Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, December 24, 1952. The Board met in the Board Room at 10:00 a.m.

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

Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Kenyon, Assistant Secretary
Mr. Vest, General Counsel
Mr. Sloan, Director, Division of Examinations
Mr. Chase, Assistant Solicitor

Before this meeting there had been sent to the members of the Board copies of a memorandum dated December 22, 1952, from Mr. Townsend, consultant to the Board in connection with the Clayton Act proceeding against Transamerica Corporation, stating that in accordance with the understanding at the meeting of the Board on June 30, 1952, the Office of the Solicitor and counsel for respondent participated in preparing for the United States Court of Appeals for the Third Circuit a joint printed record in the Transamerica case which represented an effort to bring before the court in printed form all the material in the record, including testimony, exhibits, and pleadings, which either side thought should be considered in deciding the case; that in this effort it was desirable to have one side coordinate the flow of material and instructions to the printer; that it was agreed, therefore, that all contact with the printer would be by and through Covington & Burling, counsel for Transamerica Corporation; that material such as indices, which had to be specially typed for the printer, was put in final form by Covington & Burling; that, in addition, Covington & Burling read a word-for-word proof of the entire appendix, which in final form comprised 10,000 pages; and that in the circumstances the Office of the Solicitor did not duplicate this word-for-word proof but satisfied itself as to the completeness and accuracy of the printed work and communicated corrections to Covington & Burling, who marked the proof and sent it to the printer.

Attached to the memorandum was a letter dated November 24, 1952, from Mr. Gerhard A. Gesell, of Covington & Burling, stating that the firm had incurred certain non-legal expenses consisting of overtime, particularly for proofreading and stenographic services, postage, and telephone and teletype expense in connection with its work on the record and requesting reimbursement from the Board on the same basis as agreed with respect to actual printing costs, namely, 40 per cent.

The memorandum recommended that since the additional costs incurred by Covington & Burling were for the joint benefit of the Board and respondent, the Board approve the payment to the firm of $2,285.65, the amount requested.

Approved unanimously.

At this point Mr. Chase withdrew from the meeting.

Before this meeting there had been circulated among the members of the Board alternative drafts of a letter to Mr. Dearmont, Chairman of the Federal Reserve Bank of St. Louis, with reference to the examination of the Reserve Bank which was made as of August 27, 1952. The two drafts were the same except that one contained an additional paragraph, prepared at the suggestion of Governor Vardaman, stating that two of the assistant vice presidents at the head office, both beyond 61 years of age, were understood to be contributing little to the effectiveness of the organization and that although the Board understood the Reserve Bank to feel that the passage of time would satisfactorily cure the situation, it would like to have Mr. Dearmont's comments as to the effect of this situation meanwhile upon the efficiency and morale of the organization.

All of the members of the Board present indicated that they would prefer to have the letter sent in a form which did not include the above-mentioned paragraph.

Thereupon, the letter to Mr. Dearmont was approved unanimously in the following form, with the understanding that Governor Vardaman favored the other draft:

"The Board of Governors has received your letter of October 14, 1952, stating that the report of examination "of the Federal Reserve Bank of St. Louis, made as of August 27, 1952, by the Board's examiners, was presented at the meeting of the Board of Directors held on October 9, 1952, and that the report, after review, was initialed by all of the Directors.

"It is understood from Chief Federal Reserve Examiner Lang that, in reviewing the official staff of the Reserve Bank and its branches with you and President Johns, mention was made of the continued mediocre performance of some of the officers of the Memphis Branch. The Board realizes that you and President Johns are fully conversant with this situation and would appreciate having your comments as to any plans looking toward improvement.

"It is understood also that Mr. Lang discussed with Mr. Johns the present arrangement as to official titles, wherein the junior officers at the head office are all given the rank of Assistant Vice President. The Federal Reserve Bank of St. Louis is the only one of the Reserve Banks which does not have an intermediate grade to which promising junior officers could be advanced. This situation could be corrected by appointing one of the Vice Presidents as Vice President and Cashier so that, in the future, junior official appointments could be made initially to the position of Assistant Cashier. The Board urges that this suggested arrangement or some other equally effective method of meeting the problem be instituted as soon as practicable."

Reference was made to a telegram of December 19, 1952, from Mr. Johns, President of the Federal Reserve Bank of St. Louis, prepared at the request of Chairman Dearmont in response to the Board's telegram of December 16, 1952, asking Mr. Dearmont to ascertain and advise the Board whether Mr. Henry Banks, farmer, of Clarkedale, Arkansas, would accept appointment as a director of the Memphis Branch if such appointment were tendered. The telegram from Mr. Johns stated that Mr. Banks would accept the appointment. It also contained the information that

Mr. Banks was a member of the Arkansas State Committee of the Production and Marketing Administration, but stated that it was understood this was considered a nonpolitical appointment.

There was presented in this connection a file memorandum prepared under today's date by Mr. Solomon, Assistant General Counsel, which referred to the resolution adopted by the Board on December 23, 1915, to the effect that "persons holding political or public office in the service of the United States, or of any State, Territory, county, district, political subdivision, or municipality thereof, or acting as members of political party committees" should not serve as directors or officers of Federal Reserve Banks, and to the distinction between "political" and "public" offices noted in the Board's letter of August 3, 1950 (F.R.L.S. #3090) which stated in part that "in a number of instances, the Board has taken the position that the service of directors and officers of the Reserve Banks in certain public capacities was not contrary to the spirit of the resolution".

The memorandum stated that it seemed fairly clear that the position occupied by Mr. Banks was not "political" in the usual sense of the term; that it was, however, a "public" office, and one of some importance in the administration of the agricultural programs; that it was understood that the members of the State committees are appointed by the Secretary of Agriculture for one-year terms and may be reappointed; that some members serve full-time while others serve part-time on a basis of proportional compensation, i.e., "when actually employed"; that salaries on an annual basis were understood to range from about $7,040 to about $9,360; and that according to the United States Government Manual for 1952-53, the "PMA State and county committees are the key units in PMA's field organization".

The memorandum went on to say that membership on such a committee was a commendable public service and that the only question would be whether such service, while a person was at the same time serving a Federal Reserve Bank, would create a situation which might be interpreted as associating the Reserve Bank with the agricultural program. The memorandum concluded by stating that it was understood that in the past some directors of Reserve Banks and branches might have served at the same time as members of such State committees and that the question was essentially one of policy.

Governor Evans, with whom Mr. Solomon had discussed the matter yesterday, stated that in his opinion a position such as that held by Mr. Banks should not be regarded as a political office unless it involved employment on a full-time basis, that Mr. Banks was understood to be primarily engaged in farming and it seemed apparent that he was not serving on the State committee on a full-time basis, that the members of such committees, at least those who serve part-time, are not appointed because of party affiliations, and that at various times directors of Federal Reserve Banks who were prominent in the agricultural field had served in similar capacities. In all the circumstances he felt that the appointment of Mr. Banks, while he was at the same time serving on the State committee, would not contravene the spirit of the Board's resolution of December 23, 1915.

During the course of Governor Evans' remarks, Mr. Solomon entered the room.

> It was the view of the Board, on the basis of the facts presented, that the office held by Mr. Banks was not a "political or public office" within the meaning of the Board's resolution of December 23, 1915; accordingly, unanimous approval was given to a telegram to Mr. Banks reading as follows:

"Board of Governors of the Federal Reserve System has appointed you Director of Memphis Branch of Federal Reserve Bank of St. Louis for three-year term beginning January 1, 1953, 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 St. Louis.

"Would be appreciated if any announcement of your appointment could be deferred until release of Board's press statement next week."

Chairman Martin stated that in accordance with the understanding at the meeting of the Board on December 16, 1952, he had had telephone conversations with Mr. McCormick, Chairman of the Federal Reserve Bank of Richmond, Mr. Sibley, director of the Charlotte Branch whose term expires December 31, 1952, and other persons in the Charlotte area concerning the possible appointment of Mr. M. C. Stone, Treasurer and General Manager of the Pacelot Manufacturing Company, Spartanburg, South Carolina, as a director of the branch, that all spoke highly of Mr. Stone, and that he (Chairman Martin) would recommend Mr. Stone's appointment.

> Thereupon, it was voted unanimously to appoint Mr. Stone as director of the Charlotte Branch for a three-year term beginning January 1, 1953, provided Mr. McCormick first ascertained and advised the Board that Mr. Stone would accept the appointment if tendered.

At this point Mr. Allen, Director, Division of Personnel Administration, entered the room.

Governor Robertson stated that in accordance with the understanding at the meeting of the Board on December 16, 1952, he had reviewed available data on persons suggested for appointment to the board of the Oklahoma City Branch for the two-year term beginning January 1, 1953, and that he would recommend the appointment of Mr. Phil H. Lowery, Lowery Hereford Ranch, Loco, Oklahoma, who was suggested by Mr. Rufus J. Green, Board-appointed director of the Oklahoma City Branch whose term expires December 31, 1952.

> Thereupon, it was voted unanimously to appoint Mr. Lowery as director of the Oklahoma City Branch for a two-year term beginning January 1, 1953, provided Mr. Caldwell, Chairman of the Federal Reserve Bank of Kansas City, first ascertained and advised the Board that Mr. Lowery would accept the appointment if tendered.

Governor Robertson also stated that he had reviewed available information on the several persons who were suggested for appointment to the board of directors of the Omaha Branch, that at least two of those persons would seem to be thoroughly acceptable, including Mr. Dean Krotter, lumberman and farmer, of Palisade, Nebraska, and Mr. Manville Kendrick, rancher, of Sheridan, Wyoming, who was suggested by Mr. Fred W. Marble, President of The Stock Growers National Bank of Cheyenne, Cheyenne, Wyoming, and a member of the Omaha Branch board. Governor Robertson said that he would be inclined to recommend Mr. Kendrick because of the fact that there had not been a Board-appointed director from the State of Wyoming on the Omaha Branch board for some time.

> Thereupon, it was voted unanimously to appoint Mr. Kendrick as director of the Omaha Branch for a

two-year term beginning January 1, 1953, provided Governor Robertson first cleared the matter to his satisfaction with directors of the Federal Reserve Bank of Kansas City and the Omaha Branch who had suggested other names or expressed an interest in the matter and provided that Mr. Caldwell, Chairman of the Federal Reserve Bank of Kansas City, thereafter ascertained and advised the Board that Mr. Kendrick would accept the appointment if tendered.

Secretary's Note: Governor Robertson having advised on December 29, 1952, that he had communicated with the persons mentioned, a telegram concerning Mr. Kendrick was sent to Mr. Caldwell on that date.

Before this meeting there had been sent to all of the members of the Board copies of a memorandum dated October 6, 1952, from the Division of Examinations with respect to the Board's policy regarding the disposition of corporate stocks owned by State banks upon admission of such banks to membership in the Federal Reserve System. The memorandum, which was prepared following consideration by the Board earlier this year of a question raised by the Commissioner of Banks of Connecticut concerning investment in corporate stocks by State member banks, reviewed the practice followed by the Board of not requiring in all cases or as a general condition of membership that State banks dispose of corporate stocks legally held at the time of admission although prescribing special conditions of membership requiring disposition of stocks held in undue aggregate amount, undue concentration of any kind, for apparent speculative purposes, or apparently acquired just before admission for the purpose of evading the prohibition against purchase of stock by member banks except of limited types such as safe deposit companies or corporations holding title to banking premises.

The memorandum recommended that the Board prescribe no general or standard condition of membership requiring the disposition of any and all corporate stocks held by State banks at the time of admission to membership but continue its present practice of prescribing appropriate special conditions of membership in view of the circumstances existing in individual cases, with the understanding that disposition would be required unless the circumstances of an individual case justified permitting retention.

Approved unanimously.

Governor Robertson referred to the discussion at the meeting of the Board on December 10, 1952, regarding the 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 additional shares of common stock at $150 per share. He said that the member bank had now advised the Federal Reserve Bank of Kansas City of its decision not to call a special shareholders' meeting to consider the capital increase until the latter part of March 1953 for the reason that the investment banker who was to handle the sale of the new stock was unwilling to proceed with the sale unless the par value of the bank's stock could be reduced to less than $100 per share, which would require an amendment to the Colorado State banking laws by action of the Colorado legislature during its session beginning in January 1953. Governor Robertson said that, according to the member bank, the investment banker would not proceed with the sale of the stock at the current par value except in two offerings, at least one year apart.

Previously, Governor Robertson pointed out, the member bank stated that its major stockholders had agreed to the sale of the additional stock and that the stock issue had been verbally underwritten by an investment house. He termed the present delay only an example of the member bank's tactics over the past several years, and in the circumstances requested authority from the Board to inform the member bank, through the Federal Reserve Bank of Kansas City, that immediate steps should be taken to effect a capital increase, that the provision of additional capital through two offerings of approximately $1 million each, made at least one year apart, would not be a satisfactory solution, and that the desire for a reduction in the par value of the stock did not appear to constitute a satisfactory reason for delaying action.

Following a discussion of the matter, Governor Robertson was authorized to have a letter to the Federal Reserve Bank of Kansas City prepared along the lines which he suggested.

Secretary's Note: Pursuant to the above action, the following letter was sent to Mr. Woolley, Vice President of the Federal Reserve Bank of Kansas City, on December 31, 1952:

"Your letter of December 19, 1952, with enclosures has received careful consideration by the Board of Governors.

"After having been advised that the proposal of The Central Bank and Trust Company, Denver, Colorado, to provide new capital in the amount of $2,250,000 through the sale of 15,000 additional common shares at $150 per share had been approved by major stockholders and verbally underwritten by an investment house, it is disappointing to note that the management wishes to defer further action pending an attempt to obtain State legislation authorizing a reduction in the par value of the stock.

"It is the Board's firm opinion that the bank needs additional capital and that immediate steps should be taken to effect a capital increase. It would not consider provision of additional capital through two offerings of approximately $1,000,000 each, made at least one year apart, a satisfactory solution, nor does it appear that, in view of all the factors apparent in the situation, a desired reduction in par value (pursuant to provisions of a law not yet enacted, and which may never be enacted) constitutes a satisfactory reason for again delaying action.

"The Board desires that you inform the management of the bank of its views and obtain from it a definite statement of its intentions in order that the Board may determine within the next 30 days the steps it should take to avoid further delay in correcting what it believes to be a badly undercapitalized condition. It should be emphasized that, in the light of the record of discussions over the past few years, the Board is unwilling to countenance further delay."

At this point Messrs. Leonard, Director, and Myrick, Assistant Director, Division of Bank Operations, entered the room and Messrs. Sloan and Solomon withdrew.

Governor Mills stated that pursuant to the understanding at the meeting of the Board on November 19, 1952, he had reviewed the draft of report prepared by the special committee appointed as the result of a suggestion contained in the Board's letter of March 16, 1950, regarding expenses of the Federal Reserve Banks, to consider problems involved in effective budgetary control of expenses of the Federal Reserve Banks. The special committee consisted of Mr. Coleman, Deputy Chairman of the Federal Reserve Bank of Chicago, as representative of the Conference of Chairmen of the Federal Reserve Banks, Mr. Leach, President of the Federal Reserve Bank of Richmond, representing the Presidents' Conference, and Governor Norton, representing the Board. Mr. Coleman served as chairman of the committee.

Governor Mills discussed the nature of the report and also the contributions made by four subcommittees, which were appointed to consider general operating expenses, provision of personnel, bank and public relations, and research, respectively. He said that the question to be resolved by the Board at this time was what steps should be taken with respect to the report, which he brought out had not yet been submitted to the Board formally. Governor Mills felt that although certain portions of the report were somewhat out of date, the report served essentially the same purpose today and carried the same meaning as when it was completed in 1951. In the circumstances, he suggested that the Board might wish to turn the report back to Mr. Coleman and Mr. Leach with an expression of opinion that it was a live and constructive document and ask their guidance as to the next step which should be taken, which might be to remand the report to the subcommittees for review in the light of present conditions.

Governor Mills then called upon Mr. Leonard, who made a statement in which he described briefly how the work of the special committee and the subcommittees was carried on and raised the question whether, in view of the fact that the report had never been submitted to the Board formally, it might not be appropriate for a member of the Board to talk to Mr. Coleman informally rather than to have an official communication.

Following a discussion of what procedure should be followed, Chairman Martin stated that Mr. Coleman was expected to visit the Board's offices within the next few weeks and suggested that Governor Mills be authorized to discuss the matter with Mr. Coleman at that time.

Chairman Martin's suggestion was approved unanimously.

At this point Messrs. Leonard, Allen, and Myrick withdrew from the meeting.

Reference was made to the proposal contained in a memorandum submitted to the Secretary under date of December 24, 1952, by Mr. Kelleher, Assistant Director, Division of Administrative Services, for altering the east gate of the building at an estimated cost of $1,300 to permit the passage of large trucks to the loading platform in the east court.

During a discussion of the proposal, which Mr. Kelleher previously had discussed with the members of the Board individually, it was suggested that alterations of the nature described be made to both the east and west gates.

This suggestion was approved unanimously.

At this point Messrs. Riefler, Assistant to the Chairman; Thomas, Economic Adviser to the Board; Young, Director, Division of Research and Statistics; and Youngdahl, Assistant Director, Division of Research and Statistics, entered the room.

Chairman Martin read a telegram which he had received from Mr. Aubrey G. Lanston, of Aubrey G. Lanston and Company, New York City, commenting on the situation in the Government securities market, particularly from the standpoint of dealers not qualified to do business direct with the System Open Market Account.

Following a discussion of market developments and steps which might be taken, if deemed necessary or desirable, to deal with the situation reported in Mr. Lanston's telegram, Chairman Martin suggested that he be authorized to acknowledge the telegram by thanking Mr. Lanston for his comments and stating that the whole matter was under active consideration by the System. He said that Mr. Rouse, Manager of the System Open Market Account, had been advised of the contents of the telegram from Mr. Lanston.

Chairman Martin also expressed the opinion that no other action was necessary at this time and that the report of the subcommittee of the Federal Open Market Committee which was appointed to review the Government securities market would cover adequately the entire subject discussed by Mr. Lanston. This report, he said, would be released within the near future.

> It was agreed unanimously that Chairman Martin should reply to the telegram along the lines which he had suggested.

At this point Messrs. Thomas and Youngdahl withdrew from the meeting.

Mr. Vest referred to the question of special fees in connection with the V-loan to Reynolds Reduction Company which was discussed at the meeting of the Board on December 22, 1952, and stated that subsequently he had received a telephone call from Mr. Maxwell H. Elliott, General Counsel of General Services Administration, who said that he thought the Board had some responsibility in the matter, that General Services Administration expected to send a letter to the president of Reynolds Metals Company, parent company of the borrower, asking for a full explanation of the $400,000 fee paid by the borrower to Dillon, Read & Company out of the proceeds of the loan, and that he anticipated that a copy of that letter would be sent to the Board, with a covering letter to the Board requesting that members of the staff of General Services Administration be permitted to discuss the matter with members of the Board's staff.

Mr. Vest said he told Mr. Elliott that he thought the Board's staff would be glad to discuss the matter, with or without a letter, and pursuant to a conversation which he had had previously with Governor Vardaman after learning that Mr. Elliott was trying to get in touch with him, he also told Mr. Elliott that Governor Vardaman had mentioned the matter to the Board but that the Board felt there was nothing it could do.

At this point Messrs. Riefler, Vest, and Young 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 23, 1952, were approved unanimously.

Telegrams to the Federal Reserve Banks of Boston, Philadelphia, Cleveland, Richmond, St. Louis, Minneapolis, Kansas City, and San Francisco stating that the Board approves the establishment without change by the Federal Reserve Banks of Boston and St. Louis on December 22, by the Federal Reserve Banks of Kansas City and San Francisco on December 23, and by the Federal Reserve Banks of Philadelphia, Cleveland, Richmond, and Minneapolis on December 24, 1952, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Letter to Mr. Clarke, Secretary, Federal Reserve Bank of New York, reading as follows:

"Thank you for your letter of December 8, 1952, in which you advise that, in pursuance of a request received from the International Bank for Reconstruction and Development, Mr. George Garvy, a Senior Economist in your Research Department, has been granted a leave of absence without pay for a period of two weeks beginning approximately December 19, 1952, in order to permit him to join a short mission to study the banking and monetary situation in Panama. It is noted from your letter that it is the Reserve Bank's understanding that the International Bank is assuming Mr. Garvy's compensation and expenses in connection with this assignment.

"The Board of Governors interposes no objection to the arrangements with respect to Mr. Garvy as described "in your letter."

Approved unanimously.

Letter to Mr. Stevens, Federal Reserve Agent, Federal Reserve Bank of New York, reading as follows:

"In accordance with the request contained in your letter of December 18, 1952, the Board of Governors approves the payment of salaries to the following named members of the Federal Reserve Agent's staff at the rates indicated, effective December 25, 1952:

Name	Annual Salary
J. V. Stryker	$10,000
R. E. Hunke	7,210
J. H. Farnon	6,100
E. K. Reynolds	6,100
G. R. Lister	5,987"

Approved unanimously.

Letter to Mr. Hill, Vice President, Federal Reserve Bank of Philadelphia, reading as follows:

"In accordance with the request contained in your letter of December 17, 1952, the Board approves the appointments of William Hirst, George A. Reid, John C. Hummel, Jack H. James, and Victor H. Shumaker, at present assistant examiners, as examiners for the Federal Reserve Bank of Philadelphia, effective January 1, 1953."

Approved unanimously.

Letter to Mr. Gidney, President, Federal Reserve Bank of Cleveland, reading as follows:

"The Board of Governors approves the payment of salaries to the following officers for the period January 1, 1953, through April 30, 1953, at the rates indicated, which are the rates fixed by the Board of Directors as reported in your letter of December 12, 1952.

"Name	Title	Annual Salary
H. E. J. Smith	Vice President	$12,500
P. B. Didham	Assistant Vice President	10,000
George Emde	Assistant Vice President	10,500
J. R. Lowe	Assistant Vice President	10,000
J. M. Miller	Assistant Vice President	10,000
Charles Crawford	Assistant Cashier	8,000
Elmer Fricek	Assistant Cashier	7,000

"It is noted from your letter that the Board of Directors also voted to appoint Mr. Paul Breidenbach to the classification of attorney with an annual salary of $7,200, effective January 1, 1953. It is noted further that Mr. Breidenbach will not be an officer of the Bank in his new position and, accordingly, no action by the Board of Governors in this connection is required."

Approved unanimously.

Letter to Mr. Gilmore, Assistant Vice President, Federal Reserve Bank of St. Louis, reading as follows:

"Reference is made to your letter of December 9, 1952, in which you advised that it appears expenses for your Head Office and branches 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.

Letter to Mr. Mangels, First Vice President, Federal Reserve Bank of San Francisco, reading as follows:

"Reference is made to your letter of December 9, 1952, in which you advised that it appears expenses for your Head

"Office and branches 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.

Letter to Mr. Russell G. Smith, Executive Vice President, Bank of America, 40 Wall Street, New York, New York, reading as follows:

"This refers to your letter of December 11, 1952, and enclosures, requesting the Board's approval of a proposal to increase the capital of Bank of America.

"It is noted that the capital stock of Bank of America is to be increased from $6 million consisting of 60,000 shares to $10 million consisting of 100,000 shares, the additional shares to be sold at $125 per share with the premium of $25 per share to be credited to surplus.

"The Board approves the proposed increase in the capital of Bank of America and the proposed amendment to the Articles of Association of Bank of America in this connection."

Approved unanimously, for transmittal through the Federal Reserve Bank of New York, with a letter to Mr. Crosse, Assistant Vice President, reading as follows:

"Enclosed is the Board's letter of this date addressed to Bank of America, New York, New York, approving a proposal to increase the capital of Bank of America set forth in the letter from Bank of America dated December 11, 1952, and its enclosures, which were transmitted to the Board with your letter of December 15, 1952. It will be appreciated if you will transmit the enclosed letter to Bank of America. A copy of the letter is enclosed for your files.

"Please call to the attention of Bank of America the fact that the law requires that the additional capital shall be fully paid-in within ninety days after the date of the

"Board's approval, and request Bank of America to advise the Board in writing through your Bank when such action has been taken."

Letter to the Board of Directors, Marine Midland Trust Company of Binghamton, Binghamton, New York, reading as follows:

"Pursuant to your request submitted through the Federal Reserve Bank of New York, the Board of Governors approves the establishment and operation of a branch on South Washington Street, Binghamton, New York, by Marine Midland Trust Company of Binghamton, provided the branch is established within six months from the date of this letter."

Approved, for transmittal through the Federal Reserve Bank of New York, Governor Evans voting "no" for reasons which he had stated during discussions at meetings of the Board concerning applications for branches by banks controlled by Marine Midland Corporation.

Letter to Mr. Diercks, Vice President, Federal Reserve Bank of Chicago, reading as follows:

"This refers to your letter of November 26, 1952, and the letter enclosed with yours, dated November 21, 1952, addressed to the Board by Mr. H. J. Sceales, Assistant Secretary and Treasurer of Wisconsin Bankshares Corporation, Milwaukee, Wisconsin, wherein the holding company affiliate requested permission to exclude from its annual reports to the Board on Form F.R. 437 any reference to companies affiliated with Wisconsin Bankshares Corporation by reason of the fact that more than fifty per cent of their stock is held in a fiduciary capacity by the holding company affiliate's subsidiary banks.

"It is noted that your recommendation to approve the holding company affiliate's request is based on the reasons cited "in the Board's letter of April 9, 1952, relating to the discontinuance of the use of Form F.R. 105b (Schedule O) in connection with reports of condition of State member banks; namely, the desire to reduce the reporting burden of member banks, and the fact that the information can be developed through examination reports.

"Schedule O was required to be submitted by State member banks in connection with each report of condition, and it was therefore necessary for the banks to compile information for the schedule at least three times a year. This, of course, represented more of a reporting burden with respect to the type of affiliated organization under discussion than is involved in furnishing but once each year the information specified in items 7 and 8 of Supplemental Information, page 9 of Form F.R. 437. Also, the fact that First Wisconsin Trust Company is a nonmember uninsured institution reduces the availability through reports of examination of information regarding organizations affiliated with it as a result of its fiduciary activities. Accordingly, it is felt that the information specified in items 7 and 8 should be available to the Federal Reserve Bank and the Board in the holding company's annual reports relative to all affiliated organizations, regardless of the basis of affiliation.

"It is probable that the organizations affiliated with the group solely through fiduciary relationships will, in most instances, not be significant in relation to the group with respect to either (1) the investment in or advances to such organizations by the holding company affiliate or other affiliated organizations, or (2) the functions of such organizations. It appears, therefore, that most of these organizations would fall within the exception stated in Item 8 of Supplemental Information, and the data to be submitted pursuant to Item 8 regarding the excepted organizations would be limited to a trial balance or balance sheet.

"Due to the fact that the holding company affiliate is on a fiscal year rather than a calendar year basis, it may not be practicable or convenient to furnish a trial balance or balance sheet as of the end of the holding company affiliate's fiscal year with respect to each organization affiliated with the group through the fiduciary activities "of the banks. In these circumstances, it will be satisfactory to furnish balance sheets of such affiliated organizations at dates as close as possible to the end of the holding company affiliate's fiscal year.

"It will be appreciated if you will advise the holding company affiliate of the foregoing views with respect to its request."

Approved unanimously.

Letter to Mr. Millard, Vice President, Federal Reserve Bank of San Francisco, reading as follows:

"This refers to your letter of November 3, 1952 with which were enclosed copies of two letters dated October 20, 1952, addressed by the First Security Corporation to your Bank, and to your two letters of December 3, enclosing copies of the Corporation's letters of November 22, an opinion of your Bank's General Counsel dated December 2, 1952, and a resolution adopted by the Corporation's Board of Directors on October 29, 1952 regarding Western Investment Company.

"The Board has noted all the information set out in your letters and enclosures, particularly the discontinuance as of October 31, 1952, of the employees' accounts carried with First Security Company, the restriction of the securities activities of Western Investment Company, and the intention of First Security Corporation to dispose of the stock of Aubrey G. Lanston & Co., Inc., and correct the loan situation with respect to affiliated organizations.

"It is noted that the Corporation indicated in its letter of November 22, 1952, that attention is being given to the Lanston stock and the reports of and loans to affiliated organizations. We shall appreciate it if you will keep the Board advised regarding these matters."

Approved unanimously.

S R Carpenter
Secretary