

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, June 8, 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. Sherman, Assistant Secretary
Mr. Kenyon, Assistant Secretary
Mr. Riefler, Assistant to the Chairman
Mr. Vest, General Counsel
Mr. Sloan, Director, Division of Examinations
Mr. Hackley, Assistant General Counsel
Mr. Hostrup, Assistant Director, Division of Examinations
Mr. Cherry, Legislative Counsel
Mr. Thompson, Federal Reserve Examiner,
Division of Examinations

Governor Mills referred to a telephone conversation which he had on June 5, 1953, with Mr. Fulton, President of the Federal Reserve Bank of Cleveland, who discussed plans for the interim appointment of Mr. L. M. Hostetler, now Assistant Vice President of the Cleveland Bank, to the position of Director of Research, with the thought that if Mr. Hostetler's work came up to expectations he might be advanced later to the position of Vice President and Director of Research. Governor Mills said that it was President Fulton's intention to recommend the appointment of Mr. Hostetler as Director of Research, subject

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to the approval of the Board of Governors, at a meeting of the board of directors of the Cleveland Bank to be held this week, and that no formal action on the part of the Board was necessary at this time.

It was agreed that the Board would approve the appointment of Mr. Hostetler as Director of Research of the Cleveland Bank upon receipt of a formal recommendation from the Bank.

There were distributed copies of a revised draft of statement regarding bank holding company legislation to be presented by Chairman Martin before the Senate Banking and Currency Committee on June 10, 1953.

In commenting upon the revised draft, Governor Robertson stated that it contained no changes in substance from the draft considered at the meeting on June 5, 1953, the revisions having been made to improve the language and to shorten the statement.

Governor Vardaman inquired whether there was agreement that the definition of a bank holding company proposed in the draft would be satisfactory, to which Governor Robertson replied that the definition had been applied to each existing bank holding company in the United States and that it had been found that all of these companies would be covered by the definition.

In response to Chairman Martin's request for any further comments on that point, there was a discussion of the so-called Florida National

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Group, a chain banking organization of a type which would not be covered by the proposed definition of a bank holding company. During the discussion it was pointed out that the supplementary memorandum which Chairman Martin was to submit at the time of his testimony stated that the Board was not suggesting at this time any Federal legislation to regulate chain banking for the reason that chain banking carries its own inherent limitations: i.e., expansion is limited by the personal financial means of a single individual or a relatively small group of individuals and, moreover, control ceases upon the death of these individuals or else it is ultimately diffused among the heirs.

Following a further discussion, during which certain minor changes in language were suggested, the draft of statement to be presented by Chairman Martin was approved unanimously, with the understanding that a memorandum from Governor Evans dissenting from the views of the majority of the Board in certain respects would also be presented to the Committee by Chairman Martin and that, since there was not sufficient time to obtain clearance of the statement by the Bureau of the Budget, a copy would be sent to the Bureau for its information.

Mr. Cherry discussed certain legislative developments of interest to the Federal Reserve System.

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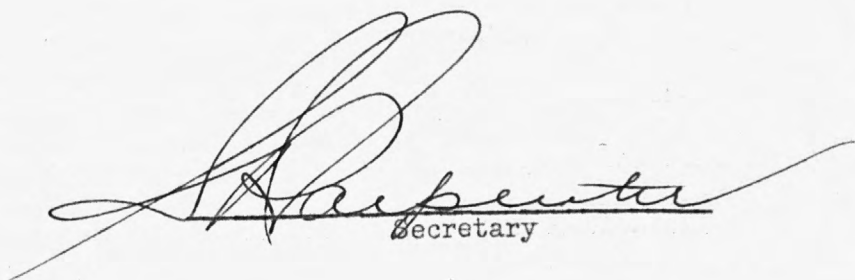
The meeting then adjourned. During the day the following additional actions were taken by the Board with all of the members present:

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

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

"Pursuant to the request contained in your letter of June 1, 1953, the Board has canceled its previous approval of the designation of George Dennis as a special assistant examiner and has approved his designation as a special assistant examiner for the Federal Reserve Bank of Dallas for the specific purpose of rendering assistance in the examination of State member banks."

Approved unanimously.



Secretary