Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, March 20, 1953.

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

       Mr. Carpenter, Secretary
       Mr. Sherman, Assistant Secretary
       Mr. Kenyon, Assistant Secretary

Minutes of actions taken by the Board of Governors of the Federal Reserve System on March 19, 1953, were approved unanimously.

Telegrams to the Federal Reserve Banks of Boston, New York, Philadelphia, and St. Louis stating that the Board approves the establishment without change by the Federal Reserve Banks of Boston and St. Louis on March 16, and by the Federal Reserve Banks of New York and Philadelphia on March 19, 1953, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

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

"In accordance with the request contained in your letter of March 16, 1953, the Board approves the appointment of Raymond R. Ritter as an assistant examiner for the Federal Reserve Bank of Cleveland.

"Please advise us of the date upon which the appointment becomes effective."

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

"In accordance with the request contained in your letter of March 16, 1953, the Board approves the designation of Robert R. Fentress as a special assistant examiner for the Federal Reserve Bank of Richmond."

Approved unanimously.

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

"In accordance with the request contained in your letter of March 12, 1953, the Board of Governors approves the payment of salaries to the employees listed in your letter, effective March 30, 1953, at the rates indicated opposite each of the names, which are in excess of the maximums established for the grades in which their positions are classified."

Approved unanimously.

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

"Reference is made to your letter of March 13, 1953, in which you advise that Mr. Will K. Stripling will be unable to serve as a member of the Industrial Advisory Committee.

"In accordance with the action taken by the Board of Directors as reported in your letter, the Board of Governors approves the appointment of Mr. William P. Bomar, President, Bewley Mills, Fort Worth, Texas, as a member of the Industrial Advisory Committee for the Eleventh Federal Reserve District to serve for the remaining portion of the term ending February 28, 1954."
"It is noted from your letter that Mr. Charles R. Moore has become Chairman of the Board of the Austin Bridge Company of Dallas, and our records have been changed accordingly."

Approved unanimously.

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

"As recommended in your letter of March 16, 1953, the Board of Governors hereby extends to May 1, 1953, the time within which the Franklin Washington Trust Company, Newark, New Jersey, may establish a branch (auxiliary office) at 405 Seventh Avenue, Newark, New Jersey."

Approved unanimously.

Letter to the Board of Directors, St. Joseph Valley Bank, Elkhart, Indiana, reading as follows:

"Pursuant to your request submitted through the Federal Reserve Bank of Chicago, the Board of Governors approves the establishment and operation of a branch at 1809-11 South Main Street, within the city limits of Elkhart, Indiana, by the St. Joseph Valley Bank, provided such branch is established within six months from the date of this letter."

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

Letter to Mr. Woolley, Vice President, Federal Reserve Bank of Kansas City, reading as follows:

"This refers to your letter of March 2, 1953, with its enclosures, regarding an arrangement now being considered by the First National Bank of Denver, Colorado, under which that bank would provide a pickup and delivery service free of charge to its principal depositors in outlying districts."
"We note that the national bank has been advised by the Comptroller of the Currency that the use of armored trucks to pick up deposits at points remote from the bank would constitute an illegal branch operation, but that there would be no objection to the operation of trucks for the purpose indicated by someone outside the bank acting as agent for the depositor rather than the bank. It is understood that the bank is now considering the establishment by contract with an independent outside carrier of a deposit pickup and currency delivery service to its commercial depositors free of charge.

"As indicated in your letter, it would appear that, as far as the Board is concerned, the only question involved is whether or not the proposed arrangement would involve an indirect payment of interest in violation of the Board's Regulation Q.

"As you know, it has been the Board's policy for a number of years not to express any opinion as to whether a particular practice involves a payment of interest in violation of Regulation Q except after consideration of all the facts and circumstances of a specific case as developed in the course of examinations of the member bank involved. The policy which the Board has followed in this respect since 1937 has proved to be the most feasible basis for dealing with questions of this kind. In keeping with this policy, the Board on several occasions has declined to express any opinion as to whether the absorption of the expense of furnishing armored car services to customers constitutes a payment of interest because the facts had not been developed through examinations of the member bank concerned. However, as you will appreciate, in order to justify the position that the arrangement involves a payment of interest, it would be necessary to establish that the furnishing of this service free of charge constitutes a payment made to depositors as compensation for the use of their funds on deposit.

"However, it occurs to us that, if the expenses of the proposed arrangement are to be borne entirely by the bank, this fact might possibly be considered by the Comptroller of the Currency as some indication that the arrangement in effect constitutes the operation of a branch even though the trucks should be operated by a third party as agent for the customers.
"For this reason, before inaugurating the arrangement on this basis, it might be desirable for the bank again to take the matter up with the Office of the Comptroller of the Currency."

Approved unanimously.

Letter to the Board of Directors of the Greenfield State Bank, Greenfield, California, stating that, subject to conditions of membership numbered 1 and 2 contained in the Board's Regulation H and the following special condition, 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 effective if and when the bank is authorized to commence business by the appropriate State authorities:

3. At the time of admission to membership, such bank shall have a paid-up and unimpaired capital stock of not less than $200,000 and other capital funds of not less than $65,000.

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

Letter to Mr. W. M. Taylor, Deputy Comptroller of the Currency, Treasury Department, Washington, D. C., reading as follows:

"Reference is made to our letter of February 20, 1953, regarding the application to organize a national bank at St. Petersburg, Florida, under the title of St. Petersburg National Bank and to your conversation with Governor Robertson with respect to providing more capital and satisfactory management for the proposed bank.
"If, as you suggest, a capital structure of $500,000 is provided for the proposed bank and arrangements are made to furnish management satisfactory to your office, the Board of Governors would be willing to recommend that the application to organize the St. Petersburg National Bank be approved."

Approved unanimously.

Letter to Mr. Garth W. Daniel, Executive Vice President, Bankers Discount Corporation, Mercantile Securities Building, Dallas, Texas, reading as follows:

"This refers to your letters of January 13 and February 4, 1953, to the Federal Reserve Bank of Dallas, with respect to the status of Bankers Discount Corporation, Dallas, Texas, as a holding company affiliate.

"It is provided in section 2(c) of the Banking Act of 1933 that the term 'holding company affiliate' shall not include any organization which is determined by the Board of Governors of the Federal Reserve System not to be engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks. The Board has been informed that, in addition to stock of the State Bank of Whiting, Whiting, Indiana, Bankers Discount Corporation has acquired controlling interest in other banks. In these circumstances, the Board cannot determine that Bankers Discount Corporation is not engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks. Therefore, Bankers Discount Corporation is subject to all provisions of laws with respect to holding company affiliates of member banks.

"In this connection, your attention is called to certain provisions of section 9 of the Federal Reserve Act which provide that each State member bank affiliated with a holding company shall obtain from such holding company affiliate, within such time as the Board of Governors of the Federal Reserve System shall prescribe, an agreement that such affiliate shall be subject to the same conditions and limitations as are applicable in the case of holding company affiliates of national banks. In section 3 of the Board's Regulation P it
"is provided that such agreement shall be obtained within 90 days after such member bank shall have become a subsidiary of the holding company affiliate. It is further provided in section 9 of the Federal Reserve Act that upon failure of a State member bank affiliated with a holding company affiliate to obtain such an agreement within the time so prescribed, the Board of Governors shall require such bank to surrender its stock in the Federal Reserve Bank and to forfeit all rights and privileges of membership in the Federal Reserve System."

Approved unanimously, for transmittal through the Federal Reserve Bank of Dallas. In this connection the Board also approved a letter to Mr. Diercks, Vice President of the Federal Reserve Bank of Chicago, reading as follows:

"There are enclosed two copies of a letter which the Board has sent to Bankers Discount Corporation, Dallas, Texas, with respect to the holding company affiliate status of that corporation.

"The Board understands that controlling interest in the State Bank of Whiting, Whiting, Indiana, was acquired on or about December 27, 1952 and the 90-day period in which the agreement must be obtained from the holding company has almost expired. Therefore, it will be appreciated if you will forward one copy of the enclosed letter to the State Bank of Whiting."

Secretary