

Minutes for November 13, 1959.

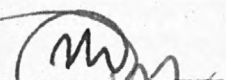
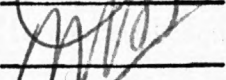
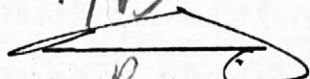
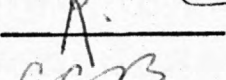
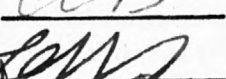
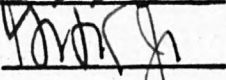
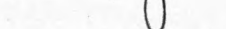
To: Members of the Board

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, 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	<u></u>
Gov. Szymczak	<u></u>
Gov. Mills	<u></u>
Gov. Robertson	<u></u>
Gov. Balderston	<u></u>
Gov. Shepardson	<u></u>
Gov. King	<u></u>

Minutes of the Board of Governors of the Federal Reserve System

on Friday, November 13, 1959. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman  
 Mr. Balderston, Vice Chairman  
 Mr. Szymczak 1/  
 Mr. Mills  
 Mr. Robertson  
 Mr. King

Mr. Sherman, Secretary  
 Mr. Riefler, Assistant to the Chairman  
 Mr. Molony, Assistant to the Board  
 Mr. Fauver, Assistant to the Board  
 Mr. Hackley, General Counsel  
 Mr. Farrell, Director, Division of Bank Operations  
 Mr. Solomon, Director, Division of Examinations  
 Mr. Hexter, Assistant General Counsel  
 Mr. Daniels, Assistant Director, Division of Bank Operations  
 Mr. Nelson, Assistant Director, Division of Examinations  
 Mr. Goodman, Assistant Director, Division of Examinations  
 Mr. Landry, Assistant to the Secretary  
 Mr. Katz, Chief, British Commonwealth, Scandinavia, and Near East Section, Division of International Finance  
 Mr. Gemmill, Economist, International Financial Operations Section, Division of International Finance

Discount rates. The establishment without change by the Federal Reserve Banks of New York, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Dallas, and San Francisco on November 12, 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 Board and copies of which are attached to these minutes under the respective item numbers indicated, were approved unanimously:

1/ Entered meeting at point indicated in minutes.

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	<u>Item No.</u>
Telegram to the Federal Reserve Bank of New York approving the opening and maintenance of an account in the name of Central Bank of Nigeria.	1
Letter to the Gary Trust and Savings Bank, Gary, Indiana, approving the establishment of an in-town branch at 4236-4238 Broadway.	2
Letter to the Federal Deposit Insurance Corporation regarding an application of the State Savings Bank, Stanton, Michigan, to establish a branch at Edmore, Michigan, upon consolidation with the State Bank of Edmore, Edmore, Michigan.	3
Letter to the Comptroller of the Currency recommending favorably with regard to an application to organize a national bank at South Gate, Los Angeles County, California.	4

Construction and modernization program of the Atlanta Reserve Bank (Item No. 5). A memorandum from the Division of Bank Operations dated November 4, 1959, had been circulated to the Board, bearing as attachment a letter dated October 22, 1959, from Vice President Patterson of the Atlanta Federal Reserve Bank, which reported on bids received for the construction of an addition and alterations to the head office building. There was also attached a draft of a telegram authorizing acceptance of the low bids.

In elaboration of the memorandum, Mr. Farrell referred to the fact that on July 14, 1959, the Board authorized the Federal Reserve Bank of Atlanta to call for bids for the construction of an addition and alterations to the head office building provided alternates were obtained for (1) face brick in place of exterior marble, (2) omission

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of solar shades, and (3) if considered feasible after review by architects, minimum fallout shelter as referred to in the Board's circular letter of May 6, 1959. He noted that the Bank proposed and its executive committee unanimously approved, subject to approval by the Board of Governors, the acceptance of the low bids and the rejection of all alternates except one pertaining to a special type of movable partition. The Bank made no recommendation with respect to the fallout shelter but requested the Board's direction as to the acceptance or rejection of the alternates relating to this facility. He went on to say that the estimated cost of approximately \$6,381,000 as proposed by the Bank compared favorably with the May 1959 estimate of approximately \$7,390,000, and that the current estimate included a contingency allowance of 5 per cent. The favorable bidding conditions currently prevailing in Atlanta accounted for most of the difference between the cost based on the low bid and the architect's estimate of May 1959.

Mr. Farrell then referred to possible use of alternate bids relating to solar shades and marble walls in the corridors. If the solar shades were omitted, some other type of blind would have to be provided and there would be relatively little difference in cost. As to the corridors, the Bank strongly recommended marble floor-to-ceiling walls and cited economy of maintenance of this type of construction, based on experience at the Jacksonville Branch. He noted that the Atlanta Bank thought it desirable to accept alternative #6 calling for changing the

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Standard Hauserman partition to the modified type and alternative #8 calling for modification of the sub-basement of the new addition to provide minimum structural requirements for a fallout shelter as well as of alternative #2 providing for minor mechanical provisions to alter future installation of mechanical and electrical equipment for a fallout shelter; and that the Reserve Bank recommended that the alternate bid for providing face brick in place of exterior marble should not be accepted but that the exterior of the new building should be finished in marble to match the exterior of the existing building.

Governor Balderston expressed doubt as to need for use of marble in corridors, mentioning the successful use of a vitrified brick or tile at the Louisville Branch bank.

Governor King commented that marble was indigenous to the region around Atlanta and, in view of the minor saving that would be realized by using a four-foot high marble wainscoting instead of the floor-to-ceiling marble treatment, he would not object to the use of marble in the corridors in the Bank if that was what the directors and Bank management desired. As for criticism of the System for using interior marble in its Bank building, he thought it essential to distinguish between what was important and what was not and that a very good case could be made for this type of wall treatment on the grounds that it was practical and in the long run essential.

Governor Szymczak joined the meeting during the foregoing statement.

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Chairman Martin said he had a strong feeling that the Board should not interfere unduly in the wishes of the Board of Directors of a local Federal Reserve Bank. He doubted that it was a proper prerogative of this Board and he did not think the Board here in Washington was really qualified to pass on these items. The Board employed a consulting architect to review plans and wanted his advice, but this did not mean that it should follow his views whenever he disagreed with the Board of Directors of the Reserve Bank.

Mr. Farrell said that Mr. Witherell, the Board's consulting architect, did not feel strongly about the use of marble in the corridors. He had suggested plaster as a means of avoiding possible criticism, and he would definitely favor floor-to-ceiling treatment with marble if that material was used, rather than plaster, which would cost less initially.

Governor Mills said that he shared the views expressed by Governor King, especially when the Bank was building for many years ahead. The Board and the Bank could be sorry in later years if another course were followed. He also particularly felt as the Chairman had expressed himself about undue interference with the reasoning of the Board of Directors of a Reserve Bank.

Unanimous approval was then given to a telegram to the Atlanta Bank in the form attached as Item No. 5, authorizing acceptance of low bids for construction of an addition and alterations to the head office building, including the use of marble on the exterior and in corridors and construction of a fallout shelter.

Messrs. Farrell and Daniels then withdrew from the meeting.

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Application of Bank of America National Trust and Savings Association (Item No. 6). There had been distributed under date of November 4, 1959, a memorandum from the Division of Examinations regarding the application of Bank of America National Trust and Savings Association, San Francisco, California, for permission to establish a branch in Buenos Aires, Argentina, along with a memorandum from the Legal Division dated November 4 and an earlier memorandum from the Examinations Division dated October 29, 1959.

In comment on this application, Mr. Goodman explained that President Frondizi of Argentina was reported to be anxious for the largest bank in the world to establish a branch in his country, consistent with his desire for Argentina to be the "showcase of the world." He noted that the Department of State had advised that from the foreign relations point of view the Department perceived no objection to the approval of the application, and the Comptroller of the Currency had no objection. The Federal Reserve Bank of San Francisco, however, believed the application should not receive favorable consideration on the grounds that the applicant's wholly-owned subsidiary, Bank of America, New York City, should, except in unusual circumstances, continue to be Bank of America National Trust and Savings Association's vehicle for foreign expansion. He added that the parent bank, on being questioned by the Federal Reserve Bank of San Francisco, had replied that "The invitation to establish a branch in Argentina was

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directed to the national bank and not to our subsidiary. We have recognized the primary motivation of the Argentine government as one of prestige and a desire to have a branch of the largest United States commercial bank ... in their country ... ". Mr. Goodman then observed that the denial of an application in the Board's letter of May 16, 1949, by the parent bank to establish branches in Bremen, Hamburg, and Frankfort am Main, Germany, had been based upon the below-average ratio of the bank's capital accounts to its risk assets and that, although the bank's capital had increased since that time, its risk assets had grown faster so that its position in this respect was not fundamentally changed. He concluded by stating that the Division of Examinations recommended approval of the establishment of a branch in Buenos Aires by the Bank of America organization. Alternative drafts of letters had been prepared, draft "A" with a view to stating that while the Board was unwilling to grant authority for a branch of the national bank it would grant authority for establishment of such branch by Bank of America, New York; and draft "B" with a view to authorizing establishment of the branch by the national bank pursuant to the provisions of Section 25 of the Federal Reserve Act. If the Board wished to establish a position on the question of whether the parent bank or a subsidiary should be the vehicle for its foreign expansion in banking, the following alternatives were available to permit establishment of foreign branches: (1) by the member bank only; (2) by the



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New York subsidiary only; (3) by the parent, except where some special circumstance existed; (4) through both parent and subsidiary but limited geographically; or (5) through a case by case approach with no general policy.

Chairman Martin commented that it would seem to him that the Board would have the same difficulties in establishing a policy that the Bank of America organization would have. He then called for discussion by the Board.

Governor Robertson suggested that draft letter "B" be sent to the Bank of America National Trust and Savings Association, indicating Board approval of their application. He would not attempt to formulate a definite policy at this time as to whether the national bank or the Edge Act subsidiary should establish foreign branches, although he felt the bank was getting to a position where the Board would wish to know more about the bank's operations than was now the case before it approved much further expansion. While he would approve this request, he proposed that the Division of Examinations discuss with the Comptroller of the Currency the capitalization of this bank, as well as its program for expansion. He went on to say that he did not see how the Board could insist that all of the international banking business of the Bank of America organization should be through its subsidiary, since Sections 25 and 25(a) of the Federal Reserve Act were clear on the point that foreign branches could be established either by the parent organization or by a

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subsidiary. He did not see how the Board could take it upon itself to say that the bank must go one way or the other simply because it would be easier for the Board to supervise if all foreign branches of the Bank of America system were established in the same way.

Mr. Solomon commented that it would be difficult both for the bank and for the Board to formulate a policy in this connection. Apart from the question of capital, there was the problem of corporate structure. He had nothing to add regarding the application before the Board.

Governor Mills expressed agreement with the position taken by Governor Robertson and said that he would approve the application, that he felt the language in the letter of approval should be perfunctory and should not raise the question of whether the parent organization or the subsidiary should establish the branch in Buenos Aires. He added that regardless of whether Bank of America National Trust and Savings Association, or its subsidiary established a foreign branch, in the final analysis it was the resources of the parent organization that provided the necessary protection, a point that had been recognized when the New York subsidiary was authorized to acquire substantially all of the stock of Banca d'America e d'Italia, Milan, which operates some 67 branches and agencies throughout Italy. He did not think the Board could consistently say, as a matter of long run theory, that the New York subsidiary was a more suitable vehicle for expansion in the foreign field. In reality, he repeated, the Board must look to the parent bank for ultimate protection.

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Unanimous approval was then given to a letter to Bank of America National Trust and Savings Association, San Francisco, a copy of which is attached as Item No. 6, approving the establishment by the applicant of a branch in the City of Buenos Aires, Argentina, pursuant to the provisions of Section 25 of the Federal Reserve Act.

All members of the staff except Messrs. Sherman and Fauver then withdrew.

Governor Mills reported that both Chairman Brawner and President Mangels recommended that Frederick B. Whitman, President of Western Pacific Railroad Company, San Francisco, be appointed to succeed Mr. Brawner as a Class C director of the Federal Reserve Bank of San Francisco for the term beginning January 1, 1960, and that Mr. Whitman be designated Chairman and Federal Reserve Agent for the year 1960.

Chairman Martin stated that this appeared to confirm the feeling that it would be desirable to tender the appointment to Mr. Whitman, and it was agreed unanimously that the customary steps should be taken to ascertain whether, if appointed, Mr. Whitman would accept, and if he would, to tender the appointment.

Secretary's Note: It having been ascertained that Mr. Whitman would accept the appointment if tendered, a telegram of appointment was sent to him on December 4, 1959.

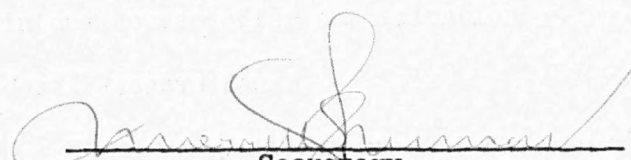
Governor Robertson reported briefly on a meeting that he had attended in Knoxville, Tennessee, on November 12, 1959, such meeting having been arranged by the directors of the Nashville Branch of the

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Federal Reserve Bank of Atlanta. All banks in the Knoxville zone had been invited to send representatives to the meeting and most of them were represented, and a number of representative businessmen also were present. Governor Robertson felt that this meeting illustrated in an effective way how it was possible for directors of a Reserve Bank branch to participate actively in System affairs.

The meeting then adjourned.

Secretary's Note: Governor Robertson, acting in the absence of Governor Shepardson, today approved on behalf of the Board a letter to the Federal Reserve Bank of Atlanta (attached Item No. 7) approving the designation of Donald W. York as special assistant examiner.

  
Secretary

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

Item No. 1  
11/13/59

November 13, 1959.

COOMBS - NEW YORK

Your wire November 5. Board approves the opening and maintenance of an account on your books in the name of the Central Bank of Nigeria subject to the usual terms and conditions upon which your Bank maintains accounts for foreign central banks and governments. It is understood that you will in due course offer participation in this account to the other Federal Reserve Banks.

(Signed) Merritt Sherman

SHERMAN

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

Item No. 2  
11/13/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

November 13, 1959.



Board of Directors,  
Gary Trust and Savings Bank,  
Gary, Indiana.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Chicago, the Board of Governors approves the establishment of a branch at 4236-4238 Broadway, Gary, Indiana, by Gary Trust and Savings Bank, Gary, Indiana. This approval is given provided the branch is established within six months 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) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.

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

Item No. 3  
11/13/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

November 13, 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 October 28, 1959, concerning an application received by your office from the State Savings Bank, Stanton, Michigan, a non-member insured bank, to establish a branch at Edmore, Michigan, upon consolidation with the State Bank of Edmore, Edmore, Michigan, a member of the Federal Reserve System.

No corrective programs have been urged upon or agreed to by the Edmore bank which the Board of Governors believes should be incorporated as conditions in connection with the above proposal.

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  
11/13/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD



November 13, 1959.

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

Attention L. A. Jennings,  
Deputy Comptroller of the Currency.

Dear Mr. Comptroller:

Reference is made to a letter from your office dated June 12, 1959, enclosing copies of an application to organize a national bank at South Gate, California, 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 San Francisco indicates that the organizers have agreed to provide a minimum capital structure for the bank of \$750,000 instead of \$500,000, as shown in the application. The revised capital structure appears to be adequate. In addition, the report discloses generally favorable findings with respect to prospects for profitable operations, proposed management, although the chief executive officer has not been appointed, and need for additional banking facilities in the area. Accordingly, the Board of Governors recommends approval of the application, provided arrangements are made for executive management satisfactory to your office.

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

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.



**TELEGRAM**  
LEASED WIRE SERVICEItem No. 5  
11/13/59BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTON

November 13, 1959.

Bryan - Atlanta

Re construction of addition and alterations to your head office building and Patterson letter October 22, Board authorizes acceptance of low bids for general construction and for air conditioning, heating, and ventilation work, together with alternates 6 and 8 of the general construction, and alternate 2 of the air conditioning, heating, and ventilation bid; and total expenditure not to exceed \$6,406,000, which includes a contingency allowance of approximately \$300,000.

Board believes minimum basic construction for fallout shelter should be incorporated in building at this time.

(Signed) Merritt Sherman

SHERMAN

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

Item No. 6  
11/13/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

November 13, 1959.

Bank of America National Trust  
and Savings Association,  
San Francisco 20, California.

Gentlemen:

The Board of Governors of the Federal Reserve System authorizes Bank of America National Trust and Savings Association, San Francisco, California, pursuant to the provisions of Section 25 of the Federal Reserve Act, to establish a branch in the City of Buenos Aires, Republic of Argentina, and to operate and maintain such branch subject to the provisions of such Section. The location of the branch may not be changed, after establishment, without the prior approval of the Board of Governors.

Unless the branch is actually established and opened for business on or before November 1, 1960, all rights granted hereby shall be deemed to have been abandoned and the authority hereby granted will automatically terminate on that date.

Please advise the Board of Governors, in writing, through the Federal Reserve Bank of San Francisco, when the branch is opened for business, furnishing information as to the exact location of the branch.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.



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

Item No. 7  
11/13/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

November 13, 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 November 5, 1959, the Board approves the designation of Donald W. York as a special assistant examiner for the Federal Reserve Bank of Atlanta for the purpose of participating in the examinations of State member banks only.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.

