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Nov. 10/59

Minutes for February 26, 1960.

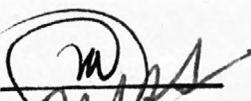
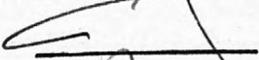
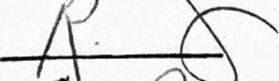
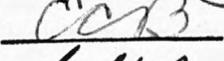
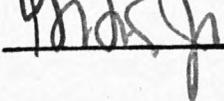
To: Members of the Board

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	<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, February 26, 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. Hackley, General Counsel  
Mr. Solomon, Director, Division of Examinations  
Mr. Johnson, Director, Division of Personnel  
Administration,  
Mr. Connell, Controller  
Mr. Masters, Associate Director, Division of  
Examinations  
Mr. Chase, Assistant General Counsel  
Mr. Nelson, Assistant Director, Division of  
Examinations  
Mr. Landry, Assistant to the Secretary  
Mr. Kakalec, Assistant to the Controller

Discount rates. The establishment without change by the Federal Reserve Banks of New York, Cleveland, Richmond, St. Louis, Kansas City, and Dallas on February 25, 1960, 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:

Item No.

Letter to the Federal Reserve Bank of Cleveland  
approving the payment of salary to an Assistant Vice  
President at the rate fixed by the Board of Directors.

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Item No.

Letter to Manufacturers and Traders Trust Company, Buffalo, New York, consenting to its merger with the Bank of Blasdell, Blasdell, New York, and to the establishment of a branch incident to the merger.

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Mr. Johnson withdrew from the meeting at this point.

Budget Performance Report - 1959. There had been distributed to the members of the Board a Budget Performance Report for 1959 in which the Controller recommended that acceptance of the Report be considered to be approval of several instances of divisional overexpenditures.

Following an observation from Governor Shepardson that he had no comments to make on this report, Mr. Connell stated that he hoped the Report explained to the Board's satisfaction all over and underexpenditures by the various divisions of the Board during 1959. He noted that the largest underexpenditure related to the special study on financing of small business for which \$500,000 had been allowed in the budget and for which a total of only \$45,000 had been spent. The second largest underexpenditure related to the Board's payroll, and the total of all underexpenditures was about \$775,000. With respect to the payroll item, Governor Shepardson noted that the underexpenditure reflected a condition of underemployment arising from the difficulty of filling positions at appropriate levels.

Chairman Martin observed that the presentation in the Report was quite clear and direct, and Governor Balderston added that he was

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impressed with the form of presentation which separated special projects from more routine matters in the budget, serving as an aid to the Board in appraising the cost of these special projects.

Governor Shepardson then called attention to overexpenditure items, summarized in Schedule B of the report.

Mr. Connell observed that there were only two overexpenditures of any consequence: (1) that connected with the survey and report of examination procedures followed in examining the Federal Reserve Banks, conducted by Price Waterhouse, the bill for which had arrived late in January 1960, and (2) the cost of the security clearance program relating to the defense planning function.

The Budget Performance Report for 1959 was then accepted, with the understanding that this included approval of overexpenditures reported therein and not previously approved.

Messrs. Connell and Kakalec then withdrew from the meeting.

Telephone call from Mr. Hoagland. Messrs. Hackley and Chase reported on a telephone call from Mr. Hoagland of Denver, an attorney for Centennial Fund, Inc., who expressed disappointment at the Board's ruling of February 24, 1960, that under section 32 of the Banking Act of 1933 a director of a member bank could not at the same time serve as a director of a closed-end investment company in the process of being organized. Mr. Hoagland felt that the Board's ruling discriminated against his client, stating that to his knowledge other bank directors

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had served as directors of closed-end investment trusts during their organization.

Mr. Chase stated that no such cases as those referred to by Mr. Hoagland had been brought to the Board's attention, although it was entirely possible some member bank directors had also served as directors of closed-end investment trusts while they were being organized. In any event, the Board's ruling was not affected by any omissions that might have been made in the past with respect to the application of section 32, and this was the first case of the type that the Board had ruled on. The Legal Division believed that the Board's ruling as contained in the wire sent to Mr. Hoagland on February 24 was correct and that a different ruling would be inconsistent with the statute. Accordingly, unless the Board wished to reconsider the matter, the Legal Division proposed to inform Mr. Hoagland that he should be guided by the ruling sent to him on February 24.

Unanimous approval was given to this recommended procedure.

Mr. Molony, Assistant to the Board, entered the meeting during the foregoing discussion. At this point, Messrs. Chase and Landry withdrew, and the following members of the staff of the Division of Examinations entered the room:

Mr. Benner, Assistant Director,  
Mr. Leavitt, Supervisory Review Examiner  
Mr. Troup, Supervisory Review Examiner  
Mr. McClintock, Review Examiner  
Mr. Hunter, Supervisory Review Examiner  
Mr. Achor, Review Examiner  
Mr. White, Review Examiner

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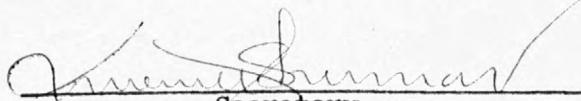
Problem banks - report by the Division of Examinations. There had been circulated to the members of the Board under date of December 28, 1959, a memorandum from the Division of Examinations relating to problem banks as uncovered in reports of examination during 1959. Members of the staff of the Division of Examinations reported on the more serious cases referred to in the memorandum, following which there was a brief discussion of the reports.

Thereupon the meeting adjourned.

Secretary's Note: Governor Shepardson today approved on behalf of the Board the following items:

Memorandum dated February 25, 1960, from the Division of Personnel Administration recommending that certain inoculations be made available to the Board's employees in connection with the emergency planning program, and that the Division of Personnel Administration be authorized to make all necessary arrangements, with the understanding that the cost of the serums would be paid for by the employees receiving them. The memorandum noted that provision has been made in the 1960 budget for the fee to the Board's doctor for the administration of the inoculations.

Letter to the Federal Reserve Bank of Cleveland (attached Item No. 3) approving the designation of specified persons as special assistant examiners.

  
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 Secretary

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

Item No. 1  
2/26/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

February 26, 1960.



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 the following officer of the Federal Reserve Bank of Cleveland for the period April 1 through December 31, 1960, at the rate indicated, which is the rate fixed by your Board of Directors as reported in your letter of February 11, 1960:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
Harry W. Huning	Assistant Vice President	\$11,500

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

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

Item No. 2  
2/26/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

February 26, 1960.



Board of Directors,  
Manufacturers and Traders  
Trust Company,  
Buffalo, New York.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of New York, the Board of Governors of the Federal Reserve System hereby gives its consent, under the provisions of Section 18(c) of the Federal Deposit Insurance Act, to the merger of Bank of Blasdell, Blasdell, New York, with and into Manufacturers and Traders Trust Company, Buffalo, New York, and approves the establishment of a branch by Manufacturers and Traders Trust Company at 23 Lake Avenue, Blasdell, New York.

This approval is given provided:

- (1) The proposed merger and establishment of the branch is effected within six months from the date of this letter and substantially in accordance with the Agreement of Merger dated December 10, 1959;
- (2) Shares of stock acquired from dissenting stockholders are disposed of within three months from the date of acquisition; and
- (3) Approval of the State authorities is in effect 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  
2/26/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

February 26, 1960.



Mr. Paul C. Stetzelberger, Vice President,  
Federal Reserve Bank of Cleveland,  
Cleveland 1, Ohio.

Dear Mr. Stetzelberger:

In accordance with the request contained in your letter of February 23, 1960, the Board approves the designation of the following named employees of your Bank as special assistant examiners for the Federal Reserve Bank of Cleveland:

J. R. Aufderheide      Emil E. Cedel      H. Woodie Lange

The Board also approves the designation of the following named employees of your Bank as special assistant examiners for the Federal Reserve Bank of Cleveland for the purpose of participating in examinations of member banks except the bank listed immediately above their names:

Western Pennsylvania National Bank, McKeesport  
McKeesport, Pennsylvania

Ivar Johnson

Pittsburgh National Bank  
Pittsburgh, Pennsylvania

David L. Peck  
G. M. Trowbridge

The authorization heretofore given your Bank to designate Mr. Peck as a special assistant examiner is hereby canceled.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.