

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, March 6, 1953. 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. Kenyon, Assistant Secretary
Mr. Allen, Director, Division of
Personnel Administration

Chairman Martin said that Mr. Johns, President of the Federal Reserve Bank of St. Louis and Chairman of the Committee on Personnel of the Presidents' Conference, wished to know whether the Board concurred in plans, which had been approved by the Presidents, to hold a System Personnel Conference in May of this year at the Federal Reserve Bank of San Francisco.

It was voted unanimously to advise Mr. Johns informally that the Board would have no objection to the plans for the conference.

There was presented a request for authorization of travel by Maurice H. Schwartz, Economist in the Division of Research and Statistics, to New York, New York, on March 4, 1953, for the purpose of speaking to members of the Downtown Economic Group on the Board's index of industrial production.

Approved unanimously.

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Governor Evans stated that oral arguments before the United States Circuit Court of Appeals for the Third Circuit in the matter of Transamerica Corporation were scheduled for March 16, 1953.

Reference was made to a telegram dated March 5, 1953, to Chairman Martin from Messrs. Lucius Clay, John J. McCloy, Richard E. Byrd, and Carl Spaatz concerning a drive to raise funds to be turned over to the Mayor of Berlin, Germany, for the relief of refugees coming into West Berlin from the East.

Mr. Allen stated that it would be in accord with Board policy in connection with such fund-raising campaigns to post the telegram on the bulletin board near the cafeteria and to provide containers at that point and at other places throughout the building to receive voluntary contributions.

It was agreed that the procedure suggested by Mr. Allen should be followed.

Chairman Martin then referred to a telegram dated March 4, 1953, from Mr. McCormick, Chairman of the Federal Reserve Bank of Richmond, in response to the Board's telegram of March 2, 1953, and stating that Mr. J. C. Fox, of Greenville, North Carolina, would be unable to accept appointment as a director of the Charlotte Branch, apparently because of the state of his health.

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Consideration was given to the other persons mentioned as possible appointees to the board of directors of the Charlotte Branch in Chairman McCormick's letter of February 18, 1953, to Chairman Martin, and it was voted unanimously to appoint Mr. Thomas Henry Wilson, President, Treasurer, and Advertising Manager of Henredon Furniture Industries, Inc., Morganton, North Carolina, as a director of the branch for the unexpired portion of the three-year term ending December 31, 1955, provided that Chairman McCormick first ascertained and advised the Board that Mr. Wilson would accept the appointment if tendered.

Mr. Allen withdrew from the meeting at this point.

Governor Mills referred to the position taken by the Board at the meeting on February 25, 1953, that an invitation extended by Mr. David Kennedy, Vice President of the Continental Illinois National Bank and Trust Company, Chicago, Illinois, which would involve participation by either Mr. Thomas, Economic Adviser to the Board, or Mr. Young, Director of the Division of Research and Statistics, in a conference of economists to be held at the University of Chicago on April 16 and 17, 1953, should not be accepted since it was understood that the discussion was to relate to Federal budgetary and fiscal policy and it was felt that the presence of an official representative of the Board at a meeting devoted to discussion of matters over which the Board does not have responsibility might cause comment which would be

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embarrassing to the Board. He said that word had now been received from Mr. Kennedy that the scope of the conference had been broadened and that those arranging the program would like to have either Mr. Thomas or Mr. Young participate in the discussion insofar as it related to monetary and credit matters. It was understood that the conference would not be public and that participation of the Federal Reserve representative would be in connection with noncontroversial aspects of money and credit.

Participation in the conference by either Mr. Thomas or Mr. Young on the basis stated was approved unanimously.

Governor Mills reviewed a conversation which he had with Mr. Earhart, President of the Federal Reserve Bank of San Francisco, concerning a proposal to conduct a simultaneous examination this year of the Continental Bank and Trust Company, Salt Lake City, Utah, and the other banks, including national and nonmember insured banks, in which Mr. Walter E. Cosgriff, Chairman of the Board of the Salt Lake City bank, has an interest. A previous simultaneous examination was held in 1951.

Governor Mills referred in this connection to the Board's letter of February 20, 1953, to Mr. Millard, Vice President of the Federal Reserve Bank of San Francisco, stating that the Board would not approve a further expansion of the member bank's activity through the establishment of an in-city branch and requesting the Reserve Bank to advise Mr.

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Cosgriff of the Board's feeling, based on analysis of the report of examination made as of September 22, 1952, that definite and prompt action to strengthen the capital position of the bank was necessary. The letter pointed out that since admission of the bank to membership in the System, deposits and loans had continued to expand and the relative capital position had deteriorated. At the time of admission to membership, the letter noted, the Board expressed the opinion that the capitalization of the bank was low in relation to its total assets and particularly in relation to the amount of its risk assets. The letter also noted that in the Reserve Bank's letter to the member bank transmitting the report of examination as of September 22, 1952, the attention of the board of directors was called to the capital situation and advice was requested as to any plans the directors might have in mind for reversing the unfavorable trend indicated; the Board's letter requested the Reserve Bank to advise Mr. Cosgriff that the reply of the bank's directors should contain full information with respect to the contemplated action.

Governor Mills said that the question which came up was whether the Board had adequate information at present on which to reach a judgment concerning the bank, and, assuming that it did, whether a simultaneous examination would serve any useful purpose or whether it would only serve to provide Mr. Cosgriff an opportunity to make charges of

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persecution and unnecessary interference with his affairs. At the same time, Governor Mills said, consideration should be given to whether the other bank supervisory agencies, who were understood to have proposed the simultaneous examination, took the view that it was advisable. It was Governor Mills' personal feeling that a simultaneous examination probably would not provide any information which would affect any position reached by the Board and the Reserve Bank with respect to the member bank and that the relations with the member bank might be strained unnecessarily.

Views expressed by Governor Robertson were to the effect that the simultaneous examination in 1951 revealed no more information than could have been obtained from separate examinations, that the condition of Continental Bank and Trust Company warranted considering examination of the bank more than once a year, and that the System should not refuse to cooperate if the other bank supervisory agencies felt that a simultaneous examination would be helpful in reviewing the Cosgriff family borrowings or for other reasons.

Other members of the Board expressed agreement with Governor Robertson that if the other bank supervisory agencies wished to go ahead with plans for a simultaneous examination, the System should cooperate but otherwise the System should discourage the proposal.

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There was a further discussion of the conditions imposed on the Continental Bank and Trust Company at the time it was admitted to membership in the System and its operations since that date, during which Governor Robertson said that in view of his relations with the management of the bank while he was Deputy Comptroller of the Currency (when the bank was operating under a national bank charter), he would be glad if Governor Mills would arrange for the necessary discussion of the question of a simultaneous examination with the Comptroller of the Currency and the Federal Deposit Insurance Corporation.

At the conclusion of the discussion, the question whether a simultaneous examination should be made was referred to Governor Mills with power to act.

Governor Mills stated that just before this meeting he received a telephone call from Mr. A. G. Brown, Deputy Manager of the American Bankers Association in charge of the Agricultural Commission, who inquired whether his group could have access to copies of the communications from the Federal Reserve Banks reporting on their spot surveys of the cattle credit situation, which were turned over to the House Committee on Agriculture pursuant to the Committee's request for the survey contained in a letter to Chairman Martin dated February 24, 1953. Governor Mills said he explained to Mr. Brown that the Board in this instance had merely

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acted as an agent for the House Committee, and that any request for copies of the communications from the Federal Reserve Banks should be directed to the Committee.

The other members of the Board concurred in the response which Governor Mills had made.

The meeting then adjourned. During the day the following additional actions were taken by the Board, with all of the members present:

Minutes of the meeting of the Board of Governors of the Federal Reserve System with the Presidents of the Federal Reserve Banks held on March 5, 1953, were approved unanimously.

Minutes of actions taken by the Board of Governors of the Federal Reserve System on March 5, 1953, were approved unanimously.

Telegrams to the Federal Reserve Banks of Boston, Philadelphia, St. Louis, and San Francisco stating that the Board approves the establishment without change by the Federal Reserve Banks of Boston and St. Louis on March 2, by the Federal Reserve Bank of San Francisco on March 3, and by the Federal Reserve Bank of Philadelphia on March 5, 1953, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

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

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"In accordance with the request contained in your letter of February 26, 1953, the authorizations heretofore given to your Bank to designate the employees named in this letter as special assistant examiners are hereby canceled.

"The Board approves the designation of the following named employees of your Bank as special assistant examiners for the purpose of participating in the examination of all State member banks and State banks applying for membership in your district except the bank indicated immediately above their names:

Bank excluded from authorization:

Girard Trust Corn Exchange Bank, Philadelphia, Pennsylvania

Clarence B. King

Gustav A. Kress

William Walder

Bank excluded from authorization:

The Pennsylvania Company for Banking and Trusts, Philadelphia, Pennsylvania

Clarence B. King

Vincent J. Moran

Wilbur H. Reimer

Walter J. Steinman, Jr.

Bank excluded from authorization:

Newtown Title and Trust Company, Newtown, Pennsylvania

William O. Mackey, Jr."

Approved unanimously.

Letter to Mr. Clouse, Vice President and Secretary, Federal Reserve Bank of Cleveland, reading as follows:

"The Board of Governors approves the reappointments of Messrs. Sam W. Emerson, H. P. Ladds, John P. McWilliams, Herman R. Neff, and Arthur W. Steudel as members of the Industrial Advisory Committee for the Fourth Federal Reserve District to serve for terms of one year each, beginning March 1, 1953, in accordance with the action taken by the Executive Committee of the Board of Directors as reported in your telegram of February 26, 1953.

"It is noted from your letter that Mr. H. E. J. Smith also was reappointed Executive Secretary of the Industrial Advisory Committee."

Approved unanimously.

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Letter to the Board of Directors, Union Bank and Trust Company, Salt Lake City, Utah, stating that, subject to conditions of membership numbered 1 and 2 contained in the Board's Regulation H, and the following special conditions, the Board approves the bank's application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of San Francisco:

3. Such bank shall not, except to the extent usually necessary in the transaction of a commercial banking or trust business, directly, or indirectly, engage in the business of dealing in real estate or other properties, either for its own account or as agent for others, or of acting as agent for others in the renting of real estate, in the collection of rents thereon, or in care, custody, and management of real or personal property.
4. Such bank shall make all loans to affiliated organizations conform to the requirements applicable under Section 23A to loans made by member banks to their affiliates.

The letter also contained the following paragraphs:

"The Board of Governors also approves the retention and operation of the present in-town branch of the bank located at Broadway and East Fourth Street, Salt Lake City, Utah.

"It appears that the bank possesses certain powers which are not being exercised and which are not necessarily required in the conduct of a banking business, such as power to insure titles to real estate, to act as surety, and to buy and sell real estate and personal property for its own account. Attention is invited to the fact that if the bank desires to exercise any powers not actually exercised at the time of admission to membership, it will be necessary under Condition of Membership numbered 1 to obtain the permission of the Board of Governors before exercising them. In this connection the Board understands that there has been no change in the scope of the corporate powers exercised since the date of application for membership."

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Approved unanimously, together with a letter to Mr. Earhart, President, Federal Reserve Bank of San Francisco, reading as follows:

"The Board of Governors of the Federal Reserve System approves the application of Union Bank and Trust Company, Salt Lake City, Utah, for membership in the Federal Reserve System, subject to the conditions prescribed in the enclosed letter, which you are requested to forward to the board of directors of the institution. Two copies of such letter are also enclosed, one of which is for your files and the other of which you are requested to forward to the Bank Commissioner for the State of Utah, for his information.

"Your attention is called to the special condition of membership prohibiting the bank from directly or indirectly engaging in the real estate business. It is understood that the bank may wish to transfer this business to a company which is now a subsidiary of the bank. In order to make this transfer and comply with this condition of membership, it will be necessary for the bank to relinquish all ownership and control of such company so that it will cease to be a subsidiary, even though it might continue as an affiliate of the bank by reason of common stock ownership. In any event, it should be clearly understood by all parties that the business should be removed from the bank's premises and completely divorced from the bank's operation and control."

Letter to the Board of Directors, Marine Midland Trust Company of Central New York, Syracuse, 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 by the Marine Midland Trust Company of Central New York, Syracuse, New York, at 321 Erie Boulevard, East, Syracuse, New York, provided prior formal approval of appropriate State authorities is obtained, and that the branch is established within twelve months from the date of this letter."

Approved, Governor Evans
not voting, for transmittal
through the Federal Reserve
Bank of New York.

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

"In accordance with the request contained in your letter of February 27, 1953, the Board of Governors extends to July 1, 1953, the time within which the Merchants and Mechanics Bank, Flint, Michigan, may establish and operate a branch on Dort Highway near Atherton Road in the city of Flint, Michigan, under the approval given by the Board in its letter of September 10, 1952."

Approved unanimously.

Telegram to Mr. Wilbur, Chairman, Federal Reserve Bank of San Francisco, authorizing him to issue a limited voting permit, under the provisions of Section 5144 of the Revised Statutes of the United States, to Transamerica Corporation, San Francisco, California, entitling such organization to vote the stock which it owns or controls of the First National Bank of Santa Ana, Santa Ana, California, at any time prior to June 1, 1953, to act upon proposals to increase the capital stock of such bank, and to amend the articles of association of such bank to conform to articles recommended by the Comptroller of the Currency, provided that all action shall be in accordance with plans satisfactory to the Comptroller of the Currency.

Approved unanimously.

Letter to Mr. Meinel, Chairman, Federal Reserve Bank of Philadelphia, reading as follows:

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"At the completion of the examination of the Federal Reserve Bank of Philadelphia, made as of November 28, 1952, by the Board's examiners, a copy of the report of examination was left for your information and that of the directors. A copy was also left for President Williams.

"The Board will appreciate advice that the report has been considered by the Board of Directors. Any comments you may care to offer regarding discussions with respect to the examination, or as to action taken or to be taken as a result of the examination, will also be appreciated."

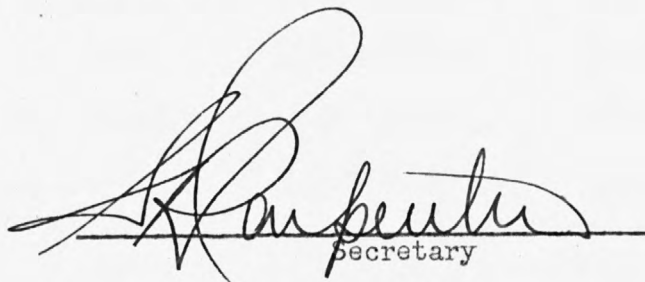
Approved unanimously.

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

"The Board will be glad to follow the suggestion contained in your letter of February 27, 1953, that a member of your staff visit the Board's offices to play the recording of the script for the motion picture which your Bank proposes to make and which would emphasize the role of money in our economy and of the Federal Reserve System in administering monetary policy.

"The available members of the Board and appropriate members of the staff will hear the recording following which the Board will be in position to consider the question whether the project should be undertaken at this time. We will be in touch with you by telephone as to a mutually convenient date for the presentation of the recording."

Approved unanimously.


Secretary