

Minutes for September 10, 1959.

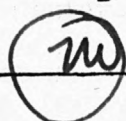
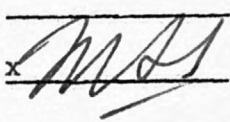

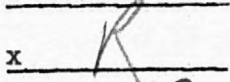
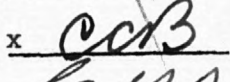
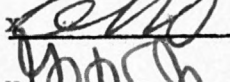
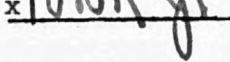
To: Members of the Board
From: Office of the Secretary

Attached is a copy of the minutes of the Board of Governors of the Federal Reserve System on the above date.

It is proposed to place in the record of policy actions required to be kept under the provisions of Section 10 of the Federal Reserve Act an entry covering the item in this set of minutes commencing on the page and dealing with the subject referred to below:

Page 1 Approval of a discount rate of 4 per cent at the Federal Reserve Banks of New York, Cleveland, Richmond, Chicago, St. Louis, Kansas City, Dallas, and San Francisco; and agreement to approve the same rate for any other Federal Reserve Bank advising of the establishment of such rate.

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
Chairman Martin		x 
Governor Szymczak	x 	
Governor Mills		x 
Governor Robertson	x 	
Governor Balderston	x 	
Governor Shepardson	x 	
Governor King	x 	

Minutes of the Board of Governors of the Federal Reserve System
on Thursday, September 10, 1959. The Board met in the Board Room at 3 p.m.

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

Mr. Sherman, Secretary
Mr. Solomon, Director, Division of Examinations

Regulation U. At Governor Balderston's request, Mr. Solomon commented with respect to the matters that might be presented to the Board by representatives of the New York Clearing House Association on September 11, 1959, concerning the Board's proposed interpretation of the meaning of "carrying" under section 221.3(b)(1) of the Board's Regulation U.

There followed a brief discussion of questions that might be taken up with the Clearing House representatives in the event it seemed desirable to seek their views on possible alternative provisions in the proposed interpretation.

At 3:30 p.m. Messrs. Molony and Fauver entered the room.

Discount rates. The Secretary reported receipt of advices from seven Federal Reserve Banks (New York, Cleveland, Richmond, Chicago, St. Louis, Dallas, and San Francisco) of actions by their directors to fix a discount rate of 4 per cent per annum on advances to member banks secured by United States Government obligations under Section 13 and on other advances and rediscounts under Sections 13 and 13a; of 4-1/2 per cent on advances under Section 10(b); and of 5 per cent on advances

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to individuals, partnerships, corporations other than member banks under Section 13 of the Federal Reserve Act, all to be effective subject to approval by the Board of Governors. One of the Federal Reserve Banks indicated that this action by its directors had been taken in order to bring the discount rate more closely into line with existing market rates. In addition to the recent advances in interest rates, factors entering into the action were the broad and heavy demand for bank credit, reflecting general strength in the economy; concern over the risk of upward price tendencies; and the continuing adverse balance of payments.

Following general discussion of the actions taken by the directors of the Reserve Banks and of the procedure that might be followed in announcing action to be taken by the Board with respect to the rates, the establishment of the rates submitted by the Federal Reserve Banks of New York, Cleveland, Richmond, Chicago, St. Louis, Dallas, and San Francisco was approved unanimously, effective September 11, 1959, with the understanding that an announcement of this action would be handed to the press for release at 4:00 p.m. EDT today, that appropriate advice of the action would be sent to all Federal Reserve Banks by wire, and that the customary notice would be filed with the Federal Register.

In taking the above action, the Secretary was authorized to enter in the minutes approval of rates within the pattern established

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at these seven Banks if advice of similar action was received from any of the other five Reserve Banks. This authorization contemplated that in each case a press release would be issued in the usual form, notification would be sent to all Federal Reserve Banks and branches, and a notice would be published in the Federal Register.

Secretary's Note: Shortly following the meeting advice was received from the Federal Reserve Bank of Kansas City that the directors of that Bank also had acted today to fix rates of discount similar to those approved for the other seven Banks effective September 11, 1959, and, in accordance with the understanding at this meeting, advice of approval of the rates so fixed was sent to the Chairman of the Kansas City Bank.

With this addition, the rates approved for the Federal Reserve Banks of New York, Cleveland, Richmond, Chicago, St. Louis, Kansas City, Dallas, and San Francisco, effective September 11, 1959, were as follows:

On discounts for and advances to member banks under Sections 13 and 13a--4 per cent; on advances to member banks under Section 10(b)--4-1/2 per cent; on advances to individuals, partnerships, and corporations other than member banks under last paragraph of section 13--5 per cent.

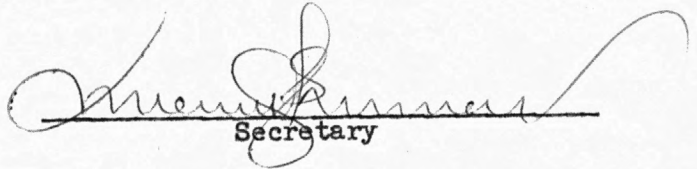
The meeting then adjourned.

Secretary's Notes: Pursuant to the understanding reached at the meeting of the Board on July 15, 1959, Governor Shepardson today approved on behalf of the Board a letter in the form attached to these minutes as Item No. 1, to Dr. Gustavo Miron P., Presidente, Banco de Guatemala, with respect to the detail of Ralph E. Holben to that Bank.

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On the basis of a memorandum from the Division of Personnel Administration dated September 9, 1959, Governor Shepardson today approved execution of a "certificate of availability of Federal employee" certifying that the Board would not request a delay if George G. Noory, analyst in the Division of Bank Operations, should be called upon for active duty in the Air Force of the United States.



Secretary



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

Item No. 1
9/10/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 10, 1959

AIR MAIL

Dr. Gustavo Mirón P.,
Presidente,
Banco de Guatemala,
Guatemala City, Guatemala.

Dear Dr. Mirón:

The Board of Governors of the Federal Reserve System is prepared to enter upon the following arrangement with respect to the services of Dr. Ralph E. Holben as adviser to the Banco de Guatemala.

1. The Board of Governors will detail Dr. Holben to the Banco de Guatemala for a period of one year to serve the Banco de Guatemala as an adviser on economic and monetary questions, especially those concerned with central banking. The detail will begin on the date of Dr. Holben's departure from Washington for Guatemala, and will end upon his return to Washington one year from that date. Although Dr. Holben will be entitled to request advice and assistance from the staff of the Board of Governors during this period, he will be responsible solely to the Banco de Guatemala and subject to its direction.

2. The Banco de Guatemala will reimburse the Board of Governors for the cost of Dr. Holben's services as follows:

<u>Item</u>	<u>Amount for 52 weeks</u>
Salary	\$12,563.20
Retirement contributions	816.66
Group insurance contributions	42.25
Sick leave (13 days at \$48.32 per day, less what may be used during period of detail)	628.16
Allowance of \$7 per diem in lieu of expenses	2,548.00
Total	<u>\$16,598.27</u>

Dr. Gustavo Mirón P.,

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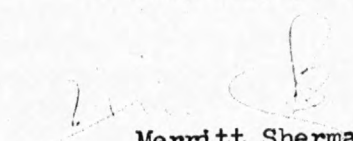
Reimbursement will be made in United States dollars at the end of each quarter, beginning three months after Dr. Holben enters upon this detail, upon receipt by the Banco de Guatemala from the Board of Governors of a statement of charges for the quarter.

3. In addition, the Banco de Guatemala will reimburse the Board of Governors for the cost of travel from Washington to Guatemala City and return for Dr. Holben and his wife, reimbursement to be made in United States dollars upon receipt by the Banco de Guatemala from the Board of Governors of a statement of the cost incurred.

4. In addition, Dr. Holben is entitled to 26 days of annual leave during this one-year detail, and it is expected that he will use this leave. If he should not do so, an additional charge at the rate of \$48.32 per day will be made for any annual leave accrued and unused during the year.

If the foregoing meets with your approval, will you please so indicate by signing the attached copy of this letter on behalf of the Banco de Guatemala and returning it to the Board of Governors. This exchange of letters will constitute the agreement between the Board of Governors of the Federal Reserve System and the Banco de Guatemala with respect to the services of Dr. Ralph E. Holben.

Sincerely yours,



Merritt Sherman,
Secretary.