

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, December 16, 1952. The Board met in the Board Room at 10:00 a.m.

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

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

Chairman Martin said that in a telephone conversation which he had with Mr. Neely, Chairman of the Federal Reserve Bank of Atlanta, the latter stated that he would not wish to be reappointed to the board of directors of the Atlanta Bank at the end of his current term, which expires December 31, 1953, that he would suggest the reappointment of Mr. Rufus C. Harris, whose term as director expires on December 31 of this year, for a three-year term beginning January 1, 1953, and the designation of Mr. Harris as Chairman and Federal Reserve Agent for the year 1953, and that under such an arrangement he (Mr. Neely) would be agreeable to serving as Deputy Chairman for 1953 if the Board should so desire. Chairman Martin said that Mr. Neely had in mind that Mr. Harris would continue to serve as Chairman and Federal Reserve Agent in 1954, and that Mr. Neely would not favor the Board's attempting to obtain any commitment from Mr. Harris at this time that he would resign

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as director at the end of 1954 pursuant to the Board's policy of rotation of Class C directors.

During a discussion of Mr. Neely's proposal, Chairman Martin said that, if the Board should decide to follow the course suggested, he felt that there would be no difficulty in working out satisfactorily with Mr. Harris at a later date the question of his remaining on the board of the Atlanta Bank beyond December 31, 1954. However, it was made clear that this was his personal judgment and not a commitment that this would be so.

Thereupon, the Board by unanimous vote:

- (1) appointed Mr. Harris as a Class C director of the Federal Reserve Bank of Atlanta for a three-year term beginning January 1, 1953;
- (2) designated Mr. Harris as Chairman and Federal Reserve Agent at the Bank for the year 1953 and fixed his compensation as such on the uniform basis fixed for the same position at other Federal Reserve Banks, i.e., at the same amount as the aggregate of fees payable during the same period to any other director for attendance corresponding to his at meetings of the board of directors, executive committee, and other committees of the board of directors; and (3) appointed Mr. Neely as Deputy Chairman of the Bank for the year 1953. These actions were taken subject to determination by Chairman Martin that the arrangement would be satisfactory to Mr. Harris.

The discussion then turned to a further consideration of who might be designated to succeed Mr. Caldwell as Chairman and Federal Reserve Agent at the Federal Reserve Bank of Kansas City.

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At the conclusion of the discussion, it was voted unanimously to request Mr. Caldwell to ascertain and advise the Board whether Mr. Raymond W. Hall, Vice President and Controller of Hall Brothers, Inc., Kansas City, Missouri, would accept, if tendered, an appointment as Class C director of the Kansas City Bank for a three-year term beginning January 1, 1953, and designation as Chairman and Federal Reserve Agent for the year 1953.

The Board also voted unanimously to appoint Mr. Cecil Puckett as Deputy Chairman of the Federal Reserve Bank of Kansas City for the year 1953.

In connection with the above actions, unanimous approval was given to a telegram to Mr. G. Norman Winder advising him of his reappointment as a director of the Denver Branch, pursuant to the action taken by the Board on October 23, 1952.

In taking the above actions, it was understood that the request of Mr. Caldwell would not be made, and the notifications to Messrs. Puckett and Winder would not be sent, until such time as indicated by Chairman Martin.

Secretary's Note: Chairman Martin having approved, telegrams were sent to Messrs. Caldwell, Puckett, and Winder on December 18, 1952.

Chairman Martin referred to the discussion at the meeting of the Board on December 10, 1952, regarding the possible appointment of Mr. Henderson Supplee, Jr., President of the Atlantic Refining Company,

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Philadelphia, Pennsylvania, as Class C director of the Federal Reserve Bank of Philadelphia for a three-year term beginning January 1, 1953, and read data regarding Mr. Supplee which had been prepared by the Division of Personnel Administration.

During a discussion which ensued, Governor Evans suggested the desirability of appointing a person from outside the Philadelphia area to provide better geographical representation of the district on the board of the Philadelphia Bank. In making this suggestion, Governor Evans stated that he had no objection to Mr. Supplee personally and that he would be agreeable to appointing Mr. Supplee and selecting a person outside the Philadelphia area to succeed Mr. C. Canby Balderston, whose term expires December 31, 1953, and who would be ineligible for reappointment under the Board's policy of rotation of Class C directors.

At the conclusion of the discussion, it was agreed that Governor Robertson, at the time of his visit to Philadelphia on Thursday of this week, would discuss the matter with Mr. Whittier and Mr. Meinel, Chairman and Chairman-designate, respectively, of the Philadelphia Reserve Bank, and report back to the Board.

Chairman Martin referred to a telegram of December 15, 1952, from Mr. Lunding, Chairman of the Federal Reserve Bank of Chicago, stating that Mr. Porter M. Jarvis had declined to serve as Class C director of the Chicago Bank for the reason that he did not wish to dispose of certain

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bank stock which he owned.

There was a brief discussion of who might be appointed in place of Mr. Jarvis but no conclusion was reached.

Further consideration was then given to the appointment of directors of Federal Reserve Bank branches for terms beginning January 1, 1953.

Mr. Allen stated that pursuant to a request by Governor Evans, he had checked with the Department of Agriculture with respect to Mr. Douglas M. Moorhead, a farmer, of North East, Pennsylvania, whose appointment as director of the Pittsburgh Branch for a three-year term beginning January 1, 1953, was recommended in his memorandum to the Board of November 25, 1952, and that the reports were favorable. Mr. Allen said it was understood that Mr. Moorhead would be willing to sever his commercial bank affiliations other than the holding of stock in order to qualify as a branch director, but that his membership on the school board of Harbor Township, Pennsylvania, might raise some question from the standpoint of the Board's resolution of December 23, 1915, regarding the holding of political or public office, depending on the facts relating to the nature of the office.

Thereupon, it was voted unanimously to appoint Mr. Moorhead as director of the Pittsburgh Branch

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for a three-year term beginning January 1, 1953, provided it was ascertained that Mr. Moorhead's membership on the school board would not be inconsistent with the Board's resolution of December 23, 1915, and provided Mr. Brainard, Chairman of the Federal Reserve Bank of Cleveland, ascertained and advised the Board that Mr. Moorhead would accept the appointment if tendered.

Secretary's Note: Mr. Gidney, President of the Federal Reserve Bank of Cleveland advised the Board by telegram of December 18 that Mr. Moorhead did not accept re-appointment to the school board.

It was also voted unanimously to appoint the following as directors of the Federal Reserve Bank branches indicated for three-year terms each beginning January 1, 1953, provided the Chairmen of the respective Reserve Banks first ascertained and advised the Board that the appointments would be accepted if tendered:

<u>Name</u>	<u>Federal Reserve Bank Branch</u>
Howard M. Taylor, Vice President, International Bedding Company, Baltimore, Maryland	Baltimore
Ernest Moench, President, Tennessee Tufting Company, Nashville, Tennessee	Nashville
Henry Banks, Farmer, Clarkedale, Arkansas	Memphis

Chairman Martin stated that he had had a discussion by telephone with Mr. Caldwell, Chairman of the Federal Reserve Bank of Kansas City, regarding the matter of who might be appointed to the board of the Omaha Branch

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for the two-year term beginning January 1, 1953, and that Mr. Ellsworth Moser, President of The United States National Bank of Omaha, who is a director of the Omaha Branch, subsequently called him to suggest two persons.

Mr. Allen said that, in response to requests by the Board, Mr. Fred S. Wallace, Board appointee on the Omaha Branch board whose term expires December 31, 1952, had suggested three persons and Mr. Fred W. Marble, President of The Stock Growers National Bank of Cheyenne, Cheyenne, Wyoming, who is also an Omaha Branch director, had suggested four persons.

Following discussion, it was agreed that data on the several persons suggested for appointment to the board of the Omaha Branch should be submitted to Governor Robertson for review and recommendation to the Board.

There was a discussion of who might be appointed as director of the Charlotte Branch to succeed Mr. W. A. L. Sibley, whose term expires December 31, 1952, and it was agreed that Chairman Martin should check with Mr. McCormick, Chairman of the Federal Reserve Bank of Richmond, concerning Mr. M. C. Stone, Treasurer and General Manager of the Pancelot Manufacturing Company, Spartanburg, South Carolina, whose name was suggested to Chairman Martin by Mr. Sibley.

Mr. Allen stated that a letter had been received from Mr. Lyle Hague, Class C director of the Federal Reserve Bank of Kansas City,

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suggesting two persons who might be appointed to the board of the Oklahoma City Branch, and that he would prepare data for the Board concerning them.

Chairman Martin said that he had not yet received word from Mr. Parten, Chairman of the Federal Reserve Bank of Dallas, in response to his request of Mr. Parten for the names of persons who might be appointed to the board of the El Paso Branch, one for a three-year term beginning January 1, 1953, and the other for the unexpired portion of the term ending December 31, 1953.

There was a brief discussion of possible appointments to the boards of the Los Angeles, Portland, and Salt Lake City branches and it was agreed that Governor Mills should review the situation and make recommendations to the Board.

At this point Messrs. Vest, General Counsel, and Sloan, Director, Division of Examinations, entered the room and Mr. Allen withdrew.

Reference was made to the discussion with Mr. Williams, President, and Mr. Hill, Vice President, of the Federal Reserve Bank of Philadelphia, at the meeting of the Board on December 9, 1952, regarding a possible application by Land Title Bank and Trust Company, of Philadelphia, Pennsylvania, for membership in the Federal Reserve System, and the comments made by Messrs. Williams and Hill were reviewed for the benefit of Governors

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Szymczak and Mills, who were not present at the December 9 meeting.

During a discussion, Governor Szymczak said that if Land Title Bank and Trust Company were admitted to membership without the placing of restrictions on its title operations, it would appear that as a matter of equity the Board would have to act to remove any restrictions which had been imposed as conditions of membership in connection with the admission of other banks in Pennsylvania which conducted title operations prior to joining the System.

The other members of the Board indicated agreement with the view expressed by Governor Szymczak. It was pointed out, however, that most of the banks in question probably would have forfeited their title powers since the date of their admission to membership by reason of failure to use them for one year, as provided by the State banking code.

Governor Mills inquired whether the passage of bank holding company legislation requiring the divestment of nonbanking enterprises by bank holding companies would have any effect on a bank operating a title business through a subsidiary, and Governor Robertson replied that while it would not, the Board's support of holding company legislation requiring the divestment of nonbanking interests would seem to be inconsistent in principle with its allowing a member bank to continue a nonbanking function such as a title insurance business.

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Governor Mills remarked that certain national banks are permitted to act as agents for insurance companies, and Governor Robertson replied that in conducting title operations a bank acts as principal rather than as agent.

Following further discussion, Governor Mills said that, leaving aside the question of the other ten nonmember banks in the Third Federal Reserve District which conduct title operations, either directly or through subsidiaries or affiliates, and which might possibly apply for membership, he thought that it might be reasonable to admit Land Title Bank and Trust Company but require it to create a subsidiary to carry on the title business, thus putting the trust company on a comparable basis with certain major member bank competitors. With respect to the other nonmember banks, he pointed out that, should they apply for membership, they would be subject to a critical membership examination, one which would be more severe than in the normal case by reason of their title operations, so that the admission of Land Title Bank and Trust Company would not automatically open the door to the other institutions. Governor Mills said that this represented some shift in his previous thinking and that this was accounted for by his further reflection on the safeguards that were available to the System in dealing with the group of institutions involved and the fact that the situation appeared to be peculiar to one State and related to a

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diminishing number of banks.

In response to questions by Governor Robertson, Governor Mills stated that if Land Title Bank and Trust Company were admitted, he felt that the Board should require the establishment of a subsidiary company to carry on the title business because the acceptance of the trust company, even with that condition, would represent a deviation from the Board's general position against the combination of banking and nonbanking functions and because the Board probably would want to follow the precedent established in that case in the case of other trust companies conducting a title business should they apply for membership. He said that the soundness of the title business seemed to be favorably resolved by the record of institutions conducting such operations over a long period, which revealed no substantial losses, and that if, as a condition of membership, the Board required the establishment of a separate company to conduct the title business, any liability would reach through that company to the parent bank only to the extent of the stock ownership. Governor Mills also said that he would favor making this exception only in the case of the title insurance business and only because of the unique situation prevailing in one particular area. He remarked that in a certain sense the operation of a title insurance business might be likened to the maintenance of safe deposit facilities.

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Chairman Martin then stated that after considering the arguments for and against changing the policy adopted by the Board in 1935 when the question of membership previously was raised by Land Title Bank and Trust Company (then known as The Real Estate-Land Title and Trust Company), it seemed to him that looking at the matter purely from the standpoint of the principle involved, adherence to the previous position was indicated, but that as a practical matter he leaned toward a favorable reply to the trust company since the risk involved in the title business seemed not to be very great, the Federal Reserve Bank of Philadelphia favored admission of the trust company, the Pennsylvania statutes permitted only a limited number of banks to conduct title operations, and the number of banks involved would continue to decrease by reason of the operation of the State law.

Chairman Martin also expressed the view that in situations like this, the Board should consider the merits of the particular problem in the light of State law and other pertinent factors. In this instance, he pointed out, the soundness of the nonbanking operation was evident, which raised a question whether the Board should object to the bank's coming into the System solely because of this one factor. He went on to say that the other non-member banks which conduct title operations posed somewhat of a problem but that, according to Messrs. Williams and Hill, there was no indication of

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interest in membership on their part at present and even if they should all become members of the System, they would still be a small and gradually diminishing group of banks, which made it seem doubtful whether adherence by the Board to a principle, even though sound, would be warranted.

Governor Robertson, in further comments, said it must be kept in mind that Land Title Bank and Trust Company was contemplating a merger with a larger national bank and, should that merger be consummated, it would probably attract more title business. Therefore, the Board in a sense would be aiding the growth of volume of bank-conducted title business in a way which the Pennsylvania legislature apparently did not visualize in passing the 1933 banking code.

Following further discussion, it was understood that Messrs. Vest and Sloan would make a review to ascertain what member banks had been required, as a condition of membership, to restrict their title business and what action it would appear that the Board should take in those cases should Land Title Bank and Trust Company be admitted to membership without comparable restrictions.

At this point Messrs. Vest and Sloan withdrew 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 15, 1952, were approved unanimously.

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Telegram to Mr. John C. Baker, President, Ohio University, Athens, Ohio, prepared in accordance with action taken by the Board on December 9, 1952, and reading as follows:

"Board of Governors of Federal Reserve System has appointed you Director of Cincinnati Branch of Federal Reserve Bank of Cleveland for unexpired portion of term ending December 31, 1954, and will be pleased to have your acceptance by collect telegram.

"It is understood that you are not a director of a bank and do not hold public or political office. Should your situation in these respects change during the tenure of your appointment, it will be appreciated if you will advise the Chairman of the Board of Directors of the Federal Reserve Bank of Cleveland."

Approved unanimously.

Letter to Mr. Dearmont, Chairman, Federal Reserve Bank of St. Louis, reading as follows:

"Reference is made to your letter of December 11, 1952, advising that your directors have dismissed Olin M. Attebery from the office of First Vice President of the Federal Reserve Bank of St. Louis effective the end of December, 1952, and have appointed Mr. Frederick L. Deming as his successor.

"The Board of Governors approves the appointment of Mr. Frederick L. Deming as First Vice President of the Federal Reserve Bank of St. Louis effective January 1, 1953, for the balance of the five-year term commencing March 1, 1951. The Board of Governors also approves the payment of salary to Mr. Frederick L. Deming as First Vice President at the rate of \$18,000 per annum for the period beginning January 1, 1953, through May 31, 1953."

Approved unanimously.

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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 28, 1952, enclosing a photostatic copy of an application to convert Glenville Bank, Scotia, New York, into a national banking association and requesting a recommendation as to whether or not the application should be approved or disapproved.

"In the light of information contained in a report on the application obtained from the Federal Reserve Bank of New York, and after careful consideration of the factors set forth in your letter, the Board of Governors recommends that the application of the Glenville Bank to convert into a national bank be approved. It is understood that the bank is planning to enlarge its banking quarters which will result in a substantial increase in its investment in fixed assets. Moreover, there appears to be an upward trend in the volume of business. In the circumstances we would expect the bank to increase its capital structure by an amount at least equal to the cost of enlarging its banking quarters if it continued as a State member bank.

"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.

Letter to The Honorable, The Comptroller of the Currency, Treasury Department, Washington, D. C., reading as follows:

"This refers to our letter of August 15, 1952, requesting that a supplemental order for printing 45,000,000 sheets of Federal Reserve notes during the fiscal year ending June 30, 1953, be placed with the Bureau of Engraving and Printing. It is respectfully requested that 110,000 sheets of this total be allocated to notes of the Federal Reserve Bank of Atlanta, as shown below:

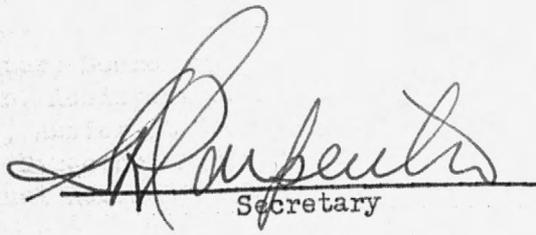
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<u>"Denomi- nation</u>	<u>Number of sheets</u>	<u>Amount</u>
\$50	55,000	\$33,000,000
\$100	55,000	66,000,000"

Approved unanimously.

Mr. Martin
 Mr. [unclear]
 Mr. [unclear]
 Mr. [unclear]
 Mr. [unclear]

Mr. [unclear]
 Mr. [unclear]
 Mr. [unclear]
 Mr. [unclear]
 Mr. [unclear]


 Secretary

Chairman Martin referred to the...
 in connection with the...
 by Mr. [unclear], Chairman of the...
 Deputy Chairman of the...
 currently Deputy Chairman...
 said that in accordance...
 by telephone with Mr. [unclear]...
 the letter did not favor...
 continue as Chairman until...
 on December 31, 1953...
 Mr. [unclear] would accept a...
 by him...
 suggested...
 Chairman for 1954...