

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, October 28, 1952. The Board met in executive session in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Szymczak
Mr. Evans
Mr. Vardaman
Mr. Mills
Mr. Robertson

Messrs. Mattern, Parkinson, and Stanton, representatives of Arthur Andersen and Company, Certified Public Accountants, were present for an informal discussion with the Board of (1) the audit made by the company of the Board's accounts for the three-month period ended March 31, 1952, and (2) a memorandum of comments and suggestions prepared by the company on the basis of a general review of the Board's internal control and accounting procedures and a limited survey of the Board's over-all organization and procedures, both of which were made in connection with the audit.

Following the executive session, the Chairman informed the Secretary that he had been authorized by the Board to turn over to the Secretary the audit report and the memorandum of suggestions and comments submitted by Arthur Andersen and Company with the request that, in consultation with such members of the staff as might be appropriate, he prepare and submit to the Board not later than December 1, 1952, recommendations for actions to be taken by the Board in connection with the audit report and memorandum.

The Chairman also advised the Secretary that the following additional actions were taken by the Board during the executive session:

10/28/52

-2-

The Board determined that the Bank of Montreal, Montreal, Canada, if it should own substantially all of the capital stock of a proposed new national bank to be located in Chicago, Illinois, would not be a holding company affiliate for purposes other than those of section 23A of the Federal Reserve Act, and that the finding of the Board should be expressed in the form of a letter to the Bank of Montreal, to be transmitted through the Federal Reserve Bank of Chicago, reading as follows:

"This refers to your request dated September 3, 1952, for a determination by the Board of Governors pursuant to section 2(c) of the Banking Act of 1933, as amended by section 301 of the Banking Act of 1935, that, under the conditions and circumstances set forth in such request, Bank of Montreal will not be engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies.

"The Board understands that Bank of Montreal was organized and is operated for the purpose of conducting a general banking business, in which it is now engaged under The Bank Act of Canada, having its head office in the City of Montreal and 578 branches and sub-agencies in Canada, two in London, England, and three agencies in the United States situated in Chicago, New York City, and San Francisco; that Bank of Montreal owns 99.5% of the stock of Bank of Montreal Trust Company, New York City, which was organized under the laws of the State of New York and whose activities are confined to corporate trust business conducted on behalf of customers in Canada of Bank of Montreal; that Bank of Montreal owns 99.85% of the stock of Bank of Montreal (San Francisco), a California banking association engaged in the general banking business; that the Chicago agency of Bank of Montreal has since 1861 conducted a general banking business but that its primary function has uniformly been to extend services to Bank of Montreal and to its Canadian customers who also have business interests and activities in the Middle West; that to remove doubt as to the legal right of the Chicago agency to do

10/28/52

-3-

"business there but, nevertheless, to continue to make available the services now and for many years past extended through such agency, it is contemplated that application will be made to the Comptroller of the Currency for permission to organize a new national bank to take over the business, assets, and liabilities of the Chicago agency; that Bank of Montreal will own substantially all of the capital stock of the proposed new national bank other than directors' qualifying shares; that the assets of Bank of Montreal are many times as large in amount as the combined assets of its existing and proposed subsidiary banking institutions in New York, San Francisco, and Chicago; that Bank of Montreal does not and will not manage or control, directly or indirectly, any banking institution in the United States other than the three institutions referred to above; that only a relatively small portion of the assets of Bank of Montreal are or will be invested in bank stock; and that Bank of Montreal was not organized and is not operated for the purpose of managing or controlling banks.

"In view of these facts, the Board has determined that Bank of Montreal, upon organization of the proposed new national bank as above indicated, will not be engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies within the meaning of section 2(c) of the Banking Act of 1933, as amended; and, accordingly, Bank of Montreal will not be a holding company affiliate for any purposes other than those of section 23A of the Federal Reserve Act.

"If, however, Bank of Montreal acquires control of any additional banking institution in the United States, or the character of its business, nature of its assets, or the purpose for which it is operated should at any time differ from the description thereof contained in this letter to an extent which would indicate that it might be engaged as a business in holding the stock of, or managing or controlling, banks, this matter should again be submitted to the Board for its determination. The Board reserves the right to rescind this determination and make a further determination of this matter at any time on the basis of the then existing facts."

10/28/52

-4-

On the basis of a report from Governor Robertson, the Board authorized him to advise the Federal Reserve Bank of San Francisco informally that the Board would not automatically reject an application for membership in the Federal Reserve System filed by a bank to be organized in San Francisco, California, 50 per cent of the stock of which would be owned by the Bank of Tokyo, Ltd., Tokyo, Japan, and the remaining stock of which probably would be owned by Nisei Japanese, and that the application, if made, would be considered in the usual course, provided it was made clear that such advice to the Federal Reserve Bank of San Francisco did not constitute in any respect a commitment that the application would be approved.

After considering the facts set forth in a memorandum of October 27, 1952, from the Division of Bank Operations relating to interest payments on Federal Reserve notes, unanimous approval was given to deductions of \$3 million and \$3½ million before computing the interest payments to be made to the Treasury by the Federal Reserve Banks of Dallas and San Francisco, respectively, for the third quarter of 1952, with the understanding that deductions also would be made in computing the payments of these two Banks for the fourth quarter of 1952 to the extent required to enable them to build up their surplus accounts to an amount equal to 100 per cent of their subscribed capital.

In this connection unanimous approval was given to telegrams to the President of each Federal Reserve Bank stating that the Board had established under authority of the fourth paragraph of Section 16 of the Federal Reserve Act the rate of (see column 1 below) per cent per annum interest for the preceding three calendar months on \$ (see column 2 below) daily average of outstanding Federal Reserve notes of the Reserve Bank in excess of gold certificates pledged with the Federal Reserve Agent as collateral security; and that an interest payment of \$ (see column 3 below)

10/28/52

-5-

should be credited to the Treasurer's General Account as Miscellaneous Receipts, Symbol 1841-Interest Collected, Section 16 of the Federal Reserve Act, on October 30, 1952.

	(1)	(2)	(3)
Boston	1.69	\$1,190,341,708	\$5,070,529.56
New York	5.73	1,263,269,819	18,245,077.20
Philadel- phia	1.81	1,064,080,185	4,854,537.87
Cleveland	1.97	1,569,850,938	7,795,062.58
Richmond	1.47	1,370,468,093	5,077,865.89
Atlanta	1.84	925,841,440	4,293,875.04
Chicago	2.24	1,938,773,599	10,946,368.86
St. Louis	1.79	917,362,110	4,138,936.77
Minneapolis	1.99	474,315,991	2,379,117.03
Kansas City	1.80	742,428,580	3,368,388.30
Dallas	.54	503,997,584	685,989.04
San Fran- cisco	1.81	821,042,113	3,745,751.58

In taking the above action it was understood that before the telegrams were sent Mr. Bartelt, Fiscal Assistant Secretary of the Treasury, would be advised by the Division of Bank Operations by telephone of the proposed special deductions in computing the payments of the Federal Reserve Banks of Dallas and San Francisco so that if the Treasury had any objections it would have an opportunity to express them before the telegrams were sent.

The following additional actions were taken by the Board:

Minutes of actions taken by the Board of Governors of the Federal Reserve System on October 27, 1952, were approved unanimously.

Letter to the Presidents of all Federal Reserve Banks, reading as follows:

10/28/52

-6-

"This letter supersedes the Board's letter of December 29, 1923 (X-3930) (F.R.L.S. #3016), in which the Federal Reserve Agents were requested to advise the Comptroller of the Currency direct with respect to their views and recommendations in connection with applications filed with the Comptroller to organize national banks and to send to the Board copies of their communications to him.

"The Comptroller of the Currency now proposes to address his requests for comments and recommendation with respect to applications to organize national banks to the Board of Governors. These requests will be transmitted to the Federal Reserve Bank of the District in which the application originated and it is requested that the informed views and recommendation of the Reserve Bank, together with the report of any independent investigation made by the Reserve Bank, be submitted in duplicate to the Board of Governors.

"In connection with each application it is requested that factual information be furnished to enable the Board to give consideration to the following factors:

- (a) The adequacy of the capital structure of the proposed bank.
- (b) Its future earnings prospects.
- (c) The general character of its management.
- (d) The convenience and needs of the community to be served by it.

"The capital structure of the proposed bank should (1) conform to the requirements of law, (2) be adequate to accommodate the anticipated volume of business and (3) place the bank in a position to compete against existing banks on a relatively equal and fair basis for local banking business. It is also important to consider the extent to which the capital is to be invested in banking house and furniture and fixtures.

"The character of management is a particularly important consideration and information with regard to the organizers, proposed directorate, and operating management should comprehend (1) sincerity of purpose, (2) ability and experience, (3) financial capacity, and (4) character and general standing in the community.

10/28/52

-7-

"Information submitted in connection with the convenience and needs of the community will have some bearing on prospective earnings and should include population, employment characteristics and economic characteristics of the community and its trade area, banking history of the community, and existing banking facilities.

"The Reserve Bank's views and recommendation should be communicated only to the Board since the matter at that stage is still in the process of System consideration. No information as to the nature of the Reserve Bank's recommendation should be given to the applicant or any other person."

Approved unanimously.

Letter to the Board of Directors, The Colonial Trust Company, Waterbury, Connecticut, reading as follows:

"Pursuant to your request submitted through the Federal Reserve Bank of Boston, the Board of Governors of the Federal Reserve System approves the establishment and operation of a branch in Woodbury, Connecticut, by The Colonial Trust Company, Waterbury, Connecticut, provided the branch is established within six months of October 3, 1952, as required by the State authorities."

Approved unanimously, for
transmittal through the Federal
Reserve Bank of Boston.

Letter to the Board of Directors, The Brooks Bank and Trust Company, Torrington, Connecticut, reading as follows:

"Pursuant to your request submitted through the Federal Reserve Bank of Boston, the Board of Governors of the Federal Reserve System approves the establishment and operation of a branch at 401 Main Street, Torrington, Connecticut, by The Brooks Bank and Trust Company, provided the capital of your bank is increased by at least

10/28/52

-8-

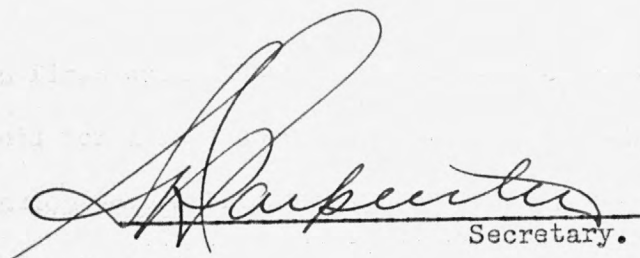
"\$100,000 through the sale of common stock, and the branch is established within six months of October 3, 1952, as required by the State authorities."

Approved unanimously, for
transmittal through the Federal
Reserve Bank of Boston.

Letter to the Board of Directors, Fall River Trust Company,
Fall River, Massachusetts, reading as follows:

"Pursuant to your request submitted through the Federal Reserve Bank of Boston, the Board of Governors approves the establishment and operation of one branch to be located in a separate building between Bank and Granite Streets at the rear of the main office in Fall River, Massachusetts, and another at 1045 County Street, Somerset, Massachusetts, by Fall River Trust Company, Fall River, Massachusetts, provided the branches are established within six months of the date of this letter."

Approved unanimously, for
transmittal through the Federal
Reserve Bank of Boston.


Secretary.