to the Board's attention.

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Governor Robertson commented that eight of the Reserve Banks were in favor of pre-attack currency storage at cash agent banks, while four were in favor of storage post-attack only. It was his own feeling that the use of cash agent banks was a vital part of the defense planning program and that plans should be carried forward. The Federal Reserve Bank of Cleveland was ready to proceed, but in some cases had found it necessary to improve vault protective qualities. The Bank was prepared to authorize the necessary funds on a basis whereby any capital expenditures on vault facilities would be advanced and taken into account in considering the rental to be paid over a ten-year period. The guidance proposed by Mr. Harris would mean that a Reserve Bank would have to come back to the Board if, in any instance, a matter could not be handled on that basis.

Governor Robertson then described certain minor changes in the proposed paragraphs of guidance that had been suggested by Mr. Farrell and expressed agreement with those changes. He noted that both Mr. Harris and Mr. Allison were in favor of allowing the Reserve Banks to proceed in the manner outlined in the memorandum.

Mr. Smith commented that an alternative would be to request a cash agent bank to spend the funds necessary to improve its vault facilities and then recoup such expenditures under the lease agreement with the Federal Reserve Bank over a period of time. Under that alternative, there would be no vault improvement expenditures on the books of the Federal Reserve Banks to give rise to possible questions.

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Governor Mills indicated that he also had in mind some of the qualms expressed by Mr. Smith. He then inquired whether the Board's Legal Division should not have an opportunity to review the form of lease agreements between Reserve Banks and cash agent banks, for he felt the Board should know beyond any question of a doubt that the leases were consistent with the responsibilities of the System relating to the expenditure of Reserve Bank funds and at least be satisfied that the terms of the lease were such as to offset during the life thereof any expenditures made in improving the protective qualities of vault facilities at cash agent banks. He also had in mind that the cash agent banks were selected for the convenience of the System and that it might be necessary to prove to any other commercial bank making inquiry that the selection represented the appropriate choice. Having chosen a cash agent bank, the Reserve Bank would in a sense be investing its funds for the benefit of such bank by improving its vault facilities, for this would inure to the benefit of the bank over a period of time. Therefore, the System might be on rather tenuous ground in attempting to relate the expenditures for improvements to the life of the lease, and the procedure might expose the System to criticism on the part of various parties, including banks not selected as cash agent banks.

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There ensued discussion of the processes through which the selection of cash agent banks had been made, after which Governor Robertson inquired of Governor Mills whether it would satisfy the latter's point if there were included in the letter of guidance to the Reserve Bank an additional item specifying that the form of lease with cash agent banks should be submitted to the Board for review before being entered into. Governor Mills responded that he felt specimen forms of lease agreement should be available for review so that the Board might see exactly what the Reserve Bank proposed to do.

Question then was raised whether there should be discussion of the matter with the Conference of Presidents of the Federal Reserve Banks. Governor Robertson indicated that although the Presidents heretofore had given attention to the problem of storage of cash at cash agent banks, he would have no objection if the Board felt it desirable for the matter under consideration to be taken up with the Presidents when they were in Washington next Tuesday, July 28.

Governor Mills then called upon Mr. Solomon for a statement with regard to the legal aspects of the problem, and the latter stated that he felt an advance of funds by a Reserve Bank for the improvement of facilities at a cash agent bank could be justified and supported legally, pursuant to an understanding that the lease agreement would

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take into account the cost of such improvements. There would, of course, remain the possible problem of public relations, and question might be raised as to why a cash agent bank should not itself provide adequate vault facilities.

Governor Robertson commented that the whole area of emergency planning was one involving public relations problems and that there were differing views with regard to the need for such planning. It seemed to him, however, that the use of cash agent banks was an essential part of the defense planning mechanism and that the System must take the chance of possible criticism. Personally, he would be willing to try to justify such expenditures as might be necessary, for he felt that the storage of emergency supplies of currency was an essential element of the emergency plans of the System.

Speaking of the defense planning program in more general terms, Chairman Martin noted that the System appeared to have no alternative to moving ahead vigorously in the light of the position taken by the President of the United States.

Governor Mills again commented that the problem he had primarily in mind was the possibility of rivalry within the banking system and Reserve Bank expenditures for improvements at selected banks being subject to adverse comment. He then referred to the difficulty that had been experienced in obtaining legislation to permit the construction, at Federal Reserve expense, of a vault at Fort Riley, Kansas, for the storage of emergency supplies of currency.

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On the latter point Mr. Farrell explained the grounds on which the Treasury felt that there had been elements of misunderstanding with regard to the proposed legislation. He understood that the Treasury was endeavoring to clarify the matter with the hope that the necessary legislation might yet be obtained.

Governor Balderston inquired of Governor Mills whether the latter saw objection in principle to entering into leases for space at cash agent banks. Governor Mills replied in the negative, adding that he thought the Board should go into the matter fully since this was a sensitive area having to do with member bank relations and exposure to possible criticism.

At the conclusion of the discussion, it was agreed that the matter of procedure with respect to the leasing of vault facilities at cash agent banks would be discussed with the Presidents of the Federal Reserve Banks at a meeting of the Board and the Presidents next Tuesday, July 28.

Messrs. Smith and Allison then withdrew from the meeting.

Housing legislation. The Senate Banking and Currency Committee had asked for the Board's views on S. 2378, a bill "to extend and amend laws relating to the provision and improvement of housing and the renewal of urban communities, and for other purposes." This bill reportedly had been introduced in an effort to compromise differences between the Congress and the Executive which led to the recent Presidential veto of the omnibus

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housing bill, S. 57. The Administrator of the Housing and Home Finance Agency yesterday testified before the Housing Subcommittee of the Senate Banking and Currency Committee that most of the provisions of S. 2378 would be acceptable to the Administration and that others, while undesirable, would be acceptable in a compromise measure. There had been distributed to the Board, with a memorandum from Mr. Young, Director, Division of Research and Statistics, dated July 23, 1959, an analysis of S. 2378 compared with S. 57 and a draft of possible reply to the Senate Banking and Currency Committee.

In commenting on the matter, Mr. Williams noted that Chairman Martin was scheduled to testify before the Housing Subcommittee next Wednesday, July 29, regarding S. 57. He said the Subcommittee reportedly was upset about the language used in the Presidential veto message, particularly that portion relating to the inflationary consequences of the enactment of such legislation. In general, Mr. Williams said, it appeared that S. 2378 would represent a definite improvement, in comparison to S. 57, in terms of inflationary consequences. On the other hand, it was not clear on economic grounds why there was a need for further stimulus to housing at this particular time. In the draft letter to the Banking and Currency Committee, the staff had endeavored to point up certain phases of the proposed legislation that seemed excessive. However, the staff would like guidance from the Board as

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to whether the general position should be one of strong opposition to S. 2378 or a position of going along with legislation that was of a compromise nature.

In further discussion, it was suggested that Chairman Martin might be subjected to close questioning from the Subcommittee on Housing with regard to his views on the inflationary consequences of proposed housing legislation.

Governor Mills then raised the question whether it would be advisable, in reporting on S. 2378, to confine the Board's comments rather strictly to the provisions of the bill and avoid expressions on philosophical considerations.

On this point Mr. Fisher commented that the proposed letter had been developed in large measure from letters sent by the Board to the Bureau of the Budget earlier this year with regard to various phases of housing legislation. He also noted that the provisions of the housing bill were complex and that confusion as to their effects appeared to exist even among experts in the field. Mr. Fisher then mentioned a suggestion by Mr. Shay, Legislative Counsel, that the Board might wish to defer a report on S. 2378 until after the testimony by the Chairman next Wednesday before the Housing Subcommittee. In this connection it was stated that a draft of testimony to be given by Chairman Martin would be available to the members of the Board early next week.

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At the conclusion of the discussion, it was agreed to defer further consideration of the report on S. 2378 until after the Chairman's appearance next Wednesday before the Housing Subcommittee.

All of the members of the staff except Messrs. Sherman and Farrell then withdrew from the meeting.

Verification and destruction of currency. Governor Balderston referred to consideration given on recent occasions to problems in the area of the verification and destruction of United States currency at Federal Reserve Banks and particularly to the discussion at the joint meeting of the Board and the Reserve Bank Presidents on June 16, 1959, at which time it was stated that the Presidents had designated the members of the Committee on Fiscal Agency Operations (Messrs. Leach, Fulton, and Mangels) to represent the Conference in Treasury-Federal Reserve meetings relating to aspects of this subject. Governor Balderston inquired whether it would not be appropriate for the Board to designate its representative to participate in those conferences.

After discussion, Governor Robertson was designated as the member of the Board to serve in this capacity.

Appointment at Atlanta Reserve Bank (Item No. 7). As the result of earlier informal discussions with the Board, the Federal Reserve Bank of Atlanta in a letter dated July 10, 1959, requested approval of the

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appointment, effective August 1, 1959, of Lewis M. Clark as First Vice President of the Bank for the unexpired portion of the five-year term which began March 1, 1956, and the payment of salary to Mr. Clark at the rate of \$12,142.48 per annum for the period August 1 through December 31, 1959. This letter had been circulated to the members of the Board with a memorandum from the Division of Personnel Administration dated July 15, 1959, recommending approval of the request and submitting a draft of proposed letter to the Federal Reserve Bank of Atlanta. The memorandum pointed out that Mr. Clark reached age 65 on July 14, 1959, that he had elected to retire effective August 1, 1959, but that he had now agreed to continue on duty through December 31, 1959. The salary fixed for Mr. Clark by the Board of Directors would represent the difference between the pension portion of his retirement allowance and his current salary of \$25,000 per year.

After discussion, unanimous approval was given to the proposed reply to the Federal Reserve Bank of Atlanta, a copy of which is attached as Item No. 7.

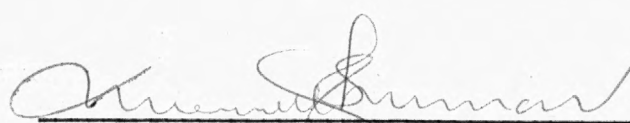
The meeting then adjourned.

Secretary's Notes: Governor Robertson, in the absence of Governor Shepardson, today approved on behalf of the Board the following items:

7/24/59

Memorandum dated July 23, 1959, from Mr. Marget, Director, Division of International Finance, recommending an increase in the annual salary of Henry N. Goldstein, Economist in that Division, from \$6,435 to \$7,030, effective July 26, 1959.

Letter to the Federal Reserve Bank of Atlanta (attached Item No. 8) approving the designation of J. W. Moore as special assistant examiner.


Secretary

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

Item No. 1
7/24/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



July 24, 1959

Board of Directors,
The First National Bank of Mantua,
Mantua, Ohio.

Gentlemen:

The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers in connection with the proposed consolidation of The First Savings Bank and Trust Company, Ravenna, Ohio, with your bank and grants The First National Bank of Mantua, Mantua, Ohio, authority, effective if and when the proposed consolidation is consummated, 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, and committee of estates of lunatics and 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 in which the national bank is located. The exercise of such rights shall 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.

Upon receipt of advice from the Comptroller of the Currency that the consolidation has been consummated, a formal certificate setting forth the new title and location of your bank and indicating the fiduciary powers which it is authorized to exercise will be issued.

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
7/24/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 24, 1959

Board of Directors,
Arkansas Valley Bank,
Pueblo, Colorado.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Kansas City, the Board of Governors of the Federal Reserve System approves, under the provisions of Section 24A of the Federal Reserve Act, an investment in bank premises, direct and indirect, by Arkansas Valley Bank, of not to exceed \$400,000, for the purchase of present banking quarters and certain additions thereto, including an adjacent building and parking lots.

It is understood that the program is to be financed through the organization of a wholly owned affiliate with capital of \$150,000 and a mortgage to outside sources not exceeding \$250,000.

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
7/24/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 24, 1959

Board of Directors,
The First Bank of Brighton,
Brighton, Colorado.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Kansas City, the Board of Governors of the Federal Reserve System extends until September 17, 1959, the time within which The First Bank of Brighton may accomplish termination of its membership in the Federal Reserve System, under the original authorization contained in the Board's letter dated October 16, 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. 4
7/24/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 24, 1959.

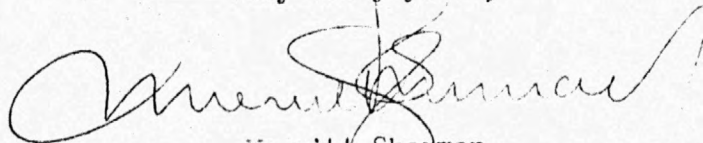
Dear Sir:

The Board's letter of September 25, 1958 (S-1669) requested comments on the continued need for final mid-month reports of assets and liabilities of member banks on form F.R. 635.

On the basis of the replies received and the needs of the users of these statistics here, it is felt that further experience is necessary before complete reliance is placed on the preliminary mid-month reports. Six of the Reserve Bank replies stated that final mid-month tabulations would be continued, regardless of Board need for the figures. Only two felt preliminary figures were now sufficiently accurate to eliminate the final tabulations. In the circumstances, final mid-month reports on form F.R. 635 should be continued at least for the present.

The Board has requested its Division of Bank Operations to review the matter again early in 1960, together with a review of the continuing need for final end-of-month reports, and to notify the heads of research at the Reserve Banks of any changes in reporting procedure.

Very truly yours,



Merritt Sherman,
Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS.

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

Item No. 5
7/24/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 24, 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 July 8, 1959,
concerning the application of The Vermont Bank and Trust
Company, Brattleboro, Vermont, for continuance of deposit
insurance after withdrawal from membership in the Federal
Reserve System.

No corrective programs which the Board of
Governors believes should be incorporated as conditions
to the continuance of deposit insurance have been urged
upon or agreed to by the bank.

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

7/24/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



July 24, 1959

Board of Directors,
Chemical Corn Exchange Bank,
New York, New York.

Gentlemen:

The Board of Governors approves the establishment of a branch by Chemical Corn Exchange Bank on the northwest corner of Queens Boulevard and 64th Road, Rego Park, New York, instead of on the southeast corner of Junction Boulevard and 62nd Drive, Rego Park, New York, as approved by the Board on January 15, 1959. This approval is given provided the branch is established by January 15, 1961, and formal approval of State authorities is effective at the time the branch is established.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 7
7/24/59

OFFICE OF THE CHAIRMAN

July 24, 1959.

CONFIDENTIAL (FR)

Mr. Malcolm Bryan, President,
Federal Reserve Bank of Atlanta,
Atlanta 3, Georgia.

Dear Mr. Bryan:

The Board of Governors approves the appointment of Mr. Lewis M. Clark as First Vice President of the Federal Reserve Bank of Atlanta, effective August 1, 1959, for the unexpired portion of the five-year term which began March 1, 1956, as requested in your letter of July 10.

The Board also approves the payment of salary to Mr. Clark at the rate of \$12,142.48 per annum, the rate fixed by your Board of Directors, from August 1 through December 31, 1959. It is understood that Mr. Clark has agreed to remain on duty for this five-month period.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.

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

Item No. 8
7/24/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 24, 1959.

Mr. Geo. W. Sheffer, Jr., Chief Examiner,
Federal Reserve Bank of Atlanta,
Atlanta 3, Georgia.

Dear Mr. Sheffer:

In accordance with the request contained in your letter of July 21, 1959, the Board approves the designation of J. W. Moore as a special assistant examiner for the Federal Reserve Bank of Atlanta for the purpose of participating in examinations of State member banks only.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.