

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, December 17, 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 referred to the understanding at the meeting yesterday in connection with the Board's action relative to the suggestion made by Mr. Neely, Chairman of the Federal Reserve Bank of Atlanta, that he be appointed Deputy Chairman of the Bank for the year 1953 and that Mr. Harris, currently Deputy Chairman, be designated as Chairman. Chairman Martin said that in accordance with that understanding, he discussed the matter by telephone with Mr. Neely, who had also talked with Mr. Harris, that the latter did not favor the arrangement and would prefer to have Mr. Neely continue as Chairman until the expiration of his term as Class C director on December 31, 1953, and that, if Mr. Neely continued as Chairman, he (Mr. Harris) would accept a reappointment as Deputy Chairman should it be tendered to him.

Chairman Martin suggested that in the circumstances Mr. Neely be designated as Chairman for 1953, with the understanding that he would not

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be reappointed as a Class C director at the end of his present term, and that Mr. Harris be reappointed as a Class C director for a three-year term beginning January 1, 1953, and appointed as Deputy Chairman for 1953, with the understanding, although with no more than an implied commitment on the part of the Board, that he would be designated as Chairman of the Bank for the year 1954.

Thereupon, the Board by unanimous vote (1) designated Mr. Neely as Chairman and Federal Reserve Agent at the Federal Reserve Bank of Atlanta for the year 1953 and fixed his compensation as such on the same basis as approved for the year 1952; and (2) reappointed Mr. Harris as Class C director of the Atlanta Bank for a three-year term beginning January 1, 1953, and appointed him as Deputy Chairman for the year 1953.

In connection with the foregoing action, unanimous approval was given to the sending of advices to Messrs. Thad Holt, Howard Phillips, and E. O. Batson concerning the Board's action of October 23, 1952, appointing them as directors of the Birmingham, Jacksonville, and New Orleans branches, respectively.

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

Before this meeting Mr. Sloan, at Governor Robertson's request, had discussed with each member of the Board the following items:

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- (1) A memorandum dated December 12, 1952, from the Division of Examinations relating to a letter of December 4, 1952, from Mr. Wiltse, Vice President of the Federal Reserve Bank of New York, submitting the request of The Marine Trust Company of Western New York, Buffalo, New York, a bank controlled by Marine Midland Corporation, of Jersey City, New Jersey, a holding company affiliate, for approval of the establishment of a de novo branch in the town of Cheektowaga, New York. The Reserve Bank recommended approval of the request, and the Division of Examinations concurred, provided the branch was established within six months from date of approval.
- (2) A second memorandum of the same date from the Division of Examinations relating to letters of December 3 and December 8, 1952, from Mr. Wiltse submitting applications of The Northern New York Trust Company, Watertown, New York, also a bank controlled by Marine Midland Corporation, for approval of the establishment of an in-town branch in Watertown and a branch in Massena, New York, the latter in connection with a proposed merger of the First National Bank and Trust Company of Massena, New York, into The Northern New York Trust Company. The Reserve Bank recommended approval of the request, and the Division of Examinations concurred, provided (a) the branch in Watertown was established within one year from the date of approval, (b) the merger with the First National Bank and Trust Company was carried out substantially in accordance with the merger agreement marked "Exhibit 6" accompanying the application, and (c) prior approval for the branch in Massena was obtained from the appropriate State authorities.

There was also presented for discussion at this meeting, at the request of Governor Evans, a memorandum of November 20, 1952, from Governor Robertson, which had been circulated among the members of the Board, concerning his conversation on that day with Mr. Bayard F. Pope, Chairman of the

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Board of Marine Midland Corporation, regarding applications for branches and consolidations which banks in the Marine Midland group contemplated submitting to the Board for approval, including the applications referred to in the above-mentioned memoranda.

With regard to the application of The Marine Trust Company of Western New York to establish a branch in Cheektowaga, a community adjoining the city of Buffalo, Governor Robertson said that while at first he was inclined to favor denying the application in view of the applicant bank's extensive operations in the Buffalo area, he would recommend approval because of (1) an apparent need for banking facilities in the large shopping center where the branch was to be located, (2) the population of 18,000 reported to be within the trade area of the proposed branch, (3) the fact that nearby branches of other banks would provide competition, and (4) the conclusion of the New York Reserve Bank and the State banking authorities that the facilities to be furnished by the branch were needed.

Governor Robertson then discussed the branch applications submitted by The Northern New York Trust Company and recommended their approval. He also referred to other applications which Mr. Pope had indicated would be submitted by banks in the Marine Midland group in the near future.

Mr. Vest stated that of the three branch applications, only the one submitted by the Buffalo bank seemed questionable. However, in view of the fact that the application was for the establishment of a de novo

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branch and since there would be no substantial lessening of competition in the event the branch should be established, he thought it would be difficult to find grounds for denying the application. He noted that in 1951 the Board approved the take-over of the Bank of Hamburg, Hamburg, New York, by The Marine Trust Company of Western New York and the establishment of a branch in that town.

In reply to a question by Governor Szymczak, Mr. Vest said that these applications appeared to involve no technical question with respect to section 7 of the Clayton Act except possibly in connection with the take-over of the national bank in Massena, in which case there would be an instantaneous holding of stock by Marine Midland Corporation prior to the establishment of the branch in Massena. He added, however, that the question of a tendency toward monopoly might well be involved on a broad basis in any case where a bank in a holding company group wishes to establish a branch, because of the extension of the number of banking offices.

Governor Robertson stated that he failed to see any serious movement toward expansion on the part of the Marine Midland group at this time. When the subject was under discussion earlier in the year, Governor Robertson said, he gained the impression that the banks in the group might be thinking in terms of expansion and in the circumstances he suggested a survey of the group by the Federal Reserve Bank of New York.

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He then discussed the scope of that survey and stated that it would tend to support approval of the three applications before the Board.

Governor Robertson also said that he asked the New York Reserve Bank to discuss the whole Marine Midland situation with the New York State Superintendent of Banks and told the Bank to feel free to have its representatives disclose the facts in their possession provided they made it clear that the Board was not committed to any program. It developed, he said, that the State banking authorities favored the three branches.

Governor Robertson added that the three applications before the Board had been reviewed by Mr. Chase, Assistant Solicitor, who favored their approval.

He also mentioned that the Manufacturers and Traders Trust Company, of Buffalo, had filed an application for a branch in North Tonawanda, New York, which would afford competition to the local branch of The Marine Trust Company of Western New York.

Governor Robertson then reviewed the discussion at the meeting of the Board on November 20 prior to his conversation with Mr. Pope, stating that it was on the basis of that discussion that he told Mr. Pope that the Board would consider any application by a bank in the Marine Midland group on its own merits.

Governor Evans said that he would vote against approving the applications because, as he had stated at the meeting of the Board on

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November 20, 1952, and at other times, he thought the Board should defer action on any applications by banks in the Marine Midland group until after the courts had rendered a final decision in the Clayton Act proceeding against Transamerica Corporation. That decision, he felt, would provide the Board a better criterion by which to define a tendency toward monopoly.

Governor Evans also pointed out that there had been placed in the Board's files a memorandum prepared by Messrs. Hodge, General Counsel of the Federal Reserve Bank of Chicago, and Shay, Assistant Counsel for the Board, under date of December 13, 1951, which contained the opinion that the group banking system controlled by Marine Midland Corporation appeared to constitute a violation of section 7 of the Clayton Act.

Governor Robertson stated that he was familiar with the memorandum referred to but, as he had stated at the meeting of the Board on November 20, the memorandum created the impression that the 18 western-central counties of New York State in which the Marine Midland group has its heaviest concentration are contiguous whereas several of the counties involved are in fact separated from others.

Thereupon, the following letters were approved, for transmittal through the Federal Reserve Bank of New York, Governor Evans voting "no" for the reason which he had stated:

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Letter to the Board of Directors, The Marine Trust Company of
Western New York, Buffalo, New York

"Pursuant to the request submitted through the Federal Reserve Bank of New York, the Board of Governors of the Federal Reserve System approves the establishment and operation of a branch by The Marine Trust Company of Western New York in the Thruway Super Plaza, Town of Cheektowaga, New York, provided the branch is established within six months from the date of this letter."

Letter to the Board of Directors, The Northern New York Trust Company,
Watertown, New York

"The Board of Governors approves the establishment and operation of branches at 556 State Street, Watertown, New York, and in Massena, New York, by The Northern New York Trust Company, provided (a) the branch in Watertown is established within one year from the date of this letter, (b) the merger with the First National Bank and Trust Company of Massena is effected substantially in accordance with the terms of the merger agreement, Exhibit 6, which accompanied your letter of December 4, 1952, addressed to the Board of Governors, and (c) prior approval for the establishment of the Massena branch is obtained from the appropriate State authorities."

At this point Mr. Sloan withdrew from the meeting.

Before this meeting there had been sent to the members of the Board copies of a draft of letter to Mr. Knoke, Vice President of the Federal Reserve Bank of New York, reading as follows:

"With reference to your letter of December 11, 1952, the Board approves the proposal that your Bank enter into a six-months' agreement with the Bank for International Settlements to make short-term loans to it, against U. S. Treasury bills, for the purpose of facilitating the monthly settlements conducted for the European Payments Union by the Bank for International Settlements as its agent."

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"It is understood that outstanding advances under the agreement would not exceed \$50 million at any one time, any such advance to be made on or before July 31, 1953 on the promissory note of the Bank for International Settlements, to mature not later than 7 days after the date thereof, to bear interest for its duration at the rate in effect at your Bank on the date of such advance with respect to advances made to other than member banks, to be secured by U. S. Treasury bills in face amount not less than the amount of such advance.

"It is understood that participation in such agreement and in such advances made pursuant thereto will be offered to the other Federal Reserve Banks. It is further understood that any such agreement with the Bank for International Settlements would be cancellable at your option."

The draft of letter was accompanied by a memorandum dated December 15, 1952, from Mr. Marget, Director of the Division of International Finance, reading as follows:

"The Federal Reserve Bank of New York is requesting Board approval of an arrangement under which it would make short-term advances, not to exceed \$50 million, against U. S. Treasury bills to the Bank for International Settlements. The BIS, which acts as agent for the European Payments Union, would in turn make advances to the EPU for the purpose of facilitating its monthly settlement operations.

"Under present conditions the BIS finds it necessary, in carrying out the monthly settlements for the EPU, to arrange the EPU investments so that sufficient funds to cover the required out-payments are available at least two days before the month's in-payments are received. The result has been: (1) a sacrifice in the rate since Treasury bills of short maturities generally yield a lower rate than those for full 90 days; (2) frequent unemployment for substantial amounts in cases where the necessary short-term maturities were not available; and (3) considerable trouble to the New York Bank in attempting to execute orders, often in substantial amounts, for purchases of scarce maturities.

"The proposed arrangement, by providing two day advances when necessary, is intended to reduce these disadvantages.

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"A precedent for advances against Treasury bills to foreign institutions exists in the case of a loan to Iran approved by the New York Bank on September 9, 1943, under the provisions of the last paragraph of Section 13 of the Federal Reserve Act.

"The proposed arrangement with the BIS would have a duration of six months but would be cancellable at the option of the New York Bank. Each advance would be for no longer than seven days and would bear interest at the rate in effect on the date of the advance for advances on government securities to borrowers other than member banks (at present 2-1/2 per cent per annum). The outstanding advances would not exceed \$50 million at any one time. Participation in the arrangement would be offered to the other Federal Reserve Banks.

"I recommend approval of this proposed arrangement."

Governor Szymczak, in discussing the matter, stated that the proposed agreement between the New York Bank and the Bank for International Settlements had been the subject of conversations between Mr. Vest and Mr. Tiebout, Assistant General Counsel for the Reserve Bank, and between the staffs of the Division of International Finance and the Reserve Bank, that he had reviewed the proposed arrangement, and that he recommended its approval by the Board.

Mr. Vest said that some question might possibly be raised whether loans of the kind proposed were contemplated by the last paragraph of section 13 of the Federal Reserve Act. After noting that the Bank for International Settlements was a corporation, he said that although the provision put into the law by the Banking Act of 1933 obviously was intended to permit the extension of credit to domestic borrowers in a period of depression, a loan of the type proposed was technically not beyond the scope of the law.

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Mr. Vest added that although the paragraph of the Act in question contained no specific limitations, the Board, of course, had the power under section 14 to approve or refuse to approve any proposed loan of this type according to its judgment as to the merit of the arrangement.

During a discussion of the proposed agreement, Governor Vardaman stated that he would vote against its approval, even though it might be desirable to enter into such an agreement, because loans of this type obviously were not envisaged by the Congress at the time the last paragraph of section 13 of the Act was included and, in the circumstances, he felt the Board would be not warranted in approving the advancing of credit under that authority except to a domestic borrower.

Other members of the Board felt that the Board had the authority under the law to approve the agreement if it so desired, that it was desirable to maintain good relations with the Bank for International Settlements, and that it would be of advantage to the New York Reserve Bank in its operation of the System Open Market Account to have the Bank for International Settlements place its orders for Treasury bills with the Reserve Bank in the manner contemplated under the proposed arrangement.

Thereupon, the letter to Mr. Knoke was approved in the form set forth above, Governor Vardaman voting "no" for the reasons which he had stated.

At this point Mr. Vest withdrew from the meeting.

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There was a discussion, at the instance of Governor Vardaman, of the procedures followed in the preparation of the minutes of the Board for recording the attendance of members of the Board and for distinguishing between actions taken at a meeting of the Board and those approved upon circulation.

At the conclusion of the discussion, the Secretary was requested to consider what changes in the minutes would be appropriate in the light of the views expressed at this meeting.

Governor Robertson referred to the practice followed by the Board in the past, pursuant to the requirement of the seventh paragraph of section 21 of the Federal Reserve Act, of addressing a letter each year to the Director of the Division of Examinations, directing that at least one examination of each of the twelve Federal Reserve Banks be made during the ensuing calendar year. He suggested that the annual letters be discontinued and that continuing instructions be issued for examinations of the Federal Reserve Banks.

In accordance with Governor Robertson's suggestion, the Board, by unanimous vote, ordered that, pending further action, the Director of the Division of Examinations be authorized and directed to make at least one examination of each of the twelve Federal Reserve Banks each calendar year and to institute and conduct such

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examinations at such time or times during the year as seemed advisable in his judgment.

Before this meeting there had been circulated among the members of the Board a draft of letter to Mr. Gilbody, Assistant Cashier of the Federal Reserve Bank of Boston, reading as follows:

"This refers to your letters of December 9, regarding the penalties of \$283.05 incurred by the B. M. C. Durfee Trust Company, Fall River, Massachusetts, and of \$37.15 incurred by the First National Bank of Thompsonville, Connecticut, on deficiencies in their reserves for the period ended November 30, 1952.

"It is noted, in the case of the B. M. C. Durfee Trust Company, that the deficiency resulted partly from a clerical error and partly from a misunderstanding as to the amount of funds needed on the last business day of the period to make up the deficiency; that the bank is revising its internal reserve procedure for the purpose of preventing a repetition of such mistakes; and that it has not had a reserve deficiency in the past two years.

"In the case of the First National Bank of Thompsonville, it is noted that the deficiency was the result of a misunderstanding of one of the employees in figuring the collected and uncollected balances, and that the bank has not had a reserve deficiency since its organization in June 1949.

"In the above circumstances the Board authorizes your Bank to waive the assessment of the penalties in these cases."

Governor Robertson raised the question whether the Reserve Banks might not be given authority to waive penalties of this nature without obtaining the approval of the Board, and it was stated that, pursuant to the understanding at the meeting on November 13, 1952, the staff was reviewing the outstanding instructions to the Reserve Banks and would present a recommendation to the Board.

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Thereupon, the letter was approved unanimously.

Before this meeting there had been circulated among the members of the Board a draft of letter to Mr. Crosse, Assistant Vice President of the Federal Reserve Bank of New York, reading as follows:

"Reference is made to your letter of November 25, 1952, submitting for consideration of the Board a proposal of the Chemical Bank & Trust Company, New York, New York, to remove its branch office, now located at Fifth Avenue and 29th Street in New York City, to a new location at Fifth Avenue and 34th Street in New York City.

"On the basis of the facts submitted the Board concurs in your opinion that the proposed change in location does not constitute the establishment of a branch within the meaning of Section 9 of the Federal Reserve Act, and, therefore, the Board's approval is not required."

Approved unanimously.

Governor Mills referred to a memorandum submitted to him under date of December 15, 1952, by Mr. Young, Director of the Division of Research and Statistics, regarding plans for attendance of the following members of the staff of the Division at the annual meetings of certain professional associations, including the American Economic Association, the American Statistical Association, the Econometric Society, and the American Finance Association, to be held later this year in Chicago, Illinois:

Ralph A. Young, Director
Albert R. Koch, Chief, Banking Section
Homer Jones, Chief, Consumer Credit and
Finances Section

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Arthur Broida, Economist
Donald Miller, Economist
Sylvia Edelson, Economist
John Frechtling, Economist
John Culbertson, Economist

Governor Mills recommended that the Board approve the attendance of the persons listed.

Approved unanimously.

Before this meeting there had been placed in circulation among the members of the Board a draft of letter to Mr. Morrison, Vice President of the Federal Reserve Bank of Cleveland, reading as follows:

"In view of the circumstances described in your letter of November 24, 1952, the Board of Governors approves the payment of \$4,394, by the Federal Reserve Bank of Cleveland to the Federal Reserve Retirement System for the benefit of Mrs. Elizabeth C. Kemp."

Mr. Morrison's letter of November 24 stated that the Reserve Bank's managing committee had recommended the contribution to the Retirement System for the benefit of Mrs. Kemp. Subsequently, Mr. Morrison advised by telegram of December 11 that the Bank's directors at their meeting that morning had approved the contribution.

Governor Robertson raised the question whether the Board should approve the contribution since Mrs. Kemp was leaving the Reserve Bank voluntarily.

In a discussion of that point, it was brought out that according to the Cleveland Bank, Mrs. Kemp, although in poor health, would be unable to retire on disability because of the stringent requirements for proving

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total and permanent disability and that the Bank felt the payment of the sum into the Retirement System would represent a saving because a personnel problem of considerable magnitude would be involved if she continued in her duties at the Bank.

Thereupon, the letter was approved unanimously.

At this point all of the members of the staff withdrew and the Board went into executive session.

The Chairman thereafter informed the Secretary that during the executive session it was decided that a member of the Board contemplating travel on official business would not be required to submit a request for authorization covering the travel and that paragraph eight of the Board's travel regulations should be amended accordingly.

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 16, 1952, were approved unanimously.

Memorandum dated December 4, 1952, from Mr. Marget, Director, Division of International Finance, recommending the appointment of Jean Margaret Connors as Clerk in that Division, on a temporary indefinite basis, with basic salary at the rate of \$2,830 per annum, effective as of the date upon which she enters upon the performance of her duties after having passed the usual physical examination and subject to the

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completion of a satisfactory employment investigation.

Approved unanimously.

Memorandum dated December 12, 1952, from Mr. Young, Director, Division of Research and Statistics, recommending the appointment of Anne C. Sencindiver as Draftsman in that Division, on a per diem basis with compensation at the rate of \$17 per diem when actually employed, based upon an eight-hour working day, effective as of the date upon which she enters upon the performance of her duties after having passed the usual physical examination and until December 31, 1953.

Approved unanimously.

Memoranda recommending that the basic annual salaries of the following employees be increased in the amounts indicated effective December 21, 1952:

<u>Date of Memorandum</u>	<u>Name and Title</u>	<u>Salary Increase</u>	
		<u>From</u>	<u>To</u>
	<u>Memoranda from Mr. Carpenter, Secretary of the Board</u>		
12/11/52	Helen E. Cook, Review Classifier	\$3,655	\$3,785
12/11/52	Cora Lee Hatch, Review Classifier	3,655	3,785
	<u>Memorandum from Mr. Young, Director, Division of Research and Statistics</u>		
11/20/52	Edwin J. Swindler, Economist	4,455	4,580

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Date of MemorandumName and TitleSalary Increase
From ToMemorandum from Mr. Sloan, Director,
Division of Examinations

11/13/52

Nancy L. Sinnott,
Secretary

\$3,910

\$4,035

Memorandum from Mr. Leonard, Director,
Division of Bank Operations

11/18/52

John J. Hart,
Technical Assistant

6,140

6,340

Frank J. Callahan,
Clerk

4,035

4,160

Alice C. Fry,
Clerk-Typist

3,255

3,335

Eleanor I. Klein,
Statistical Clerk

3,255

3,335

Memorandum from Mr. Horbett, Assistant Director,
Division of Bank Operations

12/12/52

Mary Frances Gifford,
Statistical Clerk

2,950

3,175

Memorandum from Mr. Bethea, Director,
Division of Administrative Services

11/20/52

Elsie N. Carrick,
Assistant Supervisor,
Stenographic Section

3,785

3,910

Jean Startup,
Stenographer

3,335

3,415

Wesley B. Collins,
Mail Clerk

3,150

3,230

Henry A. Bates,
Messenger

2,632

2,712

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

12/10/52

Thomas V. Kopfman,
Photographer (Offset)

3,415

3,795

Approved unanimously.

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

"In accordance with the request contained in your letter of December 3, 1952, the Board approves the designation of the following individuals as special assistant examiners for the Federal Reserve Bank of Boston for the specific purpose of rendering assistance in the examinations of Depositors Trust Company, Augusta, Maine; The Merrill Trust Company, Bangor, Maine; The Hartford-Connecticut Trust Company, Hartford, Connecticut; Industrial Trust Company, Providence, Rhode Island; and Rhode Island Hospital Trust Company, Providence, Rhode Island.

"James F. Broderick, Jr.	Walter W. Unger
Siegfried Risch	Thomas G. Maguire
Herbert G. Josselyn	William Munday

"Appropriate notations have been made in our records of the names to be deleted from the list of special assistant examiners."

Approved unanimously.

Letter to Mr. Patterson, Vice President and General Counsel, Federal Reserve Bank of Atlanta, reading as follows:

"Reference is made to your letter of November 21, 1952, in which you indicate that it is deemed essential, under your Security Files Program as planned, to designate someone at the Birmingham Branch to act as Assistant Federal Reserve Agent in the event the Federal Reserve Agent and the Assistant Federal Reserve Agent at the Head Office are unable to act. From your letter, it appears that such appointment is based on your present procedure under which the Federal Reserve Agent's Representative at a Branch acts only on the instructions of the Assistant Federal Reserve Agent in Atlanta.

"While an appointment of this nature would not conform to the usual practice, the Board of Governors will be pleased to consider the appointment of an additional Assistant Federal Reserve Agent to be located at the Birmingham Branch."

Approved unanimously.

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Letter to Mr. Shepard, Chairman and Federal Reserve Agent, Federal Reserve Bank of Minneapolis, reading as follows:

"In accordance with the request contained in your letter of December 2, 1952, the Board of Governors approves the appointment of Christopher E. Bjork as Alternate Assistant Federal Reserve Agent at his present salary of \$5,700 per annum, to succeed Mr. John Johnson.

"This approval is given with the understanding that Mr. Bjork will be placed upon the Federal Reserve Agent's pay roll and will be solely responsible to him or, during a vacancy in the office of the Agent, to the Assistant Federal Reserve Agent, and to the Board of Governors, for the proper performance of his duties. When not engaged in the performance of his duties as Alternate Assistant Federal Reserve Agent he may, with the approval of the Federal Reserve Agent, or during a vacancy in the office of the Federal Reserve Agent, of the Assistant Federal Reserve Agent, and the President, perform such work for the Bank as will not be inconsistent with his duties as Alternate Assistant Federal Reserve Agent.

"Mr. Bjork should execute the usual oath of office which should be forwarded to the Board of Governors together with advice of the effective date of his appointment."

Approved unanimously.

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

"Reference is made to your letter of November 25, 1952, in which you advised that it appears expenses for your Head Office and Buffalo Branch will exceed the 1952 budget estimates in the amounts indicated.

"The Board accepts the revised figures as submitted and appropriate notations are being made in the Board's records."

Approved unanimously.

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Letter to the Board of Directors, The Richland Trust Company,
Mansfield, Ohio, reading as follows:

"Pursuant to your request submitted through the Federal Reserve Bank of Cleveland, the Board of Governors approves the establishment and operation of a branch in Butler, Ohio, by The Richland Trust Company provided that such branch is established within six months after the date of this letter.

"It is understood that it is your intention to increase the capital of the trust company by not less than \$100,000 through the sale of additional stock within one year. The Board feels that this increase in capital funds is very desirable."

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

Letter to the Board of Directors, Somerset Trust Company, Somerset,
Pennsylvania, reading as follows:

"Pursuant to a request submitted through the Federal Reserve Bank of Cleveland, the Board of Governors of the Federal Reserve System hereby gives its written consent under the provisions of Section 18(c) of the Federal Deposit Insurance Act to the absorption by the Somerset Trust Company, Somerset, Pennsylvania, of The First National Bank of Somerset, Somerset, Pennsylvania, without an increase in your surplus to an amount which will equal the aggregate surplus of the two banks involved in the proposed absorption, provided that prior formal approval is obtained from the appropriate State authorities, and provided further that the absorption is effected substantially in accordance with the plan as submitted."

Approved unanimously, for
transmittal through the Federal
Reserve Bank of Cleveland, with
a letter to the Reserve Bank containing the following paragraph:

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"It is noted from the last report of examination of the Somerset Trust Company, that it held 48 shares of stock of The First National Bank. It is assumed that arrangements will be made for disposition of this stock in order to comply with the applicable provisions of law."

Letter to Mr. Armistead, Vice President, Federal Reserve Bank of Richmond, reading as follows:

"In view of the recommendation contained in your letter of November 28, 1952, the Board of Governors extends until October 30, 1953, the time within which the Wachovia Bank and Trust Company, Winston-Salem, North Carolina, may establish a branch at the intersection of Patterson and Glenn Avenues, Winston-Salem, North Carolina."

Approved unanimously.

Letter to the Board of Directors, Union Bank of Michigan, Grand Rapids, Michigan, reading as follows:

"Pursuant to your request submitted through the Federal Reserve Bank of Chicago, the Board of Governors gives its prior consent to the Union Bank of Michigan, Grand Rapids, Michigan, to retire \$100,000 five per cent preferred stock held by local interests, provided the common stock of the bank is increased from \$500,000 to \$600,000 by declaration of a 20 per cent dividend payable in common stock, and further provided that the directors forego the payment of the usual \$75,000 cash dividend in January 1953."

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

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

"Your letter of November 25, 1952, regarding the problem of determining the adequacy or inadequacy of bank capital has

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"been read with great interest. It certainly would be desirable, as you indicate, if the areas of agreement could be enlarged on this difficult question on which there are so many different points of view.

"The Board also feels that it is important to avoid placing undue emphasis upon particular aspects of capital adequacy especially those which happen to be readily susceptible to simple mathematical presentation and computation. For example, capital ratios, as such, are valuable for screening purposes only. They are not determinants, in any sense of the word, of the adequacy or inadequacy of the capital structure of a given institution. It would be unfortunate, indeed, if the public were to attempt to classify banks in accordance with any arithmetical formula because no such formula can give proper weight either to the quality of management or to the quality of assets.

"For several months the Board has been conducting, through its staff, a searching analysis of various approaches to the bank capital problem, with the view of obtaining more light on the subject. This study soon will have progressed to the point where at least tentative conclusions with supporting analytical material can be submitted to the Federal Reserve Banks for their consideration and comments.

"The Board hopes that the composite judgment and experience of the Federal Reserve System, when brought to bear on the problem through this preliminary study together with such further consideration as may be desirable, may provide the basis for an improved screening procedure which could be used by the Board, chiefly for internal operating purposes, and which some of the Reserve Banks might wish to adopt in some of its aspects for their own internal operations.

"The Board is convinced that, although mathematical methods of analyzing bank capital can be improved, it is impossible to develop any formula which eliminates the need for the exercise of sound judgment in determining the adequacy of capital of any given bank. For this reason, and because of the danger of any formula in this field being misunderstood or inflexibly applied, the Board is inclined to doubt the advisability of conducting a study of the subject with commercial banks or members of the general public.

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"However, it is hoped that the preliminary study currently underway at the Board may help to give a clearer picture of both the possibilities and the limitations inherent in the problem and in various approaches to its solution.

"The Board wishes to express its appreciation of your interest and suggestions in this matter, and it hopes that further progress can soon be made toward clarifying some of the phases of this difficult problem."

Approved unanimously.

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

"Reference is made to your letter of October 15, 1952, enclosing a photostatic copy of an application to organize a national bank at Pompano Beach, Florida, under the title of First National Bank of Pompano Beach, and requesting a recommendation as to whether or not the application should be approved.

"A special representative of the Federal Reserve Bank of Atlanta has made a personal investigation of this application. In the light of the information contained in this report and after careful consideration of the factors set forth in your letter, the Board of Governors has concluded that although the earnings prospects of this proposed institution are not completely satisfactory, and although there is at least a doubt as to whether the needs of the community for additional banking facilities are sufficiently great to warrant the establishment of a new bank, it recommends approval of the application in view of the desirability of providing banking competition in this community. In other words, the Board recognizes that the facts in this situation present a very close question which it has resolved on the basis of the competitive factor in making its recommendation to you.

"The Board desires that you be informed that it or its

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"representatives will be glad to discuss any aspects of this case with you or representatives of your office, if you so desire."

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

Mr. Miller

Mr. Carpenter, Secretary

Mr. Bishop, Assistant

Mr. Dixon, Assistant

Mr. Thomas, Assistant

Mr. Leach, Assistant

Mr. Tamm, Assistant

Mr. Ladd, Assistant

Mr. Clegg, Assistant

Mr. Glavin, Assistant

Mr. Harbo, Assistant

Mr. Rosen, Assistant

Mr. Tracy, Assistant

Mr. Egan, Assistant

Mr. Gurnea, Assistant

Mr. Hendon, Assistant

Mr. Jones, Assistant

Mr. Mumford, Assistant

Mr. Quinn, Assistant

Mr. Nease, Assistant

Mr. Gandy, Assistant

Mr. Holloman, Assistant

Mr. Lister, Assistant

Mr. Nichols, Assistant

Mr. Rosen, Assistant

Mr. Tracy, Assistant

Mr. Egan, Assistant

Mr. Gurnea, Assistant

Mr. Hendon, Assistant

Mr. Jones, Assistant

Mr. Mumford, Assistant

Mr. Quinn, Assistant

Mr. Nease, Assistant

Mr. Gandy, Assistant

Mr. Holloman, Assistant

Mr. Lister, Assistant

Mr. Nichols, Assistant

Mr. Rosen, Assistant

Mr. Tracy, Assistant

Mr. Egan, Assistant

Mr. Gurnea, Assistant

Mr. Hendon, Assistant

Mr. Jones, Assistant

Mr. Mumford, Assistant

Mr. Quinn, Assistant

Secretary