

Minutes for January 5, 1960

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. Shepardson

Gov. King

The image shows handwritten initials and signatures on lines next to the names of the Board members. The initials are: a circled 'W' for Chm. Martin; 'MSZ' for Gov. Szymczak; a signature for Gov. Mills; 'R.' for Gov. Robertson; 'C.B.' for Gov. Balderston; 'S.S.' for Gov. Shepardson; and 'M.K.' for Gov. King.

Minutes of the Board of Governors of the Federal Reserve System
on Tuesday, January 5, 1960. 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. Young, Adviser to the Board
Mr. Shay, Legislative Counsel
Mr. Hackley, General Counsel
Mr. Farrell, Director, Division of Bank Operations
Mr. Solomon, Director, Division of Examinations
Mr. Hexter, Assistant General Counsel
Mr. O*Connell, Assistant General Counsel
Mr. Daniels, Assistant Director, Division of
Bank Operations
Mr. Landry, Assistant to the Secretary
Mr. Thompson, Supervisory Review Examiner,
Division of Examinations

Items circulated or distributed to the Board. The following
items, which had been circulated or 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:

	<u>Item No.</u>
Letter to the Federal Reserve Bank of New York advising of a call upon corporations operating under the provisions of section 25 and 25(a) of the Federal Reserve Act for reports of condition as of December 31, 1959.	1
Letters to Morgan Guaranty Trust Company of New York, New York City, transmitting final permits authorizing Morgan Guaranty Inter- national Banking Corporation and Morgan Guaranty International Finance Corporation to commence business.	2 and 3

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	<u>Item No.</u>
Letter to the Farmers Bank, Clay, Kentucky, waiving the requirement of six months* notice of withdrawal from membership in the Federal Reserve System.	4
Letter to First Bank Stock Corporation, Minneapolis, Minnesota, replying to its letter of December 1, 1959, relating to the Board's Order of July 21, 1959, with respect to First Service Agencies, Inc.	5
Letter, prepared pursuant to the understanding at the Board meeting on December 8, 1959, to the Federal Reserve Bank of Kansas City regarding the building program at the Oklahoma City Branch.	6

With respect to Item No. 5 above, Mr. Hexter said in reply to a question from Governor Robertson that in December 1957 First Bank Stock Corporation, Minneapolis, Minnesota, filed an application (Docket Nos. DHC-36 and DHC-37) with the Board pursuant to Section 4(c)(6) of the Bank Holding Company Act of 1956 requesting exemption from the prohibition of Section 4(e)(1) and (2) of the Act for, among other things, the proposed acquisition and retention of shares of stock of First Service Agencies, Inc., and that by an order dated July 21, 1959, the application with respect to First Service Agencies, Inc., was granted. He noted that the First Service Agencies, Inc., described in the application was a Minnesota corporation and that for various business reasons First Bank Stock had decided to use a Delaware corporation also to be called First Service Agencies, Inc., and to

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activate the Delaware corporation in lieu of the Minnesota corporation in the manner described in the application. In a letter dated December 1, 1959, First Bank Stock had inquired whether the Board had any objection to its use of a Delaware corporation instead of the Minnesota corporation which had never been activated. Mr. Hexter said that the Legal Division was aware of the fact that there was a technical legal point in this requested change since the Board's Order of July 21, 1959, referred specifically to a Minnesota corporation. Because of this legal difficulty, the Minneapolis Reserve Bank had been requested to obtain the views of Mr. Rasmussen, the Minnesota State Bank Supervisor, who had responded that he saw no objection to the change in the state of incorporation of First Service Agencies, Inc.

Call for reports of condition. The Secretary reported that a letter had been received yesterday from the Comptroller of the Currency advising that a call would be made upon all national banks on January 6, 1960, for reports of condition of the banks and reports of certain of their affiliates, other than member bank affiliates, as of the close of business Thursday, December 31, 1959; and that, in accordance with the usual practice, a telegram had been sent by the Secretary to the Presidents of all Federal Reserve Banks on January 4 requesting that a similar call be made upon State member banks.

The action taken in sending the telegram was ratified by unanimous vote.

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Oral argument on First Bank Stock Corporation's application.

There had been distributed under date of January 4, 1960, a memorandum from Mr. O'Connell providing background information for the possible assistance of the Board in connection with the oral argument to be held on January 6, 1960, at 10:00 a.m. in Room 1202 of the Board's building regarding First Bank Stock Corporation's application under the Bank Holding Company Act to acquire stock of Eastern Heights State Bank of St. Paul, Minnesota.

Following a review by Mr. O'Connell of this case, including the prior decision of the Board on August 5, 1958, denying an earlier application by First Bank Stock, it was understood the Board would meet in Room 1202 at 10:00 a.m. on January 6 to hear the oral argument.

All members of the staff with the exception of Messrs. Sherman, Young, and Shay then withdrew from the meeting.

Letter from Senator Douglas. Mr. Young reported that he had received a letter dated December 28, 1959, from Senator Paul Douglas of Illinois requesting Mr. Young's participation in a non-political taped radio broadcast on "How Our Banking System Creates Credit" as part of a series of 13 broadcasts to be given over some 20 radio stations in Illinois from January to April, 1960. He noted that Senator Douglas and his wife would be the other participants and would serve solely as interrogators in this series, which was intended to inform the public of the services performed by the various agencies of the Federal Government.

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Unanimous approval was given to acceptance of this invitation by Mr. Young.

Appointment of a deputy chairman at a Federal Reserve Bank.

Governor Balderston suggested it would be desirable for the Board to make an appointment of a Deputy Chairman at the Federal Reserve Bank of Philadelphia for the calendar year 1960; and he stated the reasons why he felt it would be desirable to appoint Walter E. Hoadley, Jr., presently serving as a Class C director of that Bank. He added that Chairman Supplee of the Reserve Bank concurred with his views.

Unanimous approval was then given to this appointment.

The meeting then adjourned.

Secretary's Notes: Pursuant to the action taken at yesterday's Board meeting, a telegram was sent today to the Presidents of all Federal Reserve Banks informing them that the Board had revised its press statement regarding Reserve Bank earnings during 1959 to indicate that the decision to make the 1959 payments to the Treasury had been reached "after consultation with the Federal Reserve Banks" and noting that the statement would be released January 6, 1960. A copy of this telegram is attached as Item No. 7.

Pursuant to the recommendations contained in memoranda from appropriate individuals concerned, Governor Shepardson today approved on behalf of the Board the following actions affecting the Board's staff:

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Appointments

Lee Sawyer as Clearing Assistant in the Office of the Secretary, with basic annual salary at the rate of \$3,945, effective the date she assumes her duties.

Paul Gekker as Economist in the Division of International Finance, with basic annual salary at the rate of \$11,355, effective the date he assumes his duties.

Salary increases, effective January 10, 1960

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Research and Statistics</u>			
Dorothy J. Buschman, Draftsman		\$ 3,755	\$ 3,850
Virginia Johns, Secretary		4,790	4,940
Edward Kalachek, Economist		7,270	7,510
Paul W. Kuznets, Economist		6,135	6,285
A. Jane Moore, Economist		7,270	7,510
Anita E. Perrin, Secretary		4,940	5,090
Stanley J. Sigel, Chief, Flow of Funds and Savings Section		12,770	13,070
Tynan Smith, Senior Economist		13,070	13,370
Edward P. Snyder, Economist		8,330	8,570
Robert Solomon, Senior Economist		12,770	13,070
Helmut Wendel, Economist		8,570	8,810
Murray Wernick, Senior Economist		12,770	13,070
<u>Examinations</u>			
John P. Donovan, Federal Reserve Examiner		7,270	7,510
Wilson D. Dougal, Senior Federal Reserve Examiner		11,595	11,835
Michael W. Flynn, Federal Reserve Examiner		7,270	7,510
Adrien P. Francoeur, Federal Reserve Examiner		7,030	7,270
Francis J. McGarvey, Assistant Federal Reserve Examiner		6,735	6,885
Jerry B. Riley, Federal Reserve Examiner		7,510	7,750
Karl P. Wendt, Senior Federal Reserve Examiner		9,890	10,130
<u>Administrative Services</u>			
Thresia S. Elting, Cafeteria Helper (Part-time)		1,575	1,623
Garland R. Gaines, Messenger		3,055	3,150



 Secretary

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

Item No. 1
1/5/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



January 5, 1960.

Mr. Howard D. Crosse, Vice President,
Federal Reserve Bank of New York,
New York 45, New York.

Dear Mr. Crosse:

Enclosed are copies of letters calling for reports of condition as of December 31, 1959, from the following foreign banking and foreign financing corporations in the Second District operating under the provisions of Section 25 and Section 25(a) of the Federal Reserve Act:

- Bankers Company of New York
- Chase Manhattan Overseas Corporation
- International Banking Corporation
- American Overseas Finance Company
- Bank of America
- Bankers International Corporation
- Chase International Investment Corporation
- Chemical International Finance, Ltd.
- The First Bank of Boston (International)

Also enclosed is a copy of a letter to American Overseas Investing Company, Inc.

You will observe that the letters request that the reports called for be submitted in duplicate to the Federal Reserve Bank of New York for transmittal to the Board of Governors.

Upon receipt of the reports it will be appreciated if you will have a proof made of the footings and obtain the correction of any obvious errors in the reports. Please forward the original copy of the reports to the Board and retain a copy for your files.

A complete review of the reports will be made in the Board's Division of Examinations, and any correspondence which may be necessary as a result thereof will be initiated by the Board with a copy to you for your information.

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. 2
1/5/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



January 5, 1960.

Mr. J. Delafield DuBois, Vice President,
Morgan Guaranty Trust Company of New York,
140 Broadway,
New York 15, New York.

Dear Mr. DuBois:

The Board of Governors has received a certificate of the Secretary and three directors of Morgan Guaranty International Banking Corporation, dated December 9, 1959, certifying the information required by Section 3(c) of Regulation K as prerequisite to the issuance of a final permit to commence business.

There is enclosed herewith a final permit of the Board of Governors granting to Morgan Guaranty International Banking Corporation, authority to commence business as a corporation organized under the provisions of Section 25(a) of the Federal Reserve Act.

Upon completion of the organization of the Corporation, it would be appreciated if you would furnish the Board of Governors with a copy of the by-laws of the Corporation.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

Enclosure

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

January 5, 1960.

Permit to Begin Business

WHEREAS, the Board of Governors of the Federal Reserve System on the twenty-fifth day of November, Nineteen Hundred and Fifty Nine, approved the Articles of Association and Organization Certificate of Morgan Guaranty International Banking Corporation in accordance with the terms of Section 25(a) of the Federal Reserve Act; and

WHEREAS, by satisfactory evidence presented to the Board of Governors of the Federal Reserve System, it appears that Morgan Guaranty International Banking Corporation has complied with all of the provisions of the statutes of the United States required to be complied with before a corporation shall be authorized to commence business as a corporation organized under Section 25(a) of the Federal Reserve Act;

NOW, THEREFORE, it is hereby certified that Morgan Guaranty International Banking Corporation is authorized to commence business as a corporation organized and operating under the provisions of Section 25(a) of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System issued in accordance therewith.

IN WITNESS WHEREOF, I have hereunto set my hand and caused the seal of the Board of Governors of the Federal Reserve System to be affixed on the day and year first above written.

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

(SEAL)

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

Item No. 3
1/5/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 5, 1960.

Mr. J. Delafield DuBois, Vice President,
Morgan Guaranty Trust Company of New York,
110 Broadway,
New York 15, New York.

Dear Mr. DuBois:

The Board of Governors has received a certificate of the Secretary and three directors of Morgan Guaranty International Finance Corporation, dated December 9, 1959, certifying the information required by Section 3(c) of Regulation K as prerequisite to the issuance of a final permit to commence business.

There is enclosed herewith a final permit of the Board of Governors granting to Morgan Guaranty International Finance Corporation, authority to commence business as a corporation organized under the provisions of Section 25(a) of the Federal Reserve Act.

Upon completion of the organization of the Corporation, it would be appreciated if you would furnish the Board of Governors with a copy of the by-laws of the Corporation.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

Enclosure

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

January 5, 1960.

Permit to Begin Business

WHEREAS, the Board of Governors of the Federal Reserve System on the twenty-fifth day of November, Nineteen Hundred and Fifty Nine, approved the Articles of Association and Organization Certificate of Morgan Guaranty International Finance Corporation in accordance with the terms of Section 25(a) of the Federal Reserve Act; and

WHEREAS, by satisfactory evidence presented to the Board of Governors of the Federal Reserve System, it appears that Morgan Guaranty International Finance Corporation has complied with all of the provisions of the statutes of the United States required to be complied with before a corporation shall be authorized to commence business as a corporation organized under Section 25(a) of the Federal Reserve Act;

NOW, THEREFORE, it is hereby certified that Morgan Guaranty International Finance Corporation is authorized to commence business as a corporation organized and operating under the provisions of Section 25(a) of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System issued in accordance therewith.

IN WITNESS WHEREOF, I have hereunto set my hand and caused the seal of the Board of Governors of the Federal Reserve System to be affixed on the day and year first above written.

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

(SEAL)

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

Item No. 4
1/5/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 5, 1960.

Board of Directors,
Farmers Bank,
Clay, Kentucky.

Gentlemen:

The Federal Reserve Bank of St. Louis has forwarded to the Board of Governors your letter, together with the accompanying resolution dated December 2, 1959, signifying your intention to withdraw from membership in the Federal Reserve System and requesting waiver of the six months' notice of such withdrawal.

In accordance with your request, the Board of Governors waives the requirement of six months' notice of withdrawal. Upon surrender to the Federal Reserve Bank of St. Louis of the Federal Reserve Bank stock issued to your institution, such stock will be canceled and appropriate refund will be made thereon. Under the provisions of Section 10(c) of the Board's Regulation H, your institution may accomplish termination of its membership at any time within eight months from the date the notice of intention to withdraw from membership was given.

It is requested that the certificate of membership be returned to the Federal Reserve Bank of St. Louis.

Attention is invited to the fact that if your bank is desirous of continuing deposit insurance after withdrawal from membership in the Federal Reserve System, it will be necessary that application be made to the Federal Deposit Insurance Corporation.

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
1/5/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 5, 1960.

Mr. L. B. Hogue,
Secretary and Treasurer,
First Bank Stock Corporation,
Minneapolis 2, Minnesota.

Dear Mr. Hogue:

This is in reply to your letter of December 1, 1959, relating to the Board's Order of July 21, 1959, with respect to First Service Agencies, Inc.

As pointed out in the Statement that accompanied the Board's Order, First Service Agencies, Inc. is a Minnesota corporation. For various business reasons, First Bank Stock Corporation proposes to form a Delaware corporation, also to be called "First Service Agencies, Inc.", and to activate that new corporation in lieu of the Minnesota corporation heretofore organized. Your letter indicates that no steps have been taken to activate the Minnesota corporation and that none will be taken hereafter, since the Delaware corporation will completely take the place of the Minnesota corporation.

The Board's Order in this matter stated that

"The activities of First Service Agencies, Inc., are determined to be so closely related to the business of banking or of managing or controlling banks as to be a proper incident thereto and as to make it unnecessary for the prohibitions of Section 4 of the Bank Holding Company Act of 1956 to apply in order to carry out the purposes of that Act...."

It is inferred from your letter that the activities of First Service Agencies, Inc. (the proposed Delaware corporation) will be in all respects identical with the activities of First Service Agencies, Inc. (the Minnesota corporation) referred to in the Board's Order.

In these circumstances, it is the view of the Board that its Order in this matter will be applicable to First Service Agencies, Inc., a Delaware corporation to be organized solely for the purpose of being substituted for the Minnesota corporation of the same name.

Very truly yours,
(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 6
1/5/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 5, 1960.

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

Dear Mr. Leedy:

Reference is made to your letter of July 30, 1959, the Board's reply of August 28, and a letter of October 16 from the architects, Sorey, Hill, and Sorey, concerning provision of an alternate for fallout shelter in the detailed plans and specifications for the proposed addition to the Oklahoma City Branch building.

The architects' plan for providing shelter would require razing the existing parking structure and rebuilding it essentially as it is after construction of a fallout shelter in a subbasement area under the ground floor level of the parking structure.

Your Head Office and Oklahoma City Branch directors have taken action to the effect that a parking area substantially as shown in the preliminary plans be retained in the new structure and that the economic feasibility of providing a fallout shelter be determined after receipt of contractors' bids.

After reviewing the proposal of the architects for the Oklahoma City Branch building, the Board's Consulting Architect recommended that the proposition to demolish the present parking structure, which would be rebuilt after construction of the shelter, be rejected. He provided a rough estimate indicating that this would add over \$200,000 to the cost of the Oklahoma City building program; whereas, he states, the normal cost of a fallout shelter for 200 persons has been running between \$30,000 and \$40,000. Enclosed are three copies of his letter of November 6, 1959.

In the light of these developments the Board wishes to have further consideration given to plans for expansion at your Oklahoma City Branch, including--

Mr. Leedy

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- (1) Further exploration of the possibility of providing fallout shelter in a more economical way in some area (in the present building or planned addition) normally used for operations.
- (2) A restudy of the advantages and disadvantages of razing the parking structure so that an addition could be built without the restrictions imposed by the parking structure.
- (3) Reconsideration of the possible desirability of abandoning the present location and constructing a building on a new site.

In this connection, the Board has requested that a representative of the Division of Bank Operations and the Board's Consulting Architect visit Oklahoma City in the near future to discuss the situation with representatives of the Head Office and Oklahoma City Branch. Mr. Farrell has been asked to communicate with you regarding arrangements for the visit.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

Enclosures 3

T E L E G R A M
LEASED WIRE SERVICEBOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTONItem No. 7
1/5/60

CONFIDENTIAL (FR)

January 5, 1960.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

Please refer to wire sent you December 30, 1959, transmitting draft of statement regarding Reserve Bank earnings during 1959.

Board has revised first sentence of last paragraph to read as follows:

"The 1959 payments to the Treasury reflect a conclusion reached by the Board, after consultation with the Federal Reserve Banks, that the maintenance of a surplus at the level of subscribed capital would be appropriate in the light of present circumstances."

It is still expected that the statement will be handed to the press for immediate release on Wednesday, January 6, 1960. Copy of the statement in the form to be released that day will be sent to you by wire as soon as final figures are available.

(Signed) Merritt Sherman

SHERMAN