

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, December 11, 1951. The Board met in the Board Room at 2:40 p.m.

PRESENT: Mr. Martin, Chairman
Mr. Evans
Mr. Vardaman
Mr. Powell

Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Kenyon, Assistant Secretary
Mr. Thurston, Assistant to the Board
Mr. Riefler, Assistant to the Chairman
Mr. Vest, General Counsel
Mr. Townsend, Solicitor
Mr. Sloan, Director, Division of Examinations
Mr. Solomon, Assistant General Counsel
Mr. Hostrup, Assistant Director, Division of Examinations
Mr. Shay, Assistant Counsel
Mr. Thompson, Federal Reserve Examiner,
Division of Examinations

Mr. Szymczak had sent word to the Secretary that he was prevented from attending this meeting because of inability to secure transportation from Chicago due to adverse weather conditions.

There were presented telegrams to the Federal Reserve Banks of Boston, New York, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, Kansas City, Dallas, and San Francisco stating that the Board approves the establishment without change by the Federal Reserve Bank of Boston on December 10, by the Federal Reserve Bank of San Francisco on December 11, by the Federal Reserve Bank of

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Atlanta on December 12, and by the Federal Reserve Banks of New York, Cleveland, Richmond, Chicago, St. Louis, Minneapolis, Kansas City, and Dallas on December 13, 1951, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Mr. Evans referred to the discussion at the meeting on December 4, 1951, of the matter of T & E Company, Inc., 15 S. Franklin Street, Wilkes-Barre, Pennsylvania, a firm engaged in the automobile rental business which had declined to file a registration statement on the grounds that its business was not subject to Regulation W, Consumer Credit, and which also had declined to make its records available for inspection by representatives of the Federal Reserve Bank of Philadelphia until the question whether it was subject to the Regulation had been settled by appropriate authority. Mr. Evans said that in accordance with the understanding at that meeting, representatives of the company met with members of the Board's staff on December 11, 1951 in this building for the purpose of discussing the matter with a view to exploring the possibility of some solution of the problem without impairing the effectiveness of the Regulation. He then called upon Mr. Solomon to summarize the discussion which took place at that meeting.

Mr. Solomon said that the representatives of the T & E Company at the meeting included, in addition to Mr. N. T. Trembath, Treasurer

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and Active Manager, two attorneys, one from Philadelphia and one from Wilkes-Barre, while those attending from the Board's staff, besides himself, included Messrs. Noyes, Director, and Fauver, Assistant Director, of the Division of Selective Credit Regulation. He said that it developed from the discussion that the owner of the company had gone into the automobile leasing business on a full-time basis after previous experience in that field while associated with a bank, that about 20% of its business might be subject to the Regulation, and that those present explored the possibility of working out an amendment to Regulation W which would suit the kind of business in which the company was engaged without, on the other hand, impairing the Regulation, although it was recognized that this would pose a considerable problem. The attorneys representing the company at first expressed the opinion, Mr. Solomon said, that the law did not apply to their situation, while the Board's representatives reviewed fully the problem confronting the Board, pointing out that if the automobile leasing business were exempt from Regulation W, a rapid shift into that type of business might develop, and that in the judgment of the Board the law seemed broad enough to cover automobile leasing arrangements. Mr. Solomon stated that the discussion concluded with statements by one of the company's attorneys that in his opinion it would not be to the interest of anyone to litigate

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the matter and that further thought would be given to the possibility of proposing an amendment to the Regulation which would take care of the company's situation. Mr. Solomon expressed the opinion that on the basis of the discussion, some satisfactory settlement of the matter without resort to litigation seemed possible.

Mr. Evans said that he understood the meeting was in a friendly tone, and that the company's representatives left with a full appreciation of the Board's position. He said that he felt the handling of the matter in this way reflected credit upon the staff and the System.

Mr. Evans then referred to the discussion at the meeting on December 6, 1951, concerning the application of Marine Midland Corporation, Jersey City, New Jersey, for a general voting permit to vote the controlling stock interest which it acquired October 15, 1951, in The National Chautauqua County Bank of Jamestown, Jamestown, New York, in order to effect a consolidation of that bank and the Union Trust Company of Jamestown, New York, also controlled by Marine Midland Corporation, under the charter of the national bank; and to the decision of the Board at that time to postpone action on the permit until such time as he (Mr. Evans) had had an opportunity to study the application at greater length, including the Clayton Act aspects of the case, and was prepared to make a recommendation to the Board.

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Mr. Evans stated that subsequently he requested Mr. Hodge, General Counsel of the Federal Reserve Bank of Chicago, and Mr. Shay, Assistant Counsel in the Board's Legal Division, to review available information pertaining to the growth and present status of Marine Midland Corporation as a bank holding company under section 7 of the Clayton Act and to indicate whether it would be appropriate for the Board to consider the Corporation's status under the Clayton Act in acting upon its application for a voting permit under section 5114 of the Revised Statutes.

He then distributed copies of a memorandum dated December 13, 1951, prepared by Messrs. Hodge and Shay in response to his request, stating that in their opinion the group banking system controlled by Marine Midland Corporation appeared to constitute a violation of section 7 of the Clayton Act; also, that in their judgment the anti-trust policy contained in section 7 -- the administration of which in connection with banks is a responsibility of the Board -- is a necessary consideration in acting upon holding company applications for voting permits under section 5114, Revised Statutes. The memorandum stated the opinion of Messrs. Hodge and Shay that in view of these facts the granting of the pending application would incur the risk of serious embarrassment to the Board, especially with respect to its Clayton Act responsibilities.

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Mr. Evans also referred to a file memorandum dated April 16, 1947, written by Mr. Wiltse, Vice President of the Federal Reserve Bank of New York, a copy of which had been furnished the Board, commenting on a luncheon meeting at the Bank that day attended by Mr. Bayard F. Pope, Chairman of the Board of Marine Midland Corporation, Mr. Sproul, President, and Mr. Rounds, First Vice President, of the New York Reserve Bank, and Mr. Wiltse, at which the general subject of chain banking and branch office establishments was discussed and which, according to Mr. Wiltse, served the purpose of placing Marine Midland Corporation on notice that the New York Bank had the subject of branch establishments actively in mind and was thinking a good deal about it, that the approval of mergers or branches was not just an automatic procedure, and that in the event of future acquisitions (particularly in certain areas) embarrassment could probably be avoided if the supervisory agencies were advised of the facts of the situation before negotiations had progressed too far.

Mr. Evans then stated that in view of the opinions expressed in the aforesaid memorandum from Messrs. Hodge and Shay, he could not recommend approval of the voting permit application.

There ensued a general discussion of the application and the possible alternative courses of action open to the Board. During the course of the discussion, several suggestions were advanced, as follows:

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(1) that the permit be granted and that the Federal Reserve Bank of New York be requested to investigate the status of the applicant in relation to the anti-trust laws; (2) that the permit be granted, with advice to Marine Midland Corporation which would put it on notice that questions under the Clayton Act might be involved with respect to future acquisitions; (3) that action on the application be deferred pending final disposition of the Clayton Act proceeding against Transamerica Corporation; (4) that action on the application be deferred pending a study of the pertinence of the Clayton Act to Marine Midland Corporation and other bank holding companies throughout the country; (5) that the Board submit the application to Mr. J. J. Smith, Special Counsel, for study and recommendation; (6) that action on the application be deferred pending an investigation and report by the Federal Reserve Bank of New York covering the anti-trust features of the case; (7) that the Board determine whether Marine Midland Corporation would be willing to have its voting permit application held in abeyance and continue to operate the two banks controlled by it in Jamestown, New York, as separate institutions until such time as a final decision on the Transamerica case had been made; (8) that action on a general voting permit be deferred but that, if requested, the Board grant Marine Midland Corporation a limited voting permit entitling it to vote for the election of directors of The National Chautauqua County Bank of Jamestown

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or for other special purposes.

There was a discussion of what the results would be from a legal standpoint, and from the point of view of any action which might be instituted under the Clayton Act, if the two banks in Jamestown controlled by Marine Midland Corporation were permitted to merge; also as to whether, if the voting permit application should be denied, the Board would be under a responsibility to institute proceedings under section 7 of the Clayton Act against Marine Midland Corporation or against any other bank holding company in a similar status.

It was then suggested that action with respect to the voting permit application be postponed until Monday, December 17, when all of the members of the Board could be present, that President Sproul, of the Federal Reserve Bank of New York, be advised by Chairman Martin by telephone today that the Board would meet on Monday to give the matter further consideration, that he be requested to so advise Mr. Pope, Chairman of the Board of Marine Midland Corporation, and that Mr. Sproul be asked whether Marine Midland Corporation had been given any indication by the New York Reserve Bank that the voting permit application would receive favorable consideration.

These suggestions were approved
unanimously.

Mr. Vardaman suggested that the Board consider whether it would be proper at this time to address a special letter to the Congress

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concerning proceedings under the Clayton Act and requesting that it be given the power of subpoena in the conduct of such proceedings by joint resolution or special act. He said that this was similar to a recommendation which he had made when the Board issued its complaint against Transamerica Corporation, and that he felt the proceeding against that Corporation had been hampered by lack of the subpoena power.

There followed a discussion of Mr. Vardaman's suggestion, during which Chairman Martin said that in his opinion the situation pointed up the need for satisfactory bank holding company legislation and suggested that further efforts should be made in that direction, but no conclusion was reached.

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

Minutes of actions taken by the Board of Governors of the Federal Reserve System on December 13, 1951, were approved unanimously.

Memorandum dated November 30, 1951, from Mr. Young, Director, Division of Research and Statistics, recommending the appointment of Mrs. Joan K. Sanders as a Clerk in that Division on a temporary basis for a period of one year, with basic salary at the rate of \$3,175 per

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annum, effective as of the date upon which she reports for duty after having passed the usual physical examination and subject to the completion of a satisfactory employment investigation.

Approved unanimously.

Memorandum dated December 7, 1951, from Mr. Young, Director, Division of Research and Statistics, recommending that Mrs. Anne D. Dougherty, Statistical Clerk in the Division of Bank Operations, be transferred to the Division of Research and Statistics as Clerk, with no change in her present basic salary of \$3,030 per annum, effective as of the date on which she enters upon the performance of her new duties. The memorandum also stated that the Division of Bank Operations was agreeable to this transfer.

Approved unanimously.

Memoranda recommending that the basic annual salaries of the following employees be increased, effective December 23, 1951:

<u>Date of Memorandum</u>	<u>Name and Title</u>	<u>Salary Increase</u>	
		<u>From</u>	<u>To</u>
	<u>Memorandum from Mr. Young, Director, Division of Research and Statistics</u>		
12/5/51	Miss Alice M. Taylor, Clerk	\$4,160	\$4,285
	<u>Memorandum from Mr. Sloan, Director, Division of Examinations</u>		
12/11/51	Miss Nancy L. Chelberg, Secretary to Mr. Hostrup	3,660	3,785

Approved unanimously.

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Memoranda recommending that the resignations of the following employees be accepted, effective the dates indicated:

<u>Date of Memorandum</u>	<u>Name and Title</u>	<u>Effective date</u>
	<u>Memoranda from Mr. Allen, Director, Division of Personnel Administration</u>	

12/13/51	Va Lois Egbert, Secretary to Mr. Eccles	11/30/51
12/11/51	Mrs. Marianne Schuhle, Leave Clerk	12/21/51

Memorandum from Mr. Johnson, Assistant Director,
Division of Administrative Services

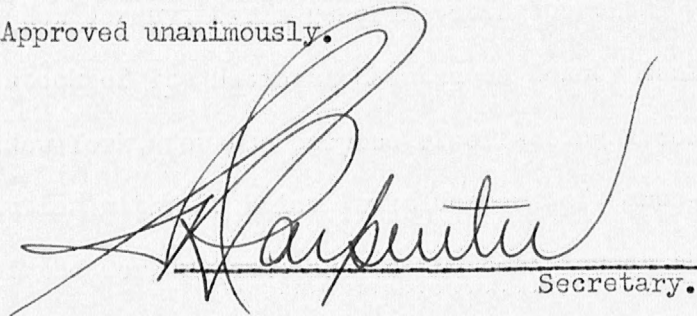
12/11/51	Merrill Wayne Snider, Key Punch Operator	12/10/51
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Approved unanimously.

Telegram to Mr. Latham, Vice President, Federal Reserve Bank of Boston, reading as follows:

"Reurtel December 13. Board approves designation of Carleton J. Batho and Donald M. Temple as special assistant examiners for Federal Reserve Bank of Boston."

Approved unanimously.


Secretary.