

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, March 24, 1953. 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

The following requests for travel authorization were presented:

<u>Name and Title</u>	<u>Duration of Travel</u>
W. D. Smith, Federal Reserve Examiner, Division of Examinations	March 25-27, 1953

To travel to New York, New York, to attend a conference of the bank examination staff of the Federal Reserve Bank of New York.

Ramsay Wood, Economist, Division of Research and Statistics	March 23-25, 1953
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To travel to New York, New York, to attend a meeting of the steering group of the System ad hoc Committee on Real Estate Credit.

Approved unanimously.

At this point Mr. Carpenter withdrew and the Board went into executive session.

Following the executive session, the Chairman informed the Secretary that, inasmuch as the oral arguments in the Clayton Act proceeding against Transamerica Corporation were presented on March 16, 1953, consideration was given during the executive session to

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what action should be taken by the Board with respect to the retainer arrangement with Mr. Townsend approved at the meetings of the Board on August 26 and 28, 1952. The Chairman stated that Governor Mills moved that the arrangement be terminated as of June 30, 1953, with the understanding that the Board was to have the benefit of Mr. Townsend's services at any time that they might be needed in connection with the Transamerica proceeding through that date and that he would be paid now in a lump sum the amount of \$4,000, which would be equivalent to the fee provided in the Board's letter of August 28 for the months of April, May, and June.

This motion was put by the Chair and carried, Messrs. Martin, Szymczak, Evans, and Mills voting "aye" and Governor Robertson voting "no". In explanation of his vote, Governor Robertson made the following statement:

The record discloses that last summer Mr. Townsend was employed by the Board to represent it in this case "for the period during which the proceeding was pending before the United States Court of Appeals". The arguments have been completed and to all intents and purposes the case is closed in so far as that court is concerned, even though we must await the rendering of a decision.

As the result of an abundance of experience in dealing with lawyers and attorney fee bills in the Office of the Comptroller of the Currency, I know that ordinarily there are no legal services to be performed after the case has been argued, and retainer fees are not paid during any time between the argument and the decision.

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Very infrequent exceptions would merely prove the rule. Consequently, in my judgment the wisest course in dealing with this situation would be to terminate the employment and compensation at such time as the decision is rendered (thereafter the case would not be pending in the Circuit Court of Appeals), in keeping with the terms of the original employment, or July 1, whichever date is earlier.

In other words, I cannot justify in my own mind the payment of any compensation in the form of a retainer fee for any period subsequent to the date on which the decision is actually rendered. If there are legal services to be performed thereafter concerning which we wish to employ Mr. Townsend, that should be handled on an entirely distinct employment basis.

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

Minutes of actions taken by the Board of Governors of the Federal Reserve System on March 23, 1953, were approved unanimously.

Memorandum dated March 19, 1953, from Mr. Sloan, Director, Division of Examinations, recommending, for reasons stated, that the total number of positions on the field examining staff of that Division be increased from 32 (as provided in the 1953 budget) to 37 by increasing the total number of Federal Reserve Examiner and Assistant Federal Reserve Examiner positions from 29 to 34.

Approved unanimously.

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

"Thank you for your letter of March 17, 1953, advising that, at the meeting of the Board of Directors held on March 16, the salaries of all officers of the Federal Reserve Bank of Boston were fixed at the rates heretofore approved by the Board of Governors for the period of May 1, 1953 through June 30, 1953, except the salary for Vice President John J. Fogg, which has been approved by the Board through December 31, 1953.

"Since, as indicated in the Board's letter of February 2, 1953, the salaries of all the officers of your Bank were approved at their then current rates for the period ending June 30, 1953, further action by the Board of Governors in this connection is not required at this time, except with respect to the salaries fixed for Messrs. Gilbody and O'Neil, which were approved subsequent to February 2, for the period ending April 30, 1953.

"In accordance with the action taken by the Board of Directors, the Board of Governors approves the payment of salaries to Assistant Vice Presidents Frank C. Gilbody and Edward W. O'Neil at their present rates of \$10,500 and \$10,000 per annum, respectively, for the period May 1, 1953, through June 30, 1953."

Approved unanimously.

Letter to Mr. Denmark, Vice President, Federal Reserve Bank of Atlanta, reading as follows:

"In accordance with the request contained in your letter of March 16, 1953, the Board approves the appointment of Alvin Bruce Chandler as an assistant examiner for the Federal Reserve Bank of Atlanta, effective April 1, 1953."

Approved unanimously.

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

"This refers to your letter of March 17 and telegram of March 19, regarding the penalty of \$131.18 incurred by the National Bank of Wilson, Wilson, North Carolina, on a deficiency in its reserves for the period ended February 28, 1953.

"It is noted that the deficiency resulted from a misinterpretation of a letter of September 24, 1952, sent by the Federal Reserve Bank to all member banks in the District, advising that the Reserve Bank would be closed thereafter on Saturdays but would process all deferred credit items received on such days; that the subject bank on February 20 sent the Reserve Bank two immediate credit drafts totaling \$400,000, believing that credit would be given upon receipt on Saturday, February 21; that the bank would have had \$400,000 additional reserves over the three-day week-end if the immediate credit items could have been processed; and that this is the first deficiency in its reserves since August, 1943.

"In the circumstance, the Board authorizes your Bank to waive the assessment of the penalty in this case."

Approved unanimously.

Letter to the Board of Directors, State-Planters Bank and Trust Company, Richmond, Virginia, reading as follows:

"The Board of Governors hereby approves the establishment and operation of a branch at 10th and Cary Streets, Richmond, Virginia, by the State-Planters Bank and Trust Company, Richmond, Virginia, provided formal approval is

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"obtained from the appropriate State authorities and the proposed branch is established within six months from the date of this letter."

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

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

"The Board of Governors of the Federal Reserve System has considered the recommendation of the Discount Committee of your Bank, contained in your letter of March 16, 1953, and, pursuant to the provisions of Section 19 of the Federal Reserve Act, grants permission to Utica Square National Bank of Tulsa, Tulsa, Oklahoma, to maintain the same reserves against deposits as are required to be maintained by banks outside central reserve and reserve cities, effective as of the date of commencement of business by the subject bank.

"Please advise the bank of the Board's action in this matter, calling its attention to the fact that such permission is subject to revocation by the Board of Governors of the Federal Reserve System."

Approved unanimously.

Letter to the Board of Directors of the Bank of Whittier, Whittier, California, stating that, subject to conditions of membership numbered 1 and 2 set forth in 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

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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 \$170,000, and other capital funds of not less than \$85,000.

Approved unanimously.

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

"This refers to your letter of March 17, 1953, addressed to Mr. Boothe, enclosing a copy of a letter from the Fourth National Bank of Wichita, regarding the procedure to be followed with respect to outstanding guaranteed loans if the present V-loan guarantee authority under the Defense Production Act of 1950 should not be extended beyond June 30, 1953. Specifically, it is understood that the national bank has in mind certain cases in which the V-loans will mature on December 31 of this year but in which the borrowers have contracts for deliveries extending into 1954 which will require continued financing. It is indicated that the financing institution expects to open negotiations some time before June 30 for the extension of the maturities of these loans unless the guaranteeing authority has in the meantime been extended.

"Since section 301 of the Defense Production Act containing the authority for V-loans is not of a controversial nature, we do not anticipate that that authority will be allowed to expire on June 30. We feel, however, that, if the authority should terminate on that date, there would be a serious legal question as to whether previously executed guarantees would cover loans after the maturity date as fixed before June 30. We have discussed this matter informally with a representative of the Department of Defense and he likewise feels that extensions of maturity after termination

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"of the V-loan authority would be open to legal question.

"We cannot say what the attitude of the guaranteeing agencies might be as to approving actions taken before June 30 for the purpose of extending the maturity of outstanding guaranteed loans which presently would mature after that date."

Approved unanimously.

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

"This refers to your letter of March 10, 1953, and its enclosures, with respect to whether it is permissible under the exception in paragraph (4) of section 8 of the Clayton Act for three members of the board of directors of The City National Bank of Houston, Houston, Texas, to serve at the same time as directors of the Heights State Bank, Houston, Texas, a State member bank.

"These interlocking relationships also were the subject of your letter of December 22, 1952, our acknowledgment of January 8, 1953, and certain telephone conversations with members of the Board's staff. However, you indicated by your letter of March 10 that, because of recent changes in the ownership of some of the stock of the two banks, most of the questions presented by your letter of December 22, 1952, have become moot.

"The aforementioned exception to the statute - also contained in section 2(d)(4) of Regulation L - permits the interlocking directorates in question only if 'more than 50 per centum of the common stock of' one of the banks 'is owned directly or indirectly by persons who own directly or indirectly more than 50 per centum of the common stock of' the other bank.

"In the light of the new information supplied by your letter of March 10, it appears that The City National Bank of Houston has 375,000 shares of common stock and that the Heights State Bank has 8,000 shares of common stock. It

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"appears also that 189,805 (or about 50.6 per cent) of the shares of the national bank are owned directly by persons (including an investment company and a law partnership) who own 5,181 (or about 65 per cent) of the shares of the State bank if it is permissible to include among such persons certain trustees and estates or representatives of decedents understood to have legal title to and hold relatively small amounts of the shares of each bank. From the facts presented, such inclusion would appear to be proper in this case and conform with the treatment of shares similarly owned in an earlier case that was considered by the Board to be covered by the exception in question. Accordingly, the interlocking relationships between the two banks would appear to be permissible on the basis of the information supplied by your letter of March 10.

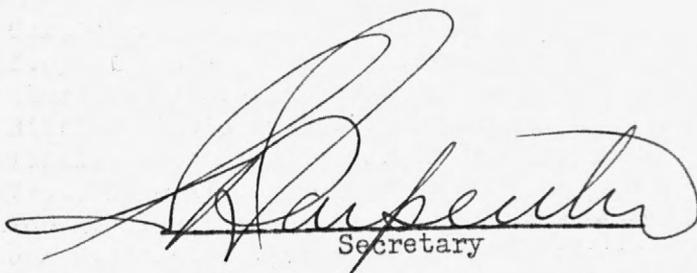
"With your letter of March 10 you presented also correspondence concerning certain other questions that have arisen in your district under the exception in paragraph (4) of section 8 of the Clayton Act. You pointed out, however, that these questions were in connection with the possible occurrence of interlocking relationships which, to your knowledge, did not materialize. In connection with those questions and also the questions concerning the Houston banks which have now become moot, you asked for advice which might be helpful in dealing with the provisions of the statute and regulation.

"The Board believes that it should not undertake to express itself concerning the application of the statute or regulation, except to the extent required to determine the applicability or inapplicability thereof to particular situations as they arise. The Board appreciates the perplexing nature of some of the problems that may arise from time to time in this connection and your desire for guiding principles with respect to the application of the law. As just indicated, however, the Board

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"believes that it would not be wise to pass upon or to review the application of the Act or regulation to various situations unless it is necessary in connection with the disposition of specific cases in the light of existing facts and circumstances."

Approved unanimously.


Secretary

The following

Name and Title

Ralph Massey, Assistant
Division of Bank Operations

To visit the Federal Reserve Bank of New York and discuss with the officials including operating procedures and general.

Mr. Massey to the...
and prepared a report of...
tion with his testimony...
Area 32 concerning bills...