

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, June 20, 1950. The Board met in Mr. Szymczak's office at 10:30 a.m.

PRESENT: Mr. Szymczak, Chairman pro tem.
Mr. Draper
Mr. Evans

Mr. Carpenter, Secretary
Mr. Morrill, Special Adviser
Mr. Thurston, Assistant to the Board
Mr. Townsend, Solicitor

Mr. Vardaman's office had reported to the Secretary that Mr. Vardaman was on vacation and would not return to the office officially until July 17. Chairman McCabe was in Cleveland for the purpose of attending a meeting of the directors of the Federal Reserve Bank of Cleveland and its branches, and Mr. Eccles had not arrived at his office.

Before this meeting Mr. Townsend discussed with Mr. Szymczak the possibility that the Comptroller of the Currency would issue the necessary permits to Bank of America National Trust and Savings Association to operate branches at the locations now operated by some 21 banks, the control of which had been acquired by Transamerica. Mr. Townsend had suggested that the Board give consideration to the desirability of instructing him as Solicitor to file in the Circuit Court of Appeals for the 9th Circuit at San Francisco a petition to enjoin Bank of America from acquiring the assets of the 21 banks. The reason for the petition would be that there was now pending a Clayton Act proceeding against Transamerica to determine whether the

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Corporation, which also controls Bank of America National Trust and Savings Association, should be required to divest itself of the stock of the 21 banks, that any order issued by the Board in that connection would have to be reviewed by the Circuit Court of Appeals before it could become effective, and that if the National bank should acquire the assets of the 21 banks and they were placed in liquidation the jurisdiction of the court might be seriously impaired. It was Mr. Townsend's view that, in the event permission were granted by the Comptroller of the Currency to establish branches at the locations now operated by the 21 banks, the Board's position in the Clayton Act proceeding would be considerably strengthened in the final consideration of the case by the courts if the Board were in a position to show that it did everything within its power to prevent the acquisition by the National bank of the assets of the 21 banks in question.

This meeting was called for the purpose of considering that question.

During the discussion of the matter, at Mr. Townsend's suggestion, Mr. Gregory O'Keefe, an attorney assisting the Solicitor, was called into the meeting and outlined the legal basis for the proceeding and expressed the opinion that the Board would have more than an even chance to win in such a case. In that connection, Mr. Townsend pointed out that the petition would not raise any question with respect

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to the action of the Comptroller of the Currency in granting to the Bank of America permission to establish branches at the existing locations of the 21 banks but rather, because of the pending Clayton Act proceeding, would ask that Bank of America be prevented from acquiring the assets of the banks. It was his view also that the Board had more than an even chance of winning the case.

Mr. Szymczak called Mr. Eccles on the telephone at his apartment, and, after hearing the outline of the matter presented by Mr. Townsend, Mr. Eccles stated that he would favor action by the Board directing Mr. Townsend to file a petition.

Mr. Townsend called Mr. Bergson, Assistant Attorney General, who was in Massachusetts on vacation and with whom he had informal discussions of the Clayton Act proceeding and the proposed branching of the 21 banks by Bank of America. Mr. Townsend informed Mr. Bergson of the proposed petition and the reasons for it, and the latter, without expressing any opinion, raised no questions about the proposal. He expressed his appreciation of being informed. Mr. Townsend told Mr. Bergson that if the petition were filed he would send to Mr. Bergson for his information copies of all papers filed with the court.

The members of the Board present expressed the opinion that Mr. Townsend should go to California immediately accompanied by Mr. O'Keefe, for the purpose of filing the suit with the understanding that, in the absence of developments which would make such action

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unnecessary or inadvisable, as to which he would be informed not later than Thursday afternoon if they arose, he would file a petition to enjoin the acquisition by Bank of America of the assets of the 21 banks.

Thereupon, Mr. Szymczak put in a call for Chairman McCabe in Cleveland. While waiting for the Chairman to come on the telephone, there was a discussion of the possible public reaction to the petition and Mr. Thurston stated that it would be interpreted as a fight between the Board and the Treasury. Mr. Townsend stated that the petition would not refer to the Treasury or the Comptroller of the Currency, and suggested that the Board be prepared to issue a factual statement to the press giving an outline of the important facts in the case which would make it entirely clear that the petition was solely an effort to prevent the National bank from acquiring the assets of the 21 banks pending the outcome of the Board's Clayton Act proceeding.

During a discussion of this point, it was agreed unanimously that, in the event the petition was filed, a statement would be prepared which Mr. Townsend would be authorized to give out in San Francisco and which he would be authorized to amplify with such statements of facts as appeared to be necessary, and that, upon the issuance of the statement by Mr. Townsend in San Francisco, an identical statement would be given out by the Board in Washington.

At this point Chairman McCabe came on the telephone and Mr.

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Szymczak reviewed for his benefit the discussions that had taken place and the views of the available members of the Board and the reasons why it was felt action should be taken by the Board. Mr. Townsend also outlined the legal basis for the petition and why it was felt the Board had a good chance of winning in the action.

Chairman McCabe concurred with the other members of the Board and requested that Mr. Szymczak advise Attorney General McGrath of the developments. The Chairman also asked that a meeting of the Board be called on Thursday, June 22 for consideration of the question whether the circumstances existing at that time would make the filing of the petition unnecessary or inadvisable.

During the conversation with Chairman McCabe Mr. Vest, General Counsel, joined the meeting.

Thereupon, the members present voted unanimously to request Messrs. Townsend and O'Keefe to go by air to San Francisco and to present the necessary papers for filing the proposed petition, it being understood that if there were no change in the situation at the time of the meeting of the Board on Thursday, June 22 which would call for other action by the Board, the petition would be filed by Mr. Townsend in the Circuit Court of Appeals for the 9th district on the morning of Friday, June 23.

At this point Mr. Szymczak talked with Attorney General McGrath on the telephone, stating that he was calling at the request of Chairman McCabe, who was in Cleveland. Mr. Townsend then advised the Attorney General of the action taken by the Board and the legal

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background for the action. The Attorney General stated that he saw no objection to the Board going ahead and handling the situation in the manner proposed.

Mr. Evans suggested that while Messrs. Townsend and O'Keefe were absent from Washington carrying out the above instructions of the Board, they be allowed reimbursement for travel expenses on the same basis as applied when they were in San Francisco in connection with the Clayton Act proceeding against Transamerica Corporation; namely, in addition to per diem in lieu of subsistence at the rate of \$9.00 and other allowances authorized by the Board official travel regulations, they would be allowed reimbursement for the rental of a small modest furnished apartment or suitable hotel room accommodations as shown by receipted bills.

Mr. Evans' suggestion was approved unanimously.

Mr. Vest related the developments which occurred yesterday with respect to hearings to be held before the Senate Banking and Currency Committee on small business bills now pending before Congress. He also said that it was expected that the hearings would begin on Thursday of this week at which time Government witnesses would testify, that it was being urged by Mr. Spingarn, Administrative Assistant to the President, and by the Secretary of Commerce that Chairman McCabe testify on Friday, and that the Chairman had called Senator Maybank, Chairman of the Senate Committee, to discuss the matter with him but

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had not been able to reach him. Mr. Vest stated that it was the Chairman's strong feeling that it would be much better and that he could be more effective in his testimony if he appeared toward the end of the hearing at which time he could summarize and comment on the testimony that had been given. Mr. Vest added that in conversation with Mr. Young, Director of the Board's Division of Research and Statistics, Mr. Spingarn, Administrative Assistant to the President, pressed vigorously for the Chairman's appearance on Friday and that the Chairman had requested that Mr. Vest discuss the matter with the various members of the Board who were available to ascertain their views on the matter.

It was the consensus of the members present that there should be some effective coordination of the testimony presented by representatives of various departments and agencies of Government and that the Board should not be placed in a position of testifying on the bill and then having adverse testimony given by the Treasury and the Federal Deposit Insurance Corporation or other Government agencies which might also be interested in the bill, as had been done in the hearings on the Bank Holding Company legislation. There was also agreement with the view of the Chairman that it would be desirable for him to testify toward the end of the hearing for the reason that he had indicated.

At this point Mr. Young, Director of the Division of Research

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and Statistics, joined the meeting.

In the ensuing discussion Messrs. Vest and Young stated that they understood from their conversations that the representative of the Treasury would favor the bill in its entirety but that his principal testimony would relate to the tax provisions of the bill.

At the conclusion of the discussion it was agreed that Mr. Young should call Mr. Spingarn and tell him that the Chairman was out of town and it was not believed that he could be ready to appear on Friday, that in addition he could be much more effective if he appeared toward the end of the hearing, but that he would be back in Washington tomorrow and if there was something in the picture that the Board did not know about, the matter could be taken up with him at that time.

At this point all of the members of the staff with the exception of Mr. Carpenter withdrew, and the action stated with respect to each of the matters hereinafter referred to was taken by the Board:

Memorandum dated June 9, 1950, from Mr. Young, Director of the Division of Research and Statistics, recommending the appointment of William C. Pendleton as an economist in that Division, with basic salary at the rate of \$3,825 per annum, effective as of the date upon which he enters upon the performance of his duties after having passed the usual physical examination.

Approved unanimously.

Memorandum dated June 14, 1950, from Messrs. Young and Noyes, Director and Assistant Director of the Division of Research and

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Statistics, respectively, recommending an increase in the basic salary of Louis Weiner, an economist in that Division, from \$7,600 to \$7,800 per annum, effective June 25, 1950.

Approved unanimously.

Memorandum dated June 8, 1950, from Mr. Leonard, Director of the Division of Bank Operations, recommending an increase in the basic salary of John R. Farrell, chief of the Reserve Bank Budget and Expense Section in that Division, from \$6,600 to \$7,600 per annum, effective June 25, 1950.

Approved unanimously.

Telegram to Mr. DeMoss, Vice President of the Federal Reserve Bank of Dallas, reading as follows:

"Reurlet June 14. Board approves designation of Jack Gilbert Wood as special assistant examiner for the Federal Reserve Bank of Dallas."

Approved unanimously.

Letter to Mr. Dawes, Secretary of the Federal Reserve Bank of Chicago, reading as follows:

"As requested in your letter of May 19, 1950, the Board of Governors approves the payment of an amount not to exceed \$10,239 to the Federal Reserve Retirement System by the Federal Reserve Bank of Chicago on behalf of Jay C. Taylor, who will reach retirement age November 1, 1950. It is understood that the Executive Committee has approved this supplemental payment in order that Mr. Taylor's retirement allowance will be more in line with his years of service.

"The approval of this contribution, which it is understood will provide a pension for Mr. Taylor of approximately \$100 per month, should not be regarded as establishing a precedent with respect to allowances provided in other cases."

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Approved unanimously.

Letters to The Chase National Bank of the City of New York,
New York, reading as follows:

"The Board of Governors of the Federal Reserve System authorizes The Chase National Bank of the City of New York, pursuant to the provisions of Section 25 of the Federal Reserve Act, to establish an additional branch in San Juan, Puerto Rico, and to operate and maintain such branch subject to the provisions of such section; upon condition that unless the branch is actually established and opened for business on or before June 1, 1951, all rights granted hereby shall be deemed to have been abandoned and the authority hereby granted shall automatically terminate on such date."

"The Board of Governors of the Federal Reserve System authorizes The Chase National Bank of the City of New York, pursuant to the provisions of Section 25 of the Federal Reserve Act, to establish an additional branch in Havana, Cuba, and to operate and maintain such branch subject to the provisions of such section; upon condition that unless the branch is actually established and opened for business on or before June 1, 1951, all rights granted hereby shall be deemed to have been abandoned and the authority hereby granted shall automatically terminate on such date."

Approved unanimously, together
with the following letter to Mr. Wiltse,
Vice President of the Federal Reserve
Bank of New York:

"Enclosed are letters of the Board of Governors authorizing The Chase National Bank of the City of New York to establish additional branches at Havana, Cuba, and San Juan, Puerto Rico, which you will please deliver to the bank. Copies of these letters are enclosed for your files.

"Please ask the bank to note that the authority to establish the branches will automatically terminate on June 1, 1951, if the branches are not actually established and opened for business on or before that date, and request the bank to advise the Board in writing through the Federal Reserve Bank of New York when the branches are so established and opened for business."

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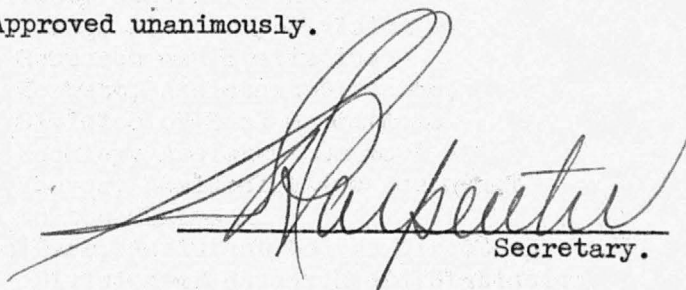
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Letter to Mr. Leedy, President of the Federal Reserve Bank of Kansas City, reading as follows:

"This is in reply to your letter of June 10, 1950 requesting the Board to approve the acquisition of the property adjoining the Omaha Branch building to the rear for the intended purpose of constructing an addition to the present building on this site.

"The Board of Governors will interpose no objection to the purchase of this property at a cost of not in excess of \$250,000, exclusive of commissions and subject to the existing lease. It is noted that the matter of freeing this property from the existing lease is to be determined in the future."

Approved unanimously.



Secretary.