

Minutes for December 21, 1959

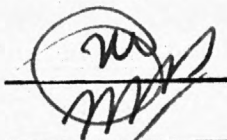
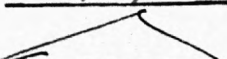
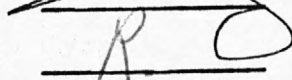
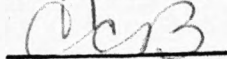


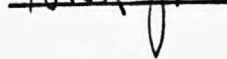
To: Members of the Board

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 Monday, December 21, 1959. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary
Mr. Riefler, Assistant to the Chairman
Mr. Thomas, Economic Adviser to the Board
Mr. Fauver, Assistant to the Board
Mr. Johnson, Director, Division of Personnel
Administration
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. Kiley, Assistant Director, Division of Bank
Operations
Mr. Hostrup, Assistant Director, Division of
Examinations
Mr. Nelson, Assistant Director, Division of
Examinations
Mr. Landry, Assistant to the Secretary
Mr. Walter Young, Assistant Counsel

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

Item No.

1

Letter to Savannah Bank & Trust Company of
Savannah, Savannah, Georgia, approving the
establishment of a branch on U. S. Highway 17
between Bay and Houlihan Streets.

12/21/59

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	<u>Item No.</u>
Telegram to the Federal Reserve Agent at Richmond authorizing the issuance of a general voting permit to The First Virginia Corporation, Arlington, Virginia, covering its stock in The National Bank of Manassas, Manassas, Virginia.	2
Letter to the Federal Reserve Bank of New York regarding the appointment of the officer in charge of the Bank Supervision and Relations function at the Bank.	3
Letter approving payment of salary to a Federal Reserve Bank officer.	4
Letter to the Federal Reserve Bank of Dallas regarding a possible violation of Regulation O at the Southern Arizona Bank and Trust Company, Tucson, Arizona.	5

With respect to Item No. 5 above, Mr. Young noted that the individual involved, although holding no official title in the Southern Arizona Bank and Trust Company, Tucson, Arizona, was manager of the bank's cattle and agricultural loan division, was paid a salary comparable with that of a vice president at the institution, had the power to make individual loans not exceeding \$5,000 each and was authorized to process loans up to \$10,000 for old established customers on a secured basis, and that, although his appointment was not approved by the board of directors, his salary was. He added that to follow the somewhat narrow view that a person not appointed directly by a bank's board of directors cannot be an executive officer opened the door wide for evasion of the law and the Board's Regulation O, Loans to Executive Officers of Member Banks.

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Messrs. Johnson, Hostrup, Nelson, and Young then withdrew from the meeting, and Mr. Molony, Assistant to the Board, entered the room at this point.

Further discussion of Reserve Bank capital accounts (Item No. 6).

The Secretary reported on telephone conversations with several Reserve Bank Presidents following their receipt of advice of the Board's action on December 18, 1959, regarding Reserve Bank capital accounts. President Fulton had called to report that, as Chairman of the Committee on Miscellaneous Operations, he had canvassed the Reserve Banks and it was their general belief that it would be physically impossible to accomplish the necessary amendment to the Loss Sharing Agreement by December 31, 1959, to permit elimination of the reserve for registered mail losses by that date. He recommended therefore that the Board let this matter go over until the necessary actions could be completed in 1960.

A discussion then ensued with respect to the mechanics of making the closing entries at the year end on the books of the Federal Reserve Banks and whether announcement of earnings and expenses of the Banks during 1959 might be deferred until the \$11 million reserve for registered mail losses could be closed out. This discussion led to the conclusion that it would be preferable to proceed with the usual year-end statement of earnings and expenses early in January 1960, which would include a report of payments made to the Treasury as interest on Federal Reserve notes, and to close out the reserve for registered mail losses at a

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

Item No. 1
12/21/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 21, 1959

Board of Directors,
Savannah Bank & Trust Company of Savannah,
Savannah, Georgia.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Atlanta, the Board of Governors of the Federal Reserve System approves the establishment of a branch on U.S. Highway 17, between Bay and Houlihan Streets, Savannah, Georgia, by Savannah Bank & Trust Company of Savannah, Savannah, Georgia, provided the branch is established within six months from the date of this letter.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.



T E L E G R A M
LEASED WIRE SERVICE

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 2
12/21/59

December 21, 1959

DECKER - RICHMOND

KEBJE

- A. The First Virginia Corporation, Arlington, Virginia.
- B. The National Bank of Manassas, Manassas, Virginia.
- C. Prior to the issuance of permit authorized herein, applicant shall execute and deliver to you in duplicate an agreement in form accompanying Board's letter S-964 (F.R.L.S.#7190).

(Signed) Kenneth A. Kenyon

KENYON

Definition of KEBJE

The Board authorizes the issuance of a general voting permit, under the provisions of section 5144 of the Revised Statutes of the United States, to the holding company affiliate named below after the letter "A", entitling such organization to vote the stock which it owns or controls of the bank(s) named below after the letter "B" at all meetings of shareholders of such bank(s), subject to the condition(s) stated below after the letter "C". The period within which a permit may be issued pursuant to this authorization is limited to thirty days from the date of this telegram unless an extension of time is granted by the Board. Please proceed in accordance with the instructions contained in the Board's letter of March 10, 1947, (S-964).

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

Item No. 3
12/21/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 21, 1959

CONFIDENTIAL (FR)

Mr. Alfred Hayes, President,
Federal Reserve Bank of New York,
New York 45, New York.

Dear Mr. Hayes:

The Board of Governors approves the appointment of Mr. Howard D. Crosse as the officer in charge of the Bank Supervision and Relations function at the Federal Reserve Bank of New York with the title of Vice President effective January 1, 1960, in accordance with the action taken by your Board of Directors as reported in your letter of December 7, 1959.

It is noted that the salary fixed for Mr. Crosse as Vice President is the same amount (\$23,000) approved for the year 1960 at his former title, as indicated in the Board's letter of December 10, 1959.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.



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

Item No. 4
12/21/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 21, 1959

CONFIDENTIAL (FR)

Mr. W. D. Fulton, President,
Federal Reserve Bank of Cleveland,
Cleveland 1, Ohio.

Dear Mr. Fulton:

The Board of Governors approves the payment of salary to Mr. W. Braddock Hickman as a Vice President of the Federal Reserve Bank of Cleveland for the period February 1 through December 31, 1960, at the rate of \$25,000 per annum, which is the rate fixed by your Board of Directors as reported in your letter of December 11, 1959.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 5
12/21/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 21, 1959



Mr. L. G. Pondrom, Vice President,
Federal Reserve Bank of Dallas,
Dallas 2, Texas.

Dear Mr. Pondrom:

This is in response to your letter of November 17, 1959, with enclosures, regarding a possible violation of Regulation O at the Southern Arizona Bank and Trust Company, Tucson, Arizona, as a result of loans made to Mr. Daniel West Clarke, Manager of the bank's Cattle and Agricultural Loan Division.

The information which you have supplied indicates that Mr. Clarke, while having no official title, is responsible for establishing the bank's policy on agricultural loans, that he manages the Cattle and Agricultural Loan Division and is responsible for its efficient operation. It is noted also that he individually has made loans up to \$5,000 and is authorized in certain cases to process loans up to \$10,000.

This is to advise you that the Board is in agreement with the conclusion reached by your Assistant General Counsel, whose opinion was enclosed with your letter, that Mr. Clarke participates in the operating management of his bank and should be considered an "executive officer" of the bank as that term is defined in Regulation C.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

T E L E G R A M
LEASED WIRE SERVICEItem No. 6
12/21/59BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON

December 21, 1959.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

Please refer to Board's telegram December 18, 1959, concerning Reserve Bank capital accounts. In view of further report by Mr. Fulton, Board has agreed to postpone closing out reserve for registered mail losses until Loss Sharing Agreement can be appropriately amended in the usual manner early in 1960. Please give appropriate advice to your board of directors regarding other Board actions of which you were advised in wire of December 18.

Board requests that following actions be taken on or before December 31, 1959:

- (1) Close out the reserve for contingencies other than the reserve for registered mail losses and credit the amount to profit and loss.
- (2) Make usual addition to reserve for registered mail losses.

(Signed) Merritt Sherman
SHERMAN

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

Item No. 7
12/21/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 21, 1959

Mr. Benjamin F. Groot, Vice President,
Federal Reserve Bank of Boston,
Boston 6, Massachusetts.

Dear Mr. Groot:

In accordance with the request contained in your letter of December 14, 1959, the Board approves the appointment of Robert Louis Sterns as an assistant examiner for the Federal Reserve Bank of Boston. Please advise as to the date on which the appointment is made effective.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

