

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, July 1, 1953. The Board met in the Board Room at 10:00 a.m.

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

Mr. Carpenter, Secretary  
Mr. Sherman, Assistant Secretary  
Mr. Kenyon, Assistant Secretary  
Mr. Thurston, Assistant to the Board  
Mr. Riefler, Assistant to the Chairman  
Mr. Thomas, Economic Adviser to the Board  
Mr. Leonard, Director, Division of Bank  
Operations  
Mr. Vest, General Counsel  
Mr. Sloan, Director, Division of Examinations  
Mr. Noyes, Assistant Director, Division of  
Research and Statistics  
Mr. Cherry, Legislative Counsel

Pursuant to the understanding at the meeting on June 29, there had been sent to the members of the Board copies of a draft of letter to Senator Capehart, Chairman of the Senate Banking and Currency Committee, prepared in response to a letter dated June 24, 1953, from the Clerk of the Committee requesting the Board's views as to the merits of Bill S. 2180, introduced by Senator Beall, of Maryland, which would authorize the Federal National Mortgage Association to exchange mortgages held by it for Government bonds.

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In a discussion of the proposed report and the possible views of the Treasury with respect to it, Governor Mills suggested several reasons why the bill might have undesirable implications.

Governor Robertson said that he had not had an opportunity to study the proposed report and that unless there was some reason why it should be sent immediately he would like to defer action on it at this time.

Since it appeared from a report by Mr. Cherry of conversations with the Clerk of the Senate Banking and Currency Committee that an immediate reply was not necessary, no action was taken and it was understood that Mr. Cherry would confer further with the Clerk of the Committee to ascertain whether there was now any likelihood of the bill being considered at this session of the Congress and whether there was any reason why the Board should file a report at this time.

Secretary's Note: Upon inquiry by Mr. Cherry later in the day, the Clerk of the Committee advised that the Committee might not have an opportunity to consider the bill during this session of the Congress. The Clerk stated, however, that in the event the Committee's schedule should permit consideration of the bill, he would give sufficient advance notice to enable the Board to make a report.

Messrs. Leonard, Noyes, and Cherry then withdrew from the meeting and the following members of the staff of the Division of Examinations entered the room:

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Mr. Hostrup, Assistant Director  
Mr. Nelson, Assistant Director  
Mr. Masters, Assistant Director  
Mr. Benner, Assistant Director  
Mr. Griffin, Federal Reserve Examiner  
Mr. McClelland, Federal Reserve Examiner  
Mr. Radford, Federal Reserve Examiner  
Mr. W. D. Smith, Federal Reserve Examiner  
Mr. Troup, Federal Reserve Examiner

Members of the staff of the Division of Examinations reviewed certain of the functions performed within the Division, commenting particularly on the objectives and procedures in the area of member bank supervision.

In the course of the discussion, during which Messrs. Fauver and Molony, Assistants to Mr. Thurston, joined the meeting, reference was made to steps which had been effected or were currently under consideration to improve the ability of the Division to carry out its functions with regard to member bank supervision more effectively. It was understood that other aspects of the Division's activities would be covered in a further discussion at another meeting of the Board.

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

Minutes of actions taken by the Board of Governors of the Federal Reserve System on June 30, 1953, were approved unanimously.

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Telegram to Mr. Latham, Vice President, Federal Reserve Bank of Boston, reading as follows:

"Reurtel June 29, 1953. Board approves the designation of Louis L. Oullette as a special assistant examiner for the Federal Reserve Bank of Boston."

Approved unanimously.

Letter to Mr. Hall, Federal Reserve Agent, Federal Reserve Bank of Kansas City, reading as follows:

"In accordance with the request contained in your letter of June 25, 1953, the Board of Governors approves the appointment of Mr. Paul V. Wysong as Assistant Federal Reserve Agent at his present salary of \$7,032 per annum to succeed Mr. Maurice Allendoerfer.

"This approval is given with the understanding that Mr. Wysong will be solely responsible to the Federal Reserve Agent or, during a vacancy in the office of the Agent, to the Board of Governors for the proper performance of his duties. When not engaged in the performance of his duties as Assistant Federal Reserve Agent he may, with the approval of the Federal Reserve Agent, and the President, perform such work for the Bank as will not be inconsistent with his duties as Assistant Federal Reserve Agent.

"The Board of Governors also approves the appointment of James C. Craig as Alternate Assistant Federal Reserve Agent at his present salary of \$5,784 per annum to succeed Mr. Paul V. Wysong.

"This approval is given with the understanding that Mr. Craig will be placed upon the Federal Reserve Agent's payroll and will be solely responsible to him or, during a vacancy in the office of the Agent, to the Assistant Federal Reserve Agent, and to the Board of Governors for the proper performance of his duties. When not engaged in the performance of his duties as Alternate Assistant Federal Reserve Agent he may, with the approval of the Federal Reserve Agent or, during a vacancy in the office of the Federal Reserve

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"Agent, of the Assistant Federal Reserve Agent, and the President, perform such work for the Bank as will not be inconsistent with his duties as Alternate Assistant Federal Reserve Agent.

"The Board of Governors also approves the appointments of the following persons as Federal Reserve Agent's Representatives with salaries at the rates indicated, to succeed William R. Young, David E. Chase, and Audley O. Emery:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
Clare T. Roeder	Federal Reserve Agent's Representative, Denver Branch	\$5,856
Edwin P. Farley	Federal Reserve Agent's Representative, Oklahoma City Branch	6,276
Carl C. Tollander	Federal Reserve Agent's Representative, Omaha Branch	4,656

"This approval is given with the understanding that Messrs. Roeder, Farley, and Tollander will be placed upon the Federal Reserve Agent's payroll and will be solely responsible to him or, during a vacancy in the office of the Federal Reserve Agent, to the Assistant Federal Reserve Agent, and to the Board of Governors, for the proper performance of their duties. When not engaged in the performance of their duties as Federal Reserve Agent's Representatives they may, with the approval of the Federal Reserve Agent or, in his absence, of the Assistant Federal Reserve Agent, and the Vice Presidents in charge of the respective Branches, perform such work for the Branches as will not be inconsistent with their duties as Federal Reserve Agent's Representatives.

"Messrs. Wysong, Craig, Roeder, Farley, and Tollander should execute the usual oaths of office which should be forwarded to the Board, together with advice of the effective dates of their appointments."

Approved unanimously.

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Letter to the First National Bank of Windsor Locks, Windsor Locks, Connecticut, reading as follows:

"The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers, and grants you authority to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies or other corporations which come into competition with national banks are permitted to act under the laws of the State of Connecticut, the exercise of all such rights to be subject to the provisions of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System.

"This letter will be your authority to exercise the fiduciary powers granted by the Board pending the preparation of a formal certificate covering such authorization, which will be forwarded to you in due course."

Approved unanimously, for transmittal through the Federal Reserve Bank of Boston, together with a letter to Mr. Latham, Vice President of the Reserve Bank, reading as follows:

"The Board of Governors has approved the application of the First National Bank of Windsor Locks, Windsor Locks, Connecticut, for full fiduciary powers as evidenced by the enclosed letter which you are requested to forward to the applicant. A copy of this letter is also enclosed for your files.

"It is noted that you recommended approval of this application except insofar as it requested permission

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"to act as assignee or committee of estates of lunatics in view of the fact that State law does not expressly authorize State banks and trust companies to exercise such powers.

"It is the policy of the Board (F.R.L.S. #3986) that any national bank may be granted any of the individual fiduciary powers specified in section 11(k) of the Federal Reserve Act provided State law does not, either directly or by necessary implication, prohibit the exercise of any such powers by national banks. Furthermore, the mere absence in State law of authority for State banks and trust companies to exercise one or more of the powers contained in section 11(k) does not preclude the Board from granting such authority to a national bank. Accordingly, the Board has for many years taken the position that full trust powers may be granted to national banks in Connecticut despite the lack of express authority under State law for trust companies to act as assignee or committee of estates of lunatics.

"As a practical matter, a national bank in Connecticut would never be appointed to act as committee of estates of lunatics as such term is not employed in local law and practice. On the other hand, such bank may be designated conservator for like fiduciary purposes and functions. Therefore, it is necessary in such circumstances for a national bank to obtain grant of the ninth, or general, power to empower it properly to accept and administer appointments of such kinds."

Letter to the Board of Directors, Security Trust Company of Rochester, Rochester, 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 Security Trust Company of Rochester, Rochester, New York, in the Northgate Plaza in an unincorporated area of the Town of Greece, New York, provided that the formal approval of appropriate State authorities is obtained and that the

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"branch is established within one year from the date of this letter."

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

Letter to Mr. C. E. Palmer, President, Peoples Union Bank,  
McKeesport, Pennsylvania, reading as follows:

"This is in further reference to your letter of June 1, 1953, concerning the invitation received by one of your directors, Mr. James K. Ruby, to serve on the board of directors of the State Bank of Dravosburg, Dravosburg, Pennsylvania, and at the same time continue his service with your bank.

"By our letter of June 8, 1953, you were advised that Mr. Ruby's service with both banks would appear to be permissible only if McKeesport and Dravosburg were not 'contiguous or adjacent' within the meaning of paragraph (5) of section 8 of the Clayton Act and the corresponding section 2(d)(5) of the Board's Regulation L. A copy of the regulation was enclosed with our letter which stated that you would be advised further with respect to the matter.

"From information supplied in this connection by the Federal Reserve Bank of Cleveland, it appears that Dravosburg is separated from McKeesport only by the Monongahela River; that Dravosburg and McKeesport are readily accessible to each other by means of a connecting bridge which, including its approaches, is about four-tenths of a mile in length; and that the most direct route between your bank and the State Bank of Dravosburg is approximately 1.7 miles.

"While Dravosburg and McKeesport apparently are not 'contiguous' as that term is described in the footnote to section 2(d)(5) of Regulation L, none of the information related to the Board would seem to justify not regarding Dravosburg and McKeesport as 'adjacent' within the meaning of the statute and the regulation. Consequently, it

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"would not appear to be permissible for Mr. Ruby to serve at the same time as a director of your bank and as a director of the State Bank of Dravosburg.

"Should you have any further questions concerning the matter, it is suggested that you contact the Federal Reserve Bank of Cleveland or the Pittsburgh Branch of that Bank which will be glad to assist you."

Approved unanimously, with  
a copy to the Federal Reserve  
Bank of Cleveland.

Letter to the City National Bank of Winston-Salem, Winston-Salem, North Carolina, reading as follows:

"The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers, and grants you authority to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies or other corporations which come into competition with national banks are permitted to act under the laws of the State of North Carolina, the exercise of all such rights to be subject to the provisions of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System.

"This letter will be your authority to exercise the fiduciary powers granted by the Board pending the preparation of a formal certificate covering such authorization, which will be forwarded to you in due course."

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

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

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"This refers to your letter of June 15 submitting, with your favorable recommendation, the request of The Detroit Bank, Detroit, Michigan, for permission to act as trustee under public or private bond issues. It is noted that it is not the desire of the bank to exercise general trust powers and that the authority requested is only to permit the bank to act as trustee for bond issues in addition to previously granted authority to act as fiscal agent and escrow agent.

"In view of the Reserve Bank's recommendation and the information submitted, the Board of Governors of the Federal Reserve System grants the applicant permission, under the provisions of its condition of membership numbered 1, to act as trustee under public or private bond issues. Please advise the member bank accordingly."

Approved unanimously.

Letter for the signature of Governor Robertson to Mr. Herbert C. Morrison, President, Elston Bank and Trust Company, Crawfordsville, Indiana, reading as follows:

"I was glad to have the opportunity to discuss with you and Mr. Elston, during your visit here on June 23, the matter of the increase in the capital of the Elston Bank and Trust Company. The Board of Governors in its letter to the Board of Directors of the Elston Bank and Trust Company dated May 16, 1952, gave its written consent pursuant to Section 18(c) of the Federal Deposit Insurance Act for the purchase of certain of the assets and assumption of the deposit liabilities of the Citizens National Bank of Crawfordsville, provided the capital funds of the Elston Bank and Trust Company were increased \$100,000 by the sale of new common stock at the time of absorption.

"Since your call, I have carefully reviewed the facts in connection with this transaction. The figure of \$100,000 represented a compromise. The Board relied on the commitment to provide the additional capital in approving the 'take-over'. I find no new considerations which would

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"indicate that the Board was wrong in conditioning its approval upon the capital increase. Therefore, I see no alternative to compliance with the terms of the Board's letter of May 16, 1952, which were clearly understood and agreed to by you in your letter of April 28, 1952.

"I shall appreciate it if you will inform the Federal Reserve Bank of Chicago when the increase in capital funds has been accomplished and keep them advised of the intervening actions you take to effect this requirement."

Approved unanimously, with  
a copy to Mr. Diercks, Vice President,  
Federal Reserve Bank of  
Chicago.

Telegram to Mr. Wilbur, Federal Reserve Agent, 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 Bellflower, Bellflower, California, at any time prior to October 1, 1953, to act upon proposals (1) to increase the capital stock of such bank, and (2) to amend the articles of association of such bank to conform to articles recommended by the Comptroller of the Currency, provided that all action taken shall be in accordance with plans satisfactory to the Comptroller of the Currency.

Approved unanimously.

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Memorandum dated June 26, 1953, from Mr. Sloan, Director, Division of Examinations, submitting for approval letters to the following foreign banking corporations, the first four of which were organized under State laws but operate under agreements made with the Board pursuant to the provisions of section 25 of the Federal Reserve Act, and the last two of which were chartered by the Board under the provisions of section 25(a) of the Act, requesting that they submit reports of condition as of June 30, 1953:

Bankers Company of New York	New York, New York
First of Boston International Corporation	New York, New York
International Banking Corporation	New York, New York
Morgan & Cie. Incorporated	New York, New York
Bank of America	New York, New York
The Chase Bank	New York, New York

Approved unanimously, together with a letter to Mr. Wiltse, Vice President of the Federal Reserve Bank of New York, advising that the corporations were being requested to submit the reports to the New York Bank for transmittal to the Board of Governors.

Order in the matter of Devon-North Town State Bank, Chicago, Illinois, reading as follows:

"UNITED STATES OF AMERICA  
BEFORE THE  
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

In the Matter of :

Devon-North Town State Bank, :

Chicago, Illinois. :

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"ORDER

"1. It is hereby ordered that the time within which an answer may be filed herein be, and it is hereby, extended to and including August 4, 1953, and,

"2. It is further ordered that the time fixed for the Hearing herein be, and it is hereby, postponed to 10 A. M., August 18, 1953.

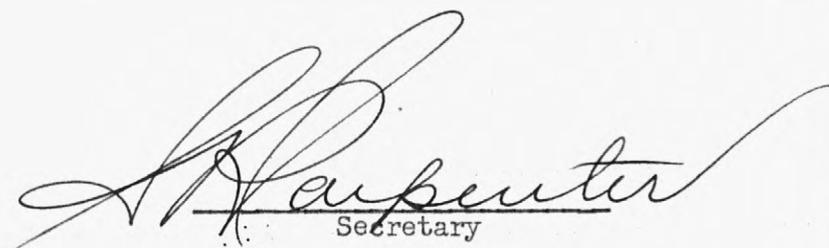
"Dated this 1st day of July, A. D., 1953.

"By the Board:

(SEAL)

(Signed) S. R. Carpenter  
S. R. Carpenter,  
Secretary."

Approved unanimously.

  
S. R. Carpenter  
Secretary