Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, December 10, 1952. The Board met in the Board Room at 10:00 a.m.

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

Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Kenyon, Assistant Secretary
Mr. Allen, Director, Division of Personnel Administration

Governor Robertson referred to a memorandum dated December 10, 1952, from the Division of Examinations regarding a proposal of The Central Bank and Trust Company, Denver, Colorado, to increase its capital and surplus from $2.5 million to $4.75 million through the sale of 15,000 shares of additional common stock for $2.25 million. To the memorandum was attached a letter dated December 4, 1952, to Mr. Sloan, Director of the Division of Examinations, from Mr. Woolley, Vice President of the Federal Reserve Bank of Kansas City, transmitting a letter of the same date to Mr. Woolley from Mr. Max G. Brooks, Vice President of the member bank.

Mr. Brooks' letter described the proposed program for a capital increase and requested approval of: (1) the declaration of a $500,000 stock dividend; (2) transfer of the bank to new quarters in a building to be constructed for the bank's use at another location in the city of Denver; and (3) a change in the par value of the bank's stock from $100 to $10 per share so
that such action could be taken in the event an amendment should be made to the Colorado banking laws which would permit the lowering of par value below $100.

The memorandum from the Division of Examinations mentioned the Board's letter of October 10, 1952, to Mr. Leedy, President of the Federal Reserve Bank of Kansas City, which referred to the undercapitalized position of the member bank and requested that the Reserve Bank inform the member bank of the Board's opinion that its capital funds should be increased promptly through the sale of additional common stock to net not less than $2 million. The memorandum also stated that the proposed new building, to which the bank would move from leased quarters, would be erected by a pension fund for bank officers and employees which is provided solely by bank contributions, was established in December 1951, and is administered by the bank's own trust department, and that Mr. Woolley had indicated to Mr. Sloan in a telephone conversation that the mortgage to be issued by the pension fund on the new building would be placed with an insurance company. The building would be leased to the bank for sufficient rentals to liquidate the first mortgage, pay all interest and taxes, and furnish funds to provide retirement payments, but according to the bank the square foot rental would not exceed the square foot rental being paid for the major portion of the space presently occupied by the bank.

The memorandum recommended that no objection be interposed to the proposed stock dividend, the removal to new quarters, and the change in
Governor Robertson stated that the bank desired a reply promptly in order that legal notice might be given to its shareholders that the program for a capital increase would be presented at a shareholders' meeting on January 13, 1953. He pointed out that no approval by the Board was required, and said that in the circumstances he would recommend that a telegram reading as follows be sent to Mr. Woolley:

"Relet December 4 transmitting request of The Central Bank and Trust Company, Denver, Colorado, for approval of three proposals made in connection with capital and building program. Board's approval not required for proposed stock dividend of $500,000, the proposed reduction in par value of shares nor the removal to new quarters within the city. However, Board interposes no objection. It is understood that the mortgage obligation of the pension fund will be financed through a source other than The Central Bank and Trust Company, and it is assumed that any necessary approvals by State authorities will be obtained. Please advise the member bank accordingly."

Approved unanimously.

There was presented an authorization covering travel by Chairman Martin to New York, New York, from December 11 to 14, 1952, for discussions in connection with System open market operations.

Approved unanimously.

Chairman Martin referred to a memorandum dated December 9, 1952, from the Division of Personnel Administration, calling attention to the announcement by the President of the United States on that date of an
executive order excusing Federal Government employees from duty on Friday, December 26, 1952. The Division's memorandum recommended that the Board grant a holiday to its employees on December 26 without charge to annual leave.

Approved unanimously, with the understanding that every effort should be made to keep to a minimum the number of maintenance employees required to report for duty on December 26.

Chairman Martin then presented a memorandum submitted to him under date of December 8, 1952, by Mr. Young, Director of the Division of Research and Statistics, stating that Mr. Noyes, Assistant Director of that Division, had received an invitation to participate in the program of the annual convention of the National Association of Home Builders to be held in Chicago, January 18-22, 1953, by giving a ten-minute address on his estimate of the financial situation in 1953 and taking part in a panel discussion concerning the outlook for home builders in 1953. The memorandum raised the question whether Mr. Noyes should participate in the program.

Chairman Martin expressed the opinion that it would be undesirable for representatives of the Board to undertake to forecast the situation in 1953 at this time. He recommended, therefore, that the invitation be declined.
There was unanimous agreement with Chairman Martin's recommendation.

There was presented a letter to Mr. Karl O. Townsend, President of The First Wellington Bank, Wellington, Ohio, reading as follows:

"This is in reply to your letter of November 10, 1952, in which you suggest the desirability of liberalizing the present legal restrictions on loans to executive officers by member banks.

"As you of course are aware, section 22(g) of the Federal Reserve Act forbids such loans except that with the prior approval of a majority of the Board of Directors, an executive officer may become indebted to a member bank in an amount not exceeding $2,500.

"An examination of the history of this provision discloses that Congress had in mind the many bank failures in the early 1930's which frequently resulted in no small measure from borrowing by officers from their own banks for speculative and other unwarranted purposes. There was such strong feeling in the Congress on this point during consideration of the Banking Act of 1933 that there was incorporated into the law an absolute prohibition against such loans. Later, however, it was recognized that there might be situations of an emergency nature where an absolute prohibition could cause hardship, and consequently the right to borrow up to $2,500 was granted in the Banking Act of 1935.

"It was recognized both in 1933 and 1935 that many loans could be made by banks to their officers without in any way endangering the funds of depositors, but the possibility of abuse is always present in the absence of adequate safeguards. Furthermore, whether such loans are permitted in an amount not exceeding $2,500, or $5,000, or $10,000, there will always be situations similar to that which you have described in Mr. Bennett's case, a result that unfortunately is difficult to avoid in many laws having general application and effect.

"The Board considers that there is much merit in the views you have expressed. The change of economic conditions since the enactment of that section of the law would seem
"to warrant a liberalization such as you propose."

Approved unanimously.

Before this meeting there had been placed in circulation among the members of the Board a draft of letter to The Bank of Tokyo, Ltd. of Japan, Tokyo, Japan, prepared in response to that bank's request for a determination by the Board of its status as a holding company affiliate if a bank known as The Bank of Tokyo of California, which would be controlled by the Japanese bank through majority stock ownership, should be organized and admitted to membership in the Federal Reserve System. The draft took the position that in view of the facts presented, the Bank of Tokyo, Ltd. of Japan would not be deemed to be a holding company affiliate for any purposes other than those of section 23A of the Federal Reserve Act.

There had also been placed in circulation a similar draft of letter to The Bank of Osaka, Ltd., Osaka, Japan, which had requested a determination of its status as a holding company affiliate if a bank to be known as The Sumitomo Bank (California) should be organized and admitted to membership in the Federal Reserve System and the Bank of Osaka, Ltd., should control the proposed bank through majority stock ownership.

Governor Vardaman said that he did not look with favor upon encouraging the establishment in this country of banks controlled by foreign
that this had caused some trouble in the past, and that in his opinion different criteria must be established than those used in considering the establishment of a bank under ordinary circumstances. He thought that in a matter of this nature the Board should obtain the views of the State Department and the Central Intelligence Agency.

After discussion, it was understood that the additional information requested by Governor Vardaman would be obtained.

Further consideration was given to a proposed loan by the Federal Reserve Bank of New York in the amount of $9.5 million to Banco Central de Bolivia against the collateral of gold to be held under pledge at the Reserve Bank. The proposed loan was the subject of preliminary consideration at the meeting of the Board yesterday.

Following discussion, unanimous approval was given to a telegram to Mr. Knoke, Vice President of the Federal Reserve Bank of New York, reading as follows, with the understanding that information would be placed in the Board's files showing the name and title of the person at the Department of State who was contacted regarding the loan and who was authorized to express views on the matter on behalf of the Department:

"Your wire December 4 regarding a loan on gold to Banco Central de Bolivia.

"Board approves the granting of a loan or loans not to exceed $9,500,000 at any one time outstanding on the following terms and conditions:

..."
"A. Such loan or loans to be made up to 98 per cent of the value of gold bars set aside in your vaults under pledge to you.

B. Each such loan to run for three months and to be renewable for a further period of three months, but no such loan to be made after June 30, 1953.

C. Each such loan to bear interest from the date such loan is made until paid at the discount rate of your bank in effect on the date on which such loan is made.

"It is understood that advances under the loan in excess of $1,250,000 will be subject to new legislation being passed by the Bolivian Parliament, if this is found necessary, removing the present restriction of $5,000,000 on the total amount of gold that Banco Central de Bolivia may pledge to banking institutions and giving authority to pledge additional amounts of gold if needed.

"The State Department has indicated that there are no political objections to the proposed loan, stating that such loan should be considered on its own merits.

"It is understood that the usual participation will be offered to the other Federal Reserve Banks."

In connection with the foregoing discussion, Chairman Martin requested that the Secretary place on the agenda for review at a meeting of the Board the procedure followed with respect to loans on gold by the Federal Reserve Banks.

Further consideration was given to the appointment of Class C directors at Federal Reserve Banks for terms beginning January 1, 1953.

With regard to the recommendation contained in Mr. Allen's memorandum of October 3, 1952, that Mr. Robert H. Reed, of Philadelphia, Pennsylvania, editor of The Country Gentleman, be appointed as a Class C director of the Federal Reserve Bank of Philadelphia, Governor Vardaman
stated that although he had no objection to Mr. Reed personally, he questioned whether it would be desirable to appoint an editor whose views might be slanted toward the interests of the class of persons who subscribed to his publication.

Governor Evans expressed the view that it might be preferable to seek someone outside the Philadelphia area in order to provide a better geographical distribution on the board of directors.

Following further discussion, Chairman Martin suggested that Mr. Allen furnish the Board data on Mr. Henderson Supplee, Jr., President of the Atlantic Refining Company, who was recommended to him by Chairman Whittier, of the Philadelphia Reserve Bank, together with data on any other persons recommended by Mr. Whittier.

Regarding the appointment of a Chairman, Deputy Chairman, and Class C director at the Federal Reserve Bank of Atlanta, Chairman Martin said that he would like to discuss the situation with Governor Evans before the latter's departure for Atlanta this afternoon.

Chairman Martin said that to complete the record he would write to Mr. Lunding, Chairman of the Federal Reserve Bank of Chicago, advising him formally that the Board had accepted his resignation as Class C director, effective December 31, 1952, and to Mr. Coleman, Deputy Chairman of the Chicago Reserve Bank, advising him formally of his designation as Chairman and Federal Reserve Agent at the Bank for the year 1953 and his reappointment
as Class C director for a three-year term beginning January 1, 1953,
Pursuant to the Board's actions on October 23 and November 13, 1952.
He also said that he understood Mr. Allan B. Kline, Class C director of
the Chicago Bank, did not desire to be appointed Deputy Chairman, that Mr.
Coleman spoke highly of Mr. Porter M. Jarvis, Executive Vice President of
Swift and Company, Chicago, Illinois, and that he would favor the appoint-
ment of Mr. Jarvis as Class C director for the unexpired portion of the
term ending December 31, 1954, and as Deputy Chairman for the year 1953.

Following a discussion, it was
agreed unanimously to request Mr.
Lunding to ascertain and advise the
Board whether Mr. Jarvis would accept,
if tendered, appointment as Class C
director and as Deputy Chairman.

Chairman Martin said that he had talked with Mr. Dearmont, Chair-
man of the Federal Reserve Bank of St. Louis, and that it would be agree-
able to Mr. Dearmont to serve as Chairman and Federal Reserve Agent of
the Bank for 1953, with the understanding that he would resign as Class
C director at the end of that year.

Thereupon, Mr. Dearmont was
appointed as Class C director of
the Federal Reserve Bank of St.
Louis for a three-year term begin-
ning January 1, 1953, and was
designated as Chairman and Fed-
eral Reserve Agent for the year
1953, with compensation as such
on the same basis as approved for
1952. This action was taken with
the understanding that Mr. Dearmont
would resign at the end of 1953 and that Chairman Martin would write to Mr. Dearmont to confirm the understanding.

There was a discussion of who might be appointed to succeed Mr. Caldwell as Chairman and Class C director at the Federal Reserve Bank of Kansas City. Reference was made to the data given in Mr. Allen's memorandum of October 3 regarding certain persons recommended to the Board, and Chairman Martin said that Mr. Caldwell also had recommended Mr. Albert R. Waters, President of the Carter-Waters Corporation, of Kansas City, Missouri. He requested that Mr. Allen secure data on Mr. Waters.

It was noted that one of the persons mentioned in Mr. Allen's memorandum, Mr. Albert F. Hillix, attorney, of Kansas City, Missouri, was President of the Kansas City Board of Police Commissioners, and question was raised whether the position was a political office, the holding of which would affect the eligibility of Mr. Hillix for appointment. It was understood that the Legal Division and Mr. Allen would develop the facts on this matter.

Chairman Martin stated that he felt the Chairman of the Kansas City Reserve Bank should be a person of standing in that community and that it would be a mistake to appoint a Chairman from outside the city at this time. He thought that Deputy Chairman Puckett was a good man in that capacity but was not well known in and around Kansas City.
Chairman Martin said that Mr. Parten, Chairman of the Federal Re-
serve Bank of Dallas, had informed him he would be willing to step out of
the position now and help the Board find a successor, but that he (Chairman
Martin) favored reappointing Mr. Parten with the understanding that he
would resign as Class C director at the end of 1953 and that Mr. Anderson,
now Deputy Chairman, might succeed him as Chairman for one year (1954).

Thereupon, Mr. Parten was ap-
pointed as Class C director of the
Federal Reserve Bank of Dallas for
a three-year term beginning January
1, 1953, and was designated as Chair-
man and Federal Reserve Agent for the
year 1953, with compensation as such
on the same basis as approved for 1952.
This action was taken with the under-
standing that Mr. Parten would resign
at the end of 1953 and that Chairman
Martin would write to Mr. Parten to
confirm that understanding.

Chairman Martin then suggested that Mr. Wilbur be redesignated as
Chairman and Federal Reserve Agent at the Federal Reserve Bank of San
Francisco for the year 1953, with the understanding that he would re-
sign at the end of that year even though Deputy Chairman Wallace, whose
term expires December 31, 1953, would not be eligible for reappointment
as Deputy Chairman.
Following a discussion, Mr. Wilbur was appointed as Class C director of the Federal Reserve Bank of San Francisco for a three-year term beginning January 1, 1953, and was designated as Chairman and Federal Reserve Agent for the year 1953, with compensation as such on the same basis as approved for 1952. This action was taken with the understanding that Mr. Wilbur would resign at the end of 1953, that Chairman Martin would write to Mr. Wilbur to confirm the understanding, and that notification to Mr. Wilbur would be withheld pending clearance of the matter with Governor Mills.

Secretary's Note: Governor Mills having advised that the action was satisfactory to him, a telegram of notification was sent to Mr. Wilbur on December 16, 1952.

In connection with the above actions, it was agreed unanimously that telegrams should be sent to the persons named below advising of the action taken concerning them at the meeting of the Board on October 23, 1952:

<table>
<thead>
<tr>
<th>Name</th>
<th>Federal Reserve Bank or Branch</th>
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<tbody>
<tr>
<td>John A. Hannah</td>
<td>Detroit</td>
</tr>
<tr>
<td>William H. Bryce</td>
<td>St. Louis</td>
</tr>
<tr>
<td>Stonewall J. Beuchamp</td>
<td>Little Rock</td>
</tr>
<tr>
<td>Smith D. Broadbent, Jr.</td>
<td>Louisville</td>
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<tr>
<td>R. E. Anderson</td>
<td>Dallas</td>
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<tr>
<td>Charles N. Shepardson</td>
<td>Houston</td>
</tr>
<tr>
<td>D. Hayden Perry</td>
<td>San Antonio</td>
</tr>
<tr>
<td>William R. Wallace, Jr.</td>
<td>San Francisco</td>
</tr>
<tr>
<td>Ralph Sundquist</td>
<td>Seattle</td>
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</table>
It was suggested that consideration of the remaining appointments of Federal Reserve Bank branch directors be deferred until another meeting of the Board.

There was presented a draft of letter to Mr. Leedy, President of the Federal Reserve Bank of Kansas City, reading as follows:

"Please refer to your letter of August 15, 1952, in which the Board of Governors is requested, among other things, to approve the payment of salary to Mr. Larson at the rate of $9,200 per annum, and the Board's letter of September 9, in which Mr. Larson's salary was approved at the rate of $8,800 per annum.

"In the light of the subsequent discussion with you and in cooperation with your management development plans, the Board of Governors approves the payment of salary to Mr. Frank H. Larson, as an Assistant Vice President of the Federal Reserve Bank of Kansas City, for the period August 15, 1952, through May 31, 1953, at the rate of $9,200 per annum, which is the rate fixed by the Board of Directors as indicated in your letter of August 15."

Governor Robertson said that subsequent to the Board's action of September 9, 1952, he discussed Mr. Larson's case with Mr. Leedy, that Mr. Leedy told him Mr. Larson was doing a good job at the head office, that he told Mr. Leedy he had some question about making the increased salary retroactive to August 15, 1952, and that Mr. Leedy said he hoped the Board would approve the increase retroactive to that date because the Bank had indicated to Mr. Larson at the time of his transfer from the Denver Branch that he would be given the increase. Governor Robertson said Mr. Leedy was aware that the Board was watching the staff situation at Kansas City, and that he would recommend approval of the increase for Mr. Larson retroactive to August 15 because of the circumstances described.
Following a discussion, the letter was approved unanimously.

At this point Messrs. Riefler, Assistant to the Chairman; Thomas, Economic Adviser to the Board; Youngdahl, Assistant Director, Division of Research and Statistics; and Leach, Acting Chief, Government Finance Section, Division of Research and Statistics, entered the room and Mr. Allen withdrew.

At the request of the Chairman, Mr. Riefler made a statement on the current and prospective situation in the Government securities market, following which there was a discussion based on Mr. Riefler's comments.

At this point all of the members of the staff except Messrs. Carpenter, Sherman, and Kenyon withdrew from the meeting and the following additional actions were taken by the Board:

Minutes of actions taken by the Board of Governors of the Federal Reserve System on December 8, 1952, were approved unanimously.

Minutes of the meeting of the Board of Governors of the Federal Reserve System with the Presidents of the Federal Reserve Banks held on December 9, 1952, were approved unanimously.

Minutes of actions taken by the Board of Governors of the Federal Reserve System on December 9, 1952, were approved and the actions recorded therein were ratified unanimously.

Memoranda dated November 25, 1952, from Mr. Young, Director, Division of Research and Statistics, recommending increases in the
basic annual salaries of the following employees in that Division, effective December 21, 1952:

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>Salary Increase</th>
</tr>
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<tbody>
<tr>
<td>Eleanor S. Frase</td>
<td>Economist</td>
<td>From $6,540 To $7,040</td>
</tr>
<tr>
<td>John A. Frechtling</td>
<td>Economist</td>
<td>From $5,435 To $5,940</td>
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Approved unanimously.

Letter to Mr. Bilby, Vice President, Federal Reserve Bank of New York, reading as follows:

"In view of the circumstances described in your letter of November 20, 1952, the Board of Governors approves the payment of not to exceed $450 by the Federal Reserve Bank of New York to the Federal Reserve Retirement System for the benefit of Miss Mildred J. Woods."

Approved unanimously.

Telegram to Mr. Gilbert, President, Federal Reserve Bank of Dallas, reading as follows:

"Retel December 1, Board approves your bank's agreement to four-month extension of Morgan Rice's leave for continuing his services to Government of Pakistan."

Approved unanimously.

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

"Reference is made to your letter of November 10, 1952, requesting the Board of Governors to approve an increase of 5.4 per cent in the salary structure of the Detroit Branch of the Federal Reserve Bank of Chicago."
The Board of Governors approves the following minimum and maximum salaries for the respective grades of the Detroit Branch of the Federal Reserve Bank of Chicago, effective December 1, 1952, subject to proper clearance with Wage and Salary Stabilization authorities.

<table>
<thead>
<tr>
<th>Grade</th>
<th>Minimum</th>
<th>Maximum</th>
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<tr>
<td>1</td>
<td>$1964</td>
<td>$2504</td>
</tr>
<tr>
<td>2</td>
<td>2114</td>
<td>2714</td>
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<tr>
<td>3</td>
<td>2324</td>
<td>3014</td>
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<tr>
<td>4</td>
<td>2555</td>
<td>3374</td>
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<tr>
<td>5</td>
<td>2807</td>
<td>3689</td>
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<tr>
<td>6</td>
<td>3122</td>
<td>4109</td>
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<tr>
<td>7</td>
<td>3419</td>
<td>4574</td>
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<tr>
<td>8</td>
<td>3734</td>
<td>4994</td>
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<tr>
<td>9</td>
<td>4154</td>
<td>5519</td>
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<tr>
<td>10</td>
<td>4574</td>
<td>6044</td>
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<tr>
<td>11</td>
<td>4994</td>
<td>6674</td>
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<tr>
<td>12</td>
<td>5519</td>
<td>7109</td>
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<tr>
<td>13</td>
<td>6149</td>
<td>8249</td>
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<tr>
<td>14</td>
<td>6884</td>
<td>9089</td>
</tr>
<tr>
<td>15</td>
<td>7724</td>
<td>9929</td>
</tr>
<tr>
<td>16</td>
<td>8669</td>
<td>10,769</td>
</tr>
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The Board notes that this increase leaves the structure at Detroit somewhat below the community average. The Board considers such a relationship undesirable, but it understands that your Bank will request a further increase for the Detroit Branch in the near future and approval is granted on that basis.

The Board approves the payment of salaries to the employees, other than officers, within the limits specified for the grades in which the positions of the respective employees are classified. It is assumed that all employees whose salaries are below the minimum of their grades as a result of the structure increase will be brought within the appropriate range as soon as practicable and not later than February 1, 1953."

Approved unanimously.

Letter to the Board of Directors, The Sullivan County Trust Company, Monticello, New York, stating that, subject to conditions of membership
numbered 1 and 2 contained in the Board's Regulation H, the Board ap-

proves the bank's application for membership in the Federal Reserve

System and for the appropriate amount of stock in the Federal Reserve

Bank of New York. The letter also contained the following paragraph:

"The Board of Governors also approves the retention

and operation of the out-of-town branch located at Wurts-
boro, New York."

Approved unanimously, for

transmittal through the Federal

Reserve Bank of New York.

Letter to Mr. Diercks, Vice President, Federal Reserve Bank of

Chicago, reading as follows:

"In your letter of September 18, 1952, transmitting the

request of City Bank, Detroit, Michigan, for permission to

exercise fiduciary authority, you recommended favorable action

on the application subject, however, to the satisfactory ful-

fillment by the bank of pending plans to augment its capital

funds. The Board in its letter to you dated October 9, 1952,
defered action on this request until such time as the proposed
sale of capital stock had been completed. Your letter of Novem-
ber 19, 1952, advises of the completion of the program to in-
crease the capital funds of the bank and again recommends the
favorable action of the Board on the pending application.

"In view of the Reserve Bank's recommendation and the in-
formation submitted, the Board of Governors of the Federal Re-
serve System grants the applicant permission, under the provi-
sions of its condition of membership numbered 1, to exercise the
fiduciary powers now or hereafter authorized under the terms of
its charter and the laws of the State of Michigan.

"You are requested to advise City Bank, Detroit, Michigan,
of the Board's action."

Approved unanimously.
Letter to the Comptroller of the Currency, Treasury Department, Washington, D. C. (Attention: Mr. L. A. Jennings, Deputy Comptroller of the Currency), reading as follows:

"Reference is made to your letter of October 27, 1952, enclosing a photostatic copy of an application to organize a national bank at Bossier City, Bossier Parish, Louisiana, and requesting a recommendation as to whether or not the application should be approved.

"A special representative of the Federal Reserve Bank of Dallas has made a personal investigation of this application. In the light of the information contained in his report and after careful consideration of the factors set forth in your letter the Board of Governors recommends that the application to organize a national bank at Bossier City, Louisiana, be approved.

"The Board's Division of Examinations will be glad to discuss any aspects of this case with representatives of your office and bring to the Board's attention any matter which you feel should be given further consideration."

Approved unanimously, with a copy to the Federal Reserve Bank of Dallas.

Letter to the Federal Deposit Insurance Corporation, Washington, D. C., reading as follows:

"Pursuant to the provisions of section 4(b) of the Federal Deposit Insurance Act, the Board of Governors of the Federal Reserve System hereby certifies that the Bank of Utah, Ogden, Utah, became a member of the Federal Reserve System on December 1, 1952, and is now a member of the System. The Board of Governors of the Federal Reserve System further hereby certifies that, in connection with the admission of such bank to membership in the Federal Reserve System, consideration was given to the following factors enumerated in section 6 of the Federal Deposit Insurance Act:
1. The financial history and condition of the bank.
2. The adequacy of its capital structure.
4. The general character of its management.
5. The convenience and needs of the community to be served by the bank, and
6. Whether or not its corporate powers are consistent with the purposes of the Federal Deposit Insurance Act."

Approved unanimously.

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

"You will recall that at the September meeting of the Presidents' Conference, Chairman Martin stated that the Board would request the views of the Federal Advisory Council as to what should be the objectives of the System's program of bank and public relations and that after the statements of the Presidents and the Council on this subject were received the Board would like to collaborate on how to proceed in the preparation of a System statement. In response to the request made by the Board, the Federal Advisory Council at its November meeting approved the following statement which was submitted to the Board:

"2. At the meeting of the Council on October 7 the Board gave the Council a letter requesting its views on what should be the objectives of the System's program of bank and public relations. At that time President Brown stated that the members of the Council would do their best to have some suggestions formulated for consideration at the November meeting of the Council with the Board.

"The Council has met for only a few hours since its last meeting with the Board in October. The short time available to the Council for discussion of this subject has necessarily precluded full consideration of the various phases of a bank and public relations program for the Federal Reserve System. However, the Secretary of the Council, who has had considerable
"experience in the educational field on the subjects of banking and finance, has prepared a memorandum with a number of suggestions for a program. The Council has seen the memorandum and believes the Board might find in it suggestions of interest and value. Copies of the Secretary's memorandum will be given to the Board.

"The Council believes there is a lack of fundamental understanding by bankers, businessmen, government officials, and the public generally, of the functions and operations of the Federal Reserve System. To be effective in correcting this lack of understanding, any program of bank and public relations must be organized solely for information and education and not for propaganda or for high-pressure 'selling' of the System. To pursue any other objective would have unfortunate repercussions on the System and would defeat the program. The program should be organized on a district level through the twelve Federal Reserve Banks and with the cooperation of the commercial banks in the respective districts.

"A copy of Mr. Prochnow's memorandum referred to in the above statement is attached. The Board would be pleased to have any comments which your Bank might wish to make with respect to the program which he suggests."

Approved unanimously.

Letter to Mr. Fred A. Sheppard, Vice President and Counsel, St. Louis Union Trust Company, St. Louis, Missouri, reading as follows:

"This will acknowledge your letter of November 17 with which you enclose copy for a proposed newspaper advertisement concerning your common trust funds in connection with which you have requested the advice of the Board as to the conformity of this proposed advertising with the applicable provisions of section 17 of Regulation F.

"The pertinent provisions of section 17 of Regulation F, authorizing the establishment and maintenance of common trust funds, provide in part as follows:

"The purpose of this section is to permit the use of Common Trust Funds......for the investment of funds held for true fiduciary purposes; and the operation
of such Common Trust Funds as investment trusts for
other than strictly fiduciary purposes is hereby
prohibited... The trust investment committee of a
bank operating a Common Trust Fund shall not permit
any funds of any trust to be invested in a Common
Trust Fund if it has reason to believe that such
trust was not created or is not being used for bona
fide fiduciary purposes. A bank administering a
Common Trust Fund shall not, in soliciting business
or otherwise, publish or make representations which
are inconsistent with this paragraph.....

"The Board has placed considerable reliance upon the exercise
of sound judgment and good faith on the part of trust institutions
and their trust investment committees in carrying out the intent
and purposes of these provisions which are necessarily expressed
in broad, general terms. Particularly is this so with respect to
the phrase 'bona fide fiduciary purposes' which cannot be simply
or categorically defined. Determination of bona fide fiduciary
purpose depends not only on the provisions of a trust instrument
but in considerable measure upon other facts and circumstances
relating to the creation and the use of a particular trust. This,
it seems to the Board, is particularly true in the field of re-
vocable living trusts where legal trust form is not, by itself,
sufficient evidence of bona fide fiduciary purpose. Authoriza-
tion of revocable trusts for common trust fund participation
should be preceded by particularly careful determination of the
bona fides of their use and purpose to avoid improper use of the
common trust fund as a medium attracting individuals primarily
seeking investment management of their funds.

"In recognition of the usefulness of common trust funds when
soundly administered within the framework of their intended pur-
poses it would seem that the tone of common trust fund advertising
should in every manner be appropriate to the collective uses and
advantages of such funds without seeking to popularize any particular
use or advantage. However, advertising which fails to make clear
that a common trust fund is solely a facility for the investment of
funds held for true fiduciary purposes or advertising which over-
emphasizes the advantages of such funds for investment or estate
building purposes would be inconsistent with the applicable restrictions
on publicity of such funds. Banks operating common trust funds are
enjoined to use particular care in the preparation or the approval of
"advertising copy and to see that it is in every way compatible with the spirit as well as the letter of the provisions of section 17(a) of Regulation F.

"The Board has followed a practice of not giving its opinion regarding proposed common trust fund advertising and, therefore, believes it inappropriate to approve or disapprove of the particular copy which you have submitted. However, it is hoped that the foregoing discussion will be helpful to you in applying the principles and restrictions embodied in Regulation F to the advertising of your common trust funds."

Approved unanimously, with the understanding that a copy of the letter, with the name of the addressee deleted, would be sent to the Presidents of all Federal Reserve Banks for their information.