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, please initial below. If you were present at the meeting, your initials will indicate approval of the minutes. If you were not present, your initials will indicate only that you have seen the minutes.

Chm. Martin
Gov. Szymczak
Gov. Mills
Gov. Robertson
Gov. Balderston
Gov. Sheppardson
Gov. King
Minutes of the Board of Governors of the Federal Reserve System on Thursday, September 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. Shepardson
Mr. King

Mr. Sherman, Secretary
Mr. Riefler, Assistant to the Chairman
Mr. Hackley, General Counsel
Mr. Solomon, Director, Division of Examinations
Mr. Chase, Assistant General Counsel
Mr. Nelson, Assistant Director, Division of Examinations
Mr. Landry, Assistant to the Secretary
Miss Hart, Assistant Counsel
Mr. Huning, Review Examiner, Division of Examinations

Discount rates. The establishment without change by the Federal Reserve Banks of Boston and Atlanta on September 21, 1959, and by the Federal Reserve Bank of Cleveland on September 24, 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:

Letter to The First National Bank in Champaign, Champaign, Illinois, approving its application for fiduciary powers.

Item No. 1
Letter to The Lufkin National Bank, Lufkin, Texas, approving its application for fiduciary powers.

Letter to the County Bank of Santa Cruz, Santa Cruz, California, granting its request for permission to exercise fiduciary powers.

Letter to The First National Bank of Ontario, Ontario, California, approving its application for fiduciary powers.

Letter to the Comptroller of the Currency recommending favorably with respect to an application to organize a national bank at Boca Raton, Florida.

Letter to the Comptroller of the Currency recommending favorably with respect to an application to organize a national bank at Miami, Florida.

Letter to the Comptroller of the Currency recommending disapproval of an application to organize a national bank at Hapeville, Georgia.

Letter to The Farmers State Bank of Bucklin Kansas, Bucklin, Kansas, approving its application for membership in the Federal Reserve System.

Letter to the Federal Deposit Insurance Corporation regarding an application of the Security State Bank, Pearland, Texas, for continuation of deposit insurance after withdrawal from membership in the Federal Reserve System.

Letter to the Jenkintown Bank and Trust Company, Jenkintown, Pennsylvania, approving an extension of time within which to establish a branch in Abingdon Township.

Letter to the Nevada Bank of Commerce, Reno, Nevada, granting an extension of time within which to establish a branch at 1379 South Virginia Street in Reno.
Letter to the First Independent Bank, Vancouver, Washington, approving the establishment of a branch in the bank's existing head office quarters.

Letter to the Presidents of all Federal Reserve Banks concerning formal adoption by the System of a program for collecting monthly data of electric power sales by industry.

With respect to the foregoing Item No. 5, at Governor Balderston's suggestion, the Division of Examinations was requested to look into and report back to the Board on the extent to which applications for national bank charters by "family groups" had increased as a substitute for the establishment of branches of existing banks in States where branches could not be established.

Interpretation of Regulation T (Item No. 14). A letter, dated August 20, 1959, had been received from the Federal Reserve Bank of Atlanta enclosing letters from Mr. William S. McGinness of Elder & Company, Chattanooga, Tennessee, and from Mr. S. T. Mallen of that city regarding an interpretation of section 220.6(k) of Regulation T, the section which deals with so-called "innocent mistakes". The draft reply stated that consideration of the facts of this case revealed that the mistake involved did not create a violation of the Regulation, although it would lessen an advantage the customer had achieved under the Regulation. Since there had been no violation, it would not be possible under the Regulation to grant the relief requested, namely, to substitute in the margin account
involved listed bonds for the unlisted bonds purchased mistakenly by Mr. Mallens broker.

Following brief discussion, a letter to the Federal Reserve Bank of Atlanta in the form attached to these minutes as Item No. 14 was approved unanimously.

Mr. Huning and Miss Hart then withdrew from the meeting.

Proposed letter to Senator Eastland commenting on S. 1070.

Pursuant to the understanding at the meeting on September 21, copies of a revised draft of letter to Senator Eastland commenting on S. 1070, a proposed revision of the Administrative Procedure Act, had been distributed under date of September 22. Following discussion of the section of the bill relating to placing the subpoena power in individual hearing officers as against placing this power in the agency, Mr. Chase was requested to draft a new reply to Senator Eastland clarifying the Board's views as expressed at this meeting on this part of the bill. It was also understood that before the revised letter was brought back for the Board's consideration, the staff would endeavor to ascertain whether the Board's proposed reply would be consistent with views that might be expressed by the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation with respect to this proposed legislation.

Messrs. Young, Director, and Noyes, Adviser, and Miss Dingle, Chief, Consumer Credit and Finances Section, Division of Research and Statistics, entered the room during this discussion, and Messrs. Nelson and Chase withdrew from the room.
Experimental quarterly survey of consumer buying intentions during 1960. There had been distributed to the Board a memorandum from Mr. Young dated September 18, 1959, recommending authorization for the staff to enter into a contract with the Bureau of the Census for continuation of the experimental quarterly survey of consumer buying intentions during 1960. Mr. Young explained that the experimental program with the Census Bureau involved using their regular monthly survey to develop a sample for quarterly surveys of consumer buying plans, that three such quarterly surveys had been held of which two were completed and one in process, and that the fourth survey would be held next month. Based upon information gained from the two completed surveys, he was convinced that the System's knowledge of consumer spending would be considerably enhanced by going forward with this program in 1960, at which time the information gained might be published. He noted, however, that to put the program on a proper basis would require funds additional to the amount originally authorized. Furthermore, it would be necessary for the System to contract immediately with the Census Bureau for a 1960 program. He stated that the pricetag for the four 1960 surveys would be $155,000, of which $20,000 would be expended this year. He noted that this additional expenditure in 1959 would not result in an overage in research expenditures because underages elsewhere in the budget would offset this item.

Miss Dingle observed that, on the basis of the information available from the three surveys already taken, there appeared to be a
distinct seasonal movement in consumer buying plans. It was hoped that
data that might be collected would eventually make possible estimates of
consumer buying as much as six months in advance, especially so far as
consumer durables were concerned.

Governor Shepardson indicated that he had discussed this project
with Messrs. Young and Noyes and that it should be recognized that the
$155,000 figure mentioned by Mr. Young included a $20,000 expenditure
to be made in 1959 and $135,000 for four surveys next year. He pointed
out that in cases such as this, a problem of budgeting procedure was
presented and that it would be helpful to know whether the members of
the Board had a preference as to how the problem was handled. The
$155,000 could be included in the 1960 budget, knowing that $20,000
would have to be made available for preliminary work in 1959; or
$20,000 could be added to the 1959 budget authorization and the 1960
budget could include the $135,000 to be spent on the surveys in that
year plus an amount estimated to be needed for preliminary work on 1961
surveys if the Board contemplated that the survey program might be
continued in 1961. Governor Shepardson stated his preference would be
for the second method.

Governor Mills commented that the preference expressed by
Governor Shepardson would seem to offer the more satisfactory procedure,
and other members of the Board concurred in this view.
Governor Shepardson then said that he would recommend that the Board authorize the necessary arrangements be made for the 1960 surveys of consumer buying intentions, it being understood that $20,000 of the total cost would be an addition to the 1959 budget and that the 1960 budget would provide for the remainder of $135,000 plus an amount needed for preliminary work on a 1961 survey program. The 1961 program was, however, not being authorized at this time but was subject to later consideration by the Board.

Governor Shepardson's recommendation was approved unanimously.

All of the members of the staff except Mr. Sherman withdrew from the meeting at this point.

Letter to former Governor Vardaman. Chairman Martin referred to the letter to former Governor Vardaman on July 23, 1959, regarding certain expenditures that had been questioned in a letter dated July 16, 1959, from Senator John L. McClellan, Chairman of the Senate Permanent Subcommittee on Investigations. He said that no response having been received from Mr. Vardaman, he proposed to write him to the effect that the Board was anxious to clear up this question and that it would appreciate his help in getting the matter off the Board's docket. This suggestion was approved unanimously.

Trip by Mr. Bryan to Peru. Chairman Martin said that Mr. Bryan, President of the Federal Reserve Bank of Atlanta, had been asked informally by Don Pedro Beltran, Prime Minister of Peru, to visit that country for a
period of a few weeks to observe and comment on certain of its monetary and other related problems. He said that Mr. Bryan would appreciate having an indication of the Board's views as to whether it would be appropriate for him to accept. The Chairman added that Mr. Bryan would like to comply with the request.

In the discussion that followed the members of the Board indicated that they would not object to Mr. Bryan's complying with this request, provided it was ascertained in the usual manner that the Department of State, the Treasury, and perhaps the International Monetary Fund had no objection. With respect to expenses of the trip, it was the view of the Board that in the case of such a mission by a President of a Federal Reserve Bank, the expenses should be borne by the Reserve Bank concerned.

Costs of Photostats (Item No. 15). Chairman Martin said that a letter dated September 21, 1959, had been received from Jerome S. Adlerman, Acting Chief Counsel for the Senate Select Committee on Improper Activities in the Labor or Management Field, stating that the Committee was precluded from reimbursing costs of $236.45 for photostats of certain records that had been provided by Union Bank of Los Angeles after a member of the Committee's staff had requested assistance on the part of the Board in arranging with Union Bank to furnish the records. The Chairman noted that the question now presented was how to treat the expenditure of the San Francisco Reserve Bank, which had proceeded in good faith to assist the Committee in obtaining the records that it understood were desired
and which had assured Union Bank that it would not be called upon to stand out of pocket costs. After discussion, it was agreed unanimously that under all the circumstances the San Francisco Bank should be authorized to absorb the expenses incurred for the photostating for the Senate Committee. Copy of the letter sent to Mr. Mangels under date of September 29, 1959, is attached as Item No. 15.

Bank and Fund Luncheons. Governor Shepardson stated that, as previously authorized, the representatives of foreign central banks attending the annual meetings of the International Bank for Reconstruction and Development and the International Monetary Fund next week were being invited to lunch on September 30 and October 1, and that because of the size of the two groups it would be necessary to use the Brown and the Blue Rooms as well as the staff dining room.

Cover Sheet for Minutes. Governor Shepardson presented a proposed revised form of cover sheet to be used in circulating minutes of the meetings of the Board for initials of the members of the Board. He stated that the Secretary suggested adoption of this form of cover sheet, effective October 1, as being somewhat simplified from the form used during the past few years. This suggestion was approved unanimously.

Federal Reserve Bulletin. Governor Shepardson noted that a question had arisen as to the size of the Federal Reserve Bulletin and the extent to which it might be desirable to limit its size in order to come within the budget estimates for printing costs. He noted that the
Controller had raised the question as a result of the unprecedentedly large issue in August 1959, which contained approximately 100 additional pages owing to the inclusion of the Board's several decisions growing out of four cases under the Bank Holding Company Act of 1956. The editorial committee felt that its program for publication of material in the Bulletin should not be impaired because it had become necessary to include these legal decisions in the August issue. There was a question, therefore, as to whether during the current year the Board wished to authorize such overexpenditure as might become necessary in order to enable the editorial committee to carry out its program for leading articles. Also, there was the more general question of policy that might be followed in the future. One possibility, Governor Shepardson suggested, was that an item to cover such contingencies might be set up in the budget with the understanding that it could be drawn against only when special occasions arose.

Governor Balderston stated that he thought the budget problem could be handled by use of a contingency fund such as Governor Shepardson suggested with an understanding that this fund could be drawn against only with the approval of the Board member having the assignment for affairs of an internal managerial nature. While instances such as the legal decisions in August perhaps could not be forecast, Governor Balderston felt that almost all other items to be included in the Bulletin could be planned for at the time the budget was prepared.
Governor Mills indicated that a procedure such as that suggested would seem satisfactory provided any expenditures for inclusion of special material such as that referred to were subject to the specific prior approval of the Board member having the assignment for internal matters.

Governor Shepardson said that he thought it quite possible to work out a means for having a supplementary item for the budget to be drawn on in this way and that if the Board so desired he would be glad to proceed along the lines indicated.

At Chairman Martin's suggestion, it was understood that this procedure would be followed.

Retirement System. Chairman Martin stated that from time to time he had been asked questions regarding the responsibilities of the Board for the Retirement System of the Federal Reserve Banks. In a recent instance his attention had been drawn to the fact that the Manager of the System Open Market Account was a member of the Investment Committee for the Retirement System and that he took an active part in making decisions as to investments as well as executing the actual orders for Government securities bought for the account of the Retirement System. He raised the question whether this was a desirable arrangement or whether it might involve a possible conflict of interests of the Manager of the System Account, who also was a Vice President of the Federal Reserve Bank of New York and had the responsibility for executing orders for Treasury accounts, member banks, foreign central banks, and the System Open Market Account, as well as for the Retirement System.
After Governor Szymczak had outlined some of the history of the handling of investments for the Retirement System, and following a brief discussion of the matter, Chairman Martin suggested with the concurrence of the other members of the Board that he (Governor Szymczak) look into the matter and submit to the Board a memorandum with respect to the legal and other responsibilities of the Board of Governors in relation to the Retirement System of the Federal Reserve Banks.

Thereupon the meeting adjourned.

Secretary's Notes: Pursuant to the recommendations contained in memoranda from Mr. Noyes, Adviser, Division of Research and Statistics, Governor Shepardson approved on behalf of the Board on September 23, 1959, the following actions affecting the Board's staff:

Appointment

Sondralee W. Elrod as Statistical Clerk, Division of Research and Statistics, with basic annual salary at the rate of $3,590, effective the date she assumes her duties.

Acceptance of resignation

Susan W. West, Research Assistant, Division of Research and Statistics, effective October 2, 1959.

Today, pursuant to the understanding in connection with the Union Bond and Mortgage matter discussed at the meeting of the Board on September 14, 1959, a letter was sent to Mr. Stephen A. Aplin, Director, Bureau of Rates and Practices, Interstate Commerce Commission, requesting the detail to the Board of a hearing examiner in connection with an administrative hearing which the Board is required to hold under section 4(c)(6) of the Bank Holding Company Act of 1956.

[Signature]
Secretary
Board of Directors,
The First National Bank
in Champaign,
Champaign, Illinois.

Gentlemen:

The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers and grants The First National Bank in Champaign authority 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, committee of estates of lunatics, or in any other 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 of Illinois. 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.

A formal certificate indicating the fiduciary powers that your bank is now authorized to exercise will be forwarded in due course.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.
Board of Directors,
The Lufkin National Bank,
Lufkin, Texas.

Gentlemen:

The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers and grants The Lufkin National Bank authority 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, committee of estates of lunatics, or 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 of Texas. 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.

A formal certificate indicating the fiduciary powers that your bank is now authorized to exercise will be forwarded in due course.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman, Secretary.
Board of Directors,
County Bank of Santa Cruz,
Santa Cruz, California.

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 County Bank of Santa Cruz to exercise the fiduciary powers now or hereafter authorized by its articles of incorporation and the laws of the State of California.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.
Board of Directors,
The First National Bank
of Ontario,
Ontario, California.

Gentlemen:

The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers and grants The First National Bank of Ontario authority 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, committee of estates of lunatics, or 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 of California. 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.

A formal certificate indicating the fiduciary powers that your bank is now authorized to exercise will be forwarded in due course.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.
September 24, 1959.

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

Dear Mr. Comptroller:

Reference is made to a letter from your office dated April 23, 1959, enclosing copies of an application to organize a national bank at Boca Raton, Florida, 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 Atlanta indicates generally favorable findings with respect to the factors usually considered in connection with such proposals, except with respect to the proposed capital structure and executive management. The application provides for a capital structure of $750,000, but in the opinion of our examiner a capital structure of $825,000 would seem to be more appropriate in view of the volume of business anticipated; and one of the proponents indicated that additional capital would be raised if required. At the time of investigation, arrangements had not been made for executive management of the bank; and it is assumed that arrangements for management satisfactory to your office will be made. 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) Merritt Sherman

Merritt Sherman, Secretary.
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 March 9, 1959, enclosing an application to organize a national bank at Miami, Florida, signed by Mr. L. A. Usina and associates, 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 Atlanta 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) Merritt Sherman  

Merritt Sherman,  
Secretary.
September 24, 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 June 1, 1959, enclosing copies of an application to organize a national bank at Hapeville, Georgia, 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 Atlanta indicates that the proposed capital structure of the bank would be adequate in relation to the anticipated volume of business. However, the arrangements for management of the bank are not entirely satisfactory and, on the basis of the information available, it is questionable whether sufficient need exists to justify establishment of the bank at this time. Accordingly, the Board of Governors does not feel justified in recommending approval 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) Merritt Sherman

Merritt Sherman,
Secretary.
Board of Directors,
The Farmers State Bank of
Bucklin, Kansas,
Bucklin, Kansas.

Gentlemen:

The Board of Governors of the Federal Reserve System ap-
proves the application of The Farmers State Bank of Bucklin, Kansas,
Bucklin, Kansas, for stock in the Federal Reserve Bank of Kansas
City, subject to the numbered conditions hereinafter set forth:

1. Such bank at all times shall conduct its business and
exercise its powers with due regard to the safety of
its depositors, and, except with the permission of
the Board of Governors of the Federal Reserve System,
such bank shall not cause or permit any change to be
made in the general character of its business or in
the scope of the corporate powers exercised by it at
the time of admission to membership.

2. The net capital and surplus funds of such bank shall
be adequate in relation to the character and condition
of its assets and to its deposit liabilities and other
corporate responsibilities.

In connection with the foregoing conditions of membership,
picular attention is called to the provisions of the Board's
Regulation H regarding membership of State banking institutions in
the Federal Reserve System, with especial reference to Section 7
thereof. A copy of the regulation is enclosed.

If at any time a change in or amendment to the bank's
charter is made, the bank should advise the Federal Reserve Bank,
furnishing copies of any documents involved, in order that it may
be determined whether such change affects in any way the bank's
status as a member of the Federal Reserve System.

September 24, 1959.
Acceptance of the conditions of membership contained in this letter should be evidenced by a resolution adopted by the Board of Directors and spread upon its minutes, and a certified copy of such resolution should be filed with the Federal Reserve Bank. Arrangements will thereupon be made to accept payment for an appropriate amount of Federal Reserve Bank stock, to accept the deposit of the required reserve balance, and to issue the appropriate amount of Federal Reserve Bank stock to the bank.

The time within which admission to membership in the Federal Reserve System in the manner described may be accomplished is limited to 30 days from the date of this letter, unless the bank applies to the Board and obtains an extension of time. When the Board is advised that all of the requirements have been complied with and that the appropriate amount of Federal Reserve Bank stock has been issued to the bank, the Board will forward to the bank a formal certificate of membership in the Federal Reserve System.

The Board of Governors sincerely hopes that you will find membership in the System beneficial and your relations with the Reserve Bank pleasant. The officers of the Federal Reserve Bank will be glad to assist you in establishing your relationships with the Federal Reserve System and at any time to discuss with representatives of your bank means for making the services of the System most useful to you.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

Enclosure
The Honorable Jesse P. Wolcott, Chairman,  
Federal Deposit Insurance Corporation,  
Washington 25, D. C.

Dear Mr. Wolcott:

Reference is made to your letter of September 9, 1959, concerning the application of the Security State  
Bank, Pearsall, Texas, for continuance of deposit insurance  
after withdrawal from membership in the Federal Reserve  
System.

No corrective programs that 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) Merritt Sherman

Merritt Sherman,  
Secretary.
Board of Directors,
Jenkintown Bank and Trust Company,
Jenkintown, Pennsylvania.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Philadelphia, the Board of Governors has approved an extension of time until October 17, 1960, in which Jenkintown Bank and Trust Company may establish a branch at the Baederwood Shopping Center, Abingdon Township, Montgomery County, Pennsylvania. The establishment of this branch was authorized in a letter dated October 17, 1958.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.
Board of Directors,
Nevada Bank of Commerce,
Reno, Nevada.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of San Francisco, the Board of Governors has approved an extension of time until January 2, 1960, in which Nevada Bank of Commerce may establish a branch at 1379 South Virginia Street, Reno, Nevada, under the authorization contained in a letter dated June 19, 1958.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.
Board of Directors,
First Independent Bank,
Vancouver, Washington.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of San Francisco, the Board of Governors approves the establishment of a branch in the bank's existing head office quarters at 3301 Fourth Plain Boulevard, Vancouver, Washington, simultaneously with removal of its head office operations from that location to a location in the central business district of Vancouver. This approval is given provided the branch is established within one year from the date of this letter and formal approval of State authorities is effective at the time the branch is established.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.
Dear Sir:

Replies to the Board's letter of July 21, 1959, concerning formal adoption by the System of a program for collecting monthly data of electric power sales by industry have been reviewed by the Board. A majority of the Reserve Banks stated that they favored collection of such statistics, and all expressed a willingness to cooperate in developing the electric power data necessary to maintain the adequacy of the industrial production index. The Board has, therefore, reached the conclusion that the project should proceed on a Systemwide basis.

Your Bank will be informed later of the specific steps to be taken to integrate the gathering of monthly electric power sales, classified according to industry, into the System's regular data collection program.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS
Mr. George Hibbert,
Senior Assistant to Counsel,
Federal Reserve Bank of Atlanta,
Atlanta 3, Georgia.

Dear Mr. Hibbert:

This refers to your letter of August 20, 1959, enclosing letters from Mr. William S. McGinness of Elder & Company, Chattanooga, Tennessee, and from Mr. S. T. Mallen of that city, which request an interpretation of section 220.6(k) of Regulation T, the section which deals with so-called "innocent mistakes".

Mr. Mallen has managed three "margin" accounts for some years, with the result that the effective margin in the accounts was 50 per cent on August 10, 1959, when the transactions in question took place. On that day, he instructed Mr. McGinness, his broker, to sell certain listed stocks in these accounts, and to purchase listed bonds in their place, by means of a "same-day" purchase and sale substitution, so that the undermargined status of the accounts would not have to be improved under the retention requirement imposed by the June 15, 1959, amendments to Regulation T. Mr. McGinness decided to purchase Southern Bell Telephone bonds, of which there are eight issues outstanding, three listed and five unlisted. By mistake, he ordered bonds of one of the unlisted issues, which, of course, have no loan value in the accounts. He wishes to know whether under section 220.6(k) he may now substitute listed bonds for the unlisted bonds which were purchased, and in this way restore the accounts to their status existing before August 10.

Section 220.6(k) provides that "If any failure to comply with this part results from a mistake made in good faith in executing a transaction ... the creditor shall not be deemed guilty of a violation of this part if promptly after the discovery of the mistake he takes whatever action may be practicable in the circumstances to remedy the mistake." The section applies only to mistakes which result
in failure to comply with the regulation, and does not permit correction of mistakes which, although they may lessen an advantage the customer had achieved under the regulation, create no violation. In the present case, there has been no violation, and it would not seem possible, under the language of the section, to grant the relief requested. The remedy, if any, would appear to lie between Mr. Hallen and his broker.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.
September 29, 1959

Mr. H. N. Mangels, President,
Federal Reserve Bank of San Francisco,
San Francisco 20, California.

Dear Mr. Mangels:

Enclosed is a copy of a letter dated September 21, 1959, from the Acting Chief Counsel of the Senate Select Committee on Improper Activities in the Labor or Management Field. This letter was written in response to Chairman Martin's letter of August 12, 1959, addressed to Senator McClellan as Chairman of that Committee, inquiring whether the Committee wished to assume the expenses incurred in connection with photostating copies of certain records by the Union Bank of Los Angeles, which records were subpoenaed in connection with official business of the Committee.

You will note that the letter from the Acting Chief Counsel for the Committee states that it is precluded from the payment of costs involved in connection with such photostats. The suggestion is also made that Union Bank be requested to reimburse your Bank the sum paid to Union Bank for the photostats.

It is understood that you do not feel it practicable, in view of the understanding at the time that bank undertook to reproduce the records, to request reimbursement from Union Bank for the $236.45 paid them for the cost of the photostats. Your letter of July 10, 1959 inquired whether your Bank, the Board of Governors, or the Senate Committee would absorb the charges.

Under all the circumstances, the Board will not object to your Bank's absorbing these charges in case you continue to feel that it is not feasible to secure reimbursement of the amount involved from Union Bank.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

Enclosure