

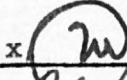
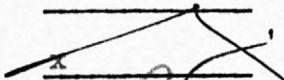
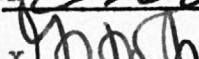
Minutes for August 28, 1959

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	<hr/>	x 
Gov. Szymczak	<hr/>	x 
Gov. Mills	x  <hr/>	<hr/>
Gov. Robertson	x  <hr/>	<hr/>
Gov. Balderston	x  <hr/>	<hr/>
Gov. Shepardson	x  <hr/>	<hr/>
Gov. King	x  <hr/>	<hr/>

Minutes of the Board of Governors of the Federal Reserve System  
on Friday, August 28, 1959. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Balderston, Vice Chairman

Mr. Mills

Mr. Robertson

Mr. Shepardson

Mr. King

Mr. Kenyon, Assistant Secretary

Mr. Fauver, Assistant Secretary

Mr. Riefler, Assistant to the Chairman

Mr. Shay, Legislative Counsel

Mr. Molony, Assistant to the Board

Mr. Hackley, General Counsel

Mr. Solomon, Director, Division of Examinations

Mr. O'Connell, Assistant General Counsel

Mr. Daniels, Assistant Director, Division of  
Bank Operations

Mr. Young, Assistant Counsel

Discount rates. The establishment without change by the Federal Reserve Banks of New York, Cleveland, Richmond, and Dallas on August 27, 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 distributed to the Board. The following items, which had been 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:

Item No.

Letter to the Bureau of the Budget with regard to enrolled bill H. R. 8160, "To amend the lending and borrowing limitations applicable to national banks, to authorize the appointment of an additional Deputy Comptroller of the Currency, and for other purposes."

1

8/28/59

-2-

Item No.

Order extending time for filing of the report of the Hearing Officer in the matter of the requests of The First Virginia Corporation pursuant to section 4(c)(6) of the Bank Holding Company Act.

2

Mr. Young then withdrew and Messrs. Farrell, Director, Division of Bank Operations, and Sprecher, Assistant Director, Division of Personnel Administration, entered the room.

Request for meeting relative to First Bancredit Corporation. As previously reported to the Board, Mr. Joseph H. Colman, President of First Bank Stock Corporation, had been in touch with Mr. Solomon with regard to certain questions asserted to have arisen from the Board's decision in respect to First Bancredit Corporation under section 4(c)(6) of the Bank Holding Company Act. In accordance with the understanding at the meeting on August 13, 1959, Mr. Solomon had suggested to Mr. Colman the advisability of submitting a letter or memorandum to the Board indicating the nature of such problems. Under date of August 14, Mr. Colman forwarded a statement of the problems that First Bank Stock thought it desirable to discuss with representatives of the Board.

A memorandum from Mr. O'Connell dated August 24, 1959, which had been distributed to the Board, summarized the nature of the problems asserted by First Bank Stock Corporation and suggested alternative procedures that might be followed in the consideration thereof.

After discussion of the matter in the light of Mr. O'Connell's memorandum, during which reference was made to the technical nature of

8/28/59

-3-

the problems discussed in the communication from Mr. Colman, it was the unanimous view that it would be desirable to invite Mr. Colman and his associates to meet with appropriate members of the Board's staff. This contemplated that the staff would then report to the Board as expeditiously as possible and include in the report its own recommendations. It was the understanding that this procedure would not necessarily rule out the possibility of a meeting of Mr. Colman and his associates with the members of the Board, if that should seem desirable at a later stage.

Accordingly, Mr. Hackley was instructed to get in touch with Mr. Colman and extend an invitation to him and his associates to meet with the Board's staff on a mutually convenient date.

Secretary's Note: It was subsequently arranged to hold the meeting on Wednesday, September 2, 1959.

Mr. O'Connell then withdrew from the meeting.

Employees' salary structure at Chicago (Item No. 3). Pursuant to the favorable recommendation contained in a memorandum that had been circulated to the Board, unanimous approval was given to a letter to the Federal Reserve Bank of Chicago approving an upward adjustment in the salary structure applicable to employees at the head office, effective immediately. A copy of the letter is attached as Item No. 3.

Fallout shelters at Atlanta and Oklahoma City (Items 4 and 5).

A memorandum from the Division of Bank Operations dated August 21, 1959, which had been circulated to the members of the Board, advised that the building programs at the Federal Reserve Bank of Atlanta and the Oklahoma

8/28/59

-4-

City Branch of the Federal Reserve Bank of Kansas City had reached a point where it was necessary to decide whether the Board would require the respective Banks to have specifications prepared for alternative bids to provide fallout shelters. In each case, the Reserve Bank advised that preliminary plans and specifications had been completed prior to receipt of the Board's letter of May 6, 1959, which referred to obtaining alternate bids for fallout shelters in connection with any new construction, and that the cost would be considerable, both in terms of additional work on the part of the architects and in terms of construction changes to provide the shelters.

Mr. Farrell commented that the Division of Bank Operations had submitted this matter to the Board without recommendation. At this stage, he pointed out, the question came down to whether the Board felt that the providing of fallout shelters was sufficiently important to authorize expenditures for revised plans and specifications which might ultimately be rejected, either because of cost or other factors. This was a question that the Division of Bank Operations did not feel qualified to evaluate.

Governor Mills expressed uncertainty, pending further discussion, as to what the proper decision should be. Where new construction was being programmed, it seemed logical to consider at such time the provision of fallout shelters, and it occurred to him that such shelters perhaps

8/28/59

-5-

could be designed with a dual purpose in mind rather than confining them solely to emergency purposes. On the other hand, without a more complete understanding of the problem, he had some reservations as to the urgency and necessity of the fallout shelter program.

Governor Robertson referred to the order dated February 4, 1959, issued by the Director of Civil and Defense Mobilization, which stated that provisions for fallout shelter should be incorporated in new Federal buildings. While it might be argued that this order was not legally applicable to Reserve Bank buildings, he felt that adherence to the spirit of the order would call for resolving any doubts in favor of spending the amounts necessary to prepare plans and specifications that would include alternates for fallout shelters. In other words, doubts should be resolved in accordance with what purported to be an authoritative directive issued by the responsible agency of the Government. He was impressed by the suggestion of Governor Mills that consideration should be given in planning fallout shelters to constructing them in such manner that there would be a possibility at a later date of converting them to use for other purposes without too great an expenditure.

Governor Shepardson said that, like Governor Mills, he had some uncertainty about the matter. However, the existence of the outstanding directive made a persuasive argument for going ahead with fallout shelter provisions when new construction was being planned. While he was not

8/28/59

-6-

entirely sure whether the order was right, nevertheless it did exist, and the logical time to take steps in compliance with the spirit of that order was when construction was in the planning stage. When construction was completed, it seemed unlikely that there would be any possibility of providing adequate fallout shelter without heavy additional expense. In this connection, Governor Shepardson reported having been informed by the Board's Coordinator of Defense Planning that, according to the latter's understanding, a number of Government buildings, both in Washington and elsewhere, were being planned with fallout shelter included.

Governor King inquired whether the order of February 4, 1959, was understood to carry the authority of the President, and Governor Robertson's reply was in the affirmative.

Governor King then indicated that the existence of the order had considerable bearing upon his thinking as to the appropriate procedure. Were it not for the existence of that order, he might have been inclined to feel that the Reserve Banks should move rather slowly until it could be seen what was being done with regard to new Federal buildings. He then raised the question whether a decision on the part of the Board should be deferred for further consideration when all of the Board members were present.

8/28/59

-7-

Governor Balderston referred to a comment made several years ago to the effect that the alternatives were to run, dig, or die and commented that the current trend appeared to be in the direction of digging rather than running. The time to dig, of course, was when new buildings were being constructed. The ability to use shelters effectively at a critical time would depend on how much fallout shelter provision had been made in relation to the population of an area, and it might take construction over a period of many years to overcome practical difficulties. The existence of an official directive on the matter with regard to new Federal buildings led him to conclude that the Reserve Banks should proceed in accordance with the spirit of the directive if that could be done at reasonable cost.

After further discussion, Governor King indicated that he would be willing to go along if the other members of the Board reached the conclusion that a decision should be made today on the questions raised in connection with the Atlanta and Oklahoma City projects.

Governor Mills commented that the sense of the Board, as he judged it, was in favor of requiring alternate plans to provide fallout shelter, and that such a decision would be agreeable to him.

Accordingly, it was understood that advice of the Board's views would be sent to the Federal Reserve Banks of Atlanta and Kansas

8/28/59

-8-

City. Copies of letters subsequently sent to the respective Banks in accordance with this understanding are attached as Items 4 and 5.

Further discussion related to difficulties that might be encountered by the Reserve Banks in ascertaining that fallout shelters were designed in conformity with the general standards set forth by the Office of Civil and Defense Mobilization. It was understood that the Division of Bank Operations and the Coordinator of Defense Planning would be expected to give any assistance possible to the Reserve Banks and their architects in obtaining from the Office of Civil and Defense Mobilization and from General Services Administration information that might be helpful in resolving such problems.

Letter from Congressman Oliver to the Richmond Reserve Bank.

Last Friday, August 21, a group of Congressmen, including Representative Patman, paid a visit to the Federal Reserve Bank of Richmond for the purpose of obtaining a guided tour of the premises. Subsequently, one member of the group, Congressman Oliver of Maine, wrote to First Vice President Wayne under date of August 24 raising a series of questions with respect to the Reserve Bank's status and operations prompted by information supplied during the visit. Mr. Wayne had informed Governor Balderston of the receipt of the letter, and at Governor Balderston's request copies were distributed to the members of the Board prior to this meeting.

8/28/59

-9-

Comments by the members of the Board were along the lines that the System had been striving for public understanding of its functions and operations and that the desirable general procedure would be to supply information freely to interested members of the Congress and other parties. It was thought, therefore, that in this instance the proper course would be for Mr. Wayne to make such reply to Mr. Oliver's letter as he deemed appropriate, with the understanding that the Richmond Bank might have the benefit of any factual information from the Board or its staff that it would consider helpful in preparing the reply. A suggestion was made that copies of the correspondence might be furnished by Mr. Wayne to the other Reserve Banks because of their probable interest in knowing what questions had occurred to a member of the Congress following his visit to one of the Banks.

At the conclusion of the discussion, it was understood that Governor Balderston would get in touch with Mr. Wayne and advise him as to the tenor of the comments that had been made at this meeting.

Salaries of officers at Richmond Bank (Item No. 6). Upon consideration of the favorable recommendation contained in a file that had been circulated to the members of the Board, unanimous approval was given to a letter to the Federal Reserve Bank of Richmond approving the payment of salaries to certain officers for the period September 1

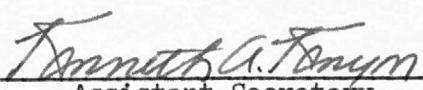
8/28/59

-10-

through December 31, 1959, at rates fixed by the Board of Directors.

A copy of the letter is attached as Item No. 6.

The meeting then adjourned.

  
\_\_\_\_\_  
Assistant Secretary

3037



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

Item No. 1  
8/28/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

August 28, 1959.

Mr. Phillip S. Hughes,  
Assistant Director for  
Legislative Reference,  
Bureau of the Budget, Room 253,  
Executive Office Building,  
Washington 25, D. C.

Attention: Mrs. Garziglia.

Dear Mr. Hughes:

This is in response to your communication of August 27, 1959, requesting a report on the enrolled bill, H.R. 8160, "To amend the lending and borrowing limitations applicable to national banks, to authorize the appointment of an additional Deputy Comptroller of the Currency, and for other purposes."

Certain of the provisions of H.R. 8160 appear to be peculiarly within the scope of operations of the national banking system, although other provisions are included that are of special interest to the Board of Governors because of their relationship to the field of credit regulation, which is the Board's responsibility, and because they are applicable to member State banks, which are supervised by the Federal Reserve System.

The Board recommends approval of this legislation by the President.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.

UNITED STATES OF AMERICA

Item No. 2  
8/28/59

## BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

WASHINGTON, D. C.

In the Matter of the Requests of	
THE FIRST VIRGINIA CORPORATION	DOCKET NOS.
Pursuant to section 4(c)(6) of the	BHC-49
Bank Holding Company Act of 1956	BHC-50

ORDER EXTENDING TIME FOR FILING  
OF REPORT BY HEARING OFFICER

Additional time having been requested by the Hearing Officer within which to file with the Secretary of the Board his Report containing his recommended decision and it appearing to the Board that such request should be granted, it is hereby ORDERED that the time within which the Hearing Officer may file such recommended decision be, and the same hereby is, extended to and including September 30, 1959.

Dated at Washington, D. C. this 28th day of August,  
1959.

By order of the Board of Governors.

(signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.

(SEAL)



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

Item No. 3  
8/28/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

August 28, 1959.

Confidential (FR)

Mr. H. J. Newman,  
Vice President,  
Federal Reserve Bank of Chicago,  
Chicago 90, Illinois.

Dear Mr. Newman:

Reference is made to your letter of July 24, 1959, requesting the Board's approval of an upward adjustment in the employees' salary structure applicable to the Federal Reserve Bank of Chicago.

The Board approves the following minimum and maximum salaries for the respective grades of the Chicago head office structure, effective immediately.

Grade	<u>Minimum salary</u>	<u>Maximum salary</u>
1	\$ 2,445	\$ 3,305
2	2,680	3,630
3	2,960	4,000
4	3,300	4,460
5	3,640	4,920
6	3,980	5,380
7	4,440	6,010
8	4,910	6,640
9	5,375	7,275
10	5,885	7,965
11	6,395	8,655
12	7,015	9,495
13	7,800	10,550
14	8,585	11,615
15	9,370	12,680
16	10,160	13,750

The Board approves the payment of salaries to the employees, other than officers, within the limits specified for the grades in which the positions of the respective employees are classified.

Mr. H. J. Newman

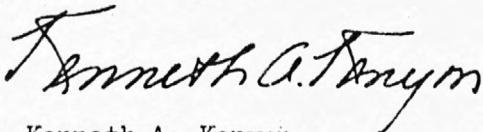
- 2 -

The Board will also interpose no objection to permitting your Bank to increase salaries to the new minimums over a period of six months following the effective date of the structure increase.

It is noted from your letter that provisions were made in the budget for any adjustments in salaries during 1959 that would be caused by the change in salary structure.

It is understood that the present employees' salary structure at the Detroit branch, which became effective January 5, 1959, will continue to be applicable to that office.

Very truly yours,



Kenneth A. Kenyon,  
Assistant Secretary.

3041



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

Item No. 4  
8/28/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

August 28, 1959.

Mr. Harold T. Patterson,  
Vice President and General Counsel,  
Federal Reserve Bank of Atlanta,  
Atlanta 3, Georgia.

Dear Mr. Patterson:

The Board has considered your letter of August 14, 1959, requesting authorization to proceed with obtaining bids for the proposed addition and remodeling of the Head Office building without an alternate for construction of the fallout shelter.

The Board feels that failure to obtain bids for such a shelter would not be in keeping with the spirit of the fallout shelter program outlined in the February 4, 1959, memorandum from the Director of the Office of Civil and Defense Mobilization, a copy of which was sent to your Bank with the Board's circular letter of May 6, 1959. Accordingly, it is requested that the plans and specifications be supplemented as necessary to provide for alternate bids for a fallout shelter.

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  
8/28/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

August 28, 1959.

Mr. H. G. Leedy, President,  
Federal Reserve Bank of Kansas City,  
Kansas City 6, Missouri.

Dear Mr. Leedy:

The Board has considered the matter of providing an alternate for fallout shelter in the detailed plans and specifications for the proposed addition to and remodeling of the Oklahoma City branch building in the light of the letter from Messrs. Sorey, Hill, and Sorey, Architects, which was transmitted with your letter of July 30, 1959.

The Board feels that failure to include planning for fallout shelter in buildings not yet under construction would be violating the spirit if not the substance of the fallout shelter program outlined in the memorandum of February 4, 1959 from the Director of Civil and Defense Mobilization, a copy of which was sent to you with the Board's circular letter of May 6, 1959.

Accordingly, it is requested that the building program at Oklahoma City proceed on this basis.

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  
8/28/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

August 28, 1959.

Confidential (FR)

Mr. Alonzo G. Decker, Jr.,  
Chairman of the Board,  
Federal Reserve Bank of Richmond,  
Richmond 13, Virginia.

Dear Mr. Decker:

The Board of Governors approves the payment of salaries to the following officers of the Federal Reserve Bank of Richmond for the period September 1 through December 31, 1959, at the rates indicated, which are the rates fixed by your Board of Directors, as reported in your letter of August 13, 1959:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
N. L. Armistead	Vice President	\$21,000
U. S. Martin	Vice President	18,500
J. H. Nowlan	Vice President and Cashier	18,500
John G. Deitrick	Assistant Vice President	12,500
J. G. Dickerson, Jr.	Assistant Vice President	13,000
W. S. Farmer	Secretary and Assistant Counsel	11,000
J. E. Friend	Assistant Cashier	10,500
Stuart P. Fishburne	Assistant Cashier	10,000
Joseph F. Viverette	Assistant Cashier	10,000

The Board has noted changes in assignment of officers referred to in your letter.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.