

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, July 6, 1953. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Szymczak, Acting Chairman  
Mr. Mills  
Mr. Robertson

Mr. Carpenter, Secretary  
Mr. Sherman, Assistant Secretary  
Mr. Kenyon, Assistant Secretary  
Mr. Thurston, Assistant to the Board  
Mr. Vest, General Counsel  
Mr. Solomon, Assistant General Counsel

Before this meeting there had been circulated among the available members of the Board a draft of letter to Mr. R. G. Smith, Executive Vice President, Bank of America, New York, New York, prepared in response to his letter of January 16, 1953, transmitted through the Federal Reserve Bank of New York, requesting the views of the Board with respect to a proposal that Bank of America serve in New York as fiscal agent for the Republic of Costa Rica in connection with certain bonds outstanding in the United States. The draft of reply indicated that the Board had not yet completed its review of the broader problem of the proper scope of activities of corporations organized under Section 25(a) of the Federal Reserve Act, with particular reference to activities in the United States, but that inasmuch as Mr. Smith had informed Mr. Sproul, President of

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the Federal Reserve Bank of New York, that the request to act as fiscal agent for the Republic of Costa Rica was becoming urgent and that Bank of America, therefore, wished to have a decision at this time, the Board was declining the request since it felt, upon careful consideration, that approval of the proposed activity would not be warranted in the circumstances and on the basis of the facts presented.

In a memorandum dated July 3, 1953, Governor Mills expressed agreement with the conclusion that the Board should deny Bank of America permission to act as fiscal agent for the Republic of Costa Rica. However, he expressed doubt regarding the appropriateness of the proposed letter to Mr. Smith because of what seemed to be an inconsistency between the statement that the Board had not completed its review of the broader aspects of the problem and the subsequent statement that the Board was denying the Bank permission to act as fiscal agent for the Republic of Costa Rica "upon careful consideration". Accordingly, the reply had been redrafted to read as follows:

"This is with further reference to your request to act as fiscal agent for the Republic of Costa Rica in connection with certain bonds outstanding in the United States. This matter was the subject of your letter of January 16, 1953, and the Board's letter of April 17, 1953.

"The Board has felt that it would be difficult to justify authorizing your corporation to engage in the proposed activities. However, as indicated in the

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"Board's letter of April 17, 1953, the entire problem of the proper scope of activities of corporations organized under section 25(a) of the Federal Reserve Act has been under review with particular reference to activities in the United States. On the possibility that the review of the general subject might develop factors favorable to your request, the Board has preferred not to disapprove your application unless and until that appeared necessary after completion of the general review.

"It appears, however, that you have now indicated to Mr. Sproul, President of the Federal Reserve Bank of New York, that the matter is becoming urgent and that you wish to have your request either approved or declined at this time. Although the Board's review of the proper scope of activities of Edge Corporations has not been completed, it has proceeded to the point where the Board is now satisfied that, in view of the provisions of section 25(a) of the Federal Reserve Act and on the basis of the facts presented, it would not be warranted in approving the activities involved in your request. Accordingly, you are advised that the Board is declining your request to engage in those activities."

In a discussion of the matter, Governor Robertson inquired whether the review of the entire problem of the scope of activities of corporations organized under Section 25(a) of the Federal Reserve Act had proceeded far enough that the Board would be justified in taking the position that it would not be warranted in approving Bank of America's acting as fiscal agent for the Republic of Costa Rica. Mr. Solomon responded that in his opinion the review had proceeded to the point where such a statement could be made.

Mr. Vest brought out that at this point the Board was passing only on the specific request of Bank of America to act as fiscal agent

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for the Republic of Costa Rica and that although there were some other functions which the Bank was performing which might affect this request in principle, he did not think that the proposed reply would bind the Board in the other matters which would come up for consideration.

Thereupon, unanimous approval was given to a letter to Mr. Smith in the form quoted above, for transmittal through the Federal Reserve Bank of New York.

In response to an inquiry by Governor Robertson as to when the staff might be expected to complete its review of the proper scope of activities of corporations organized under Section 25(a) of the Federal Reserve Act, Mr. Vest stated that a letter from the Federal Reserve Bank of New York presenting its views on this matter had been received only late last week, that the comments made in the letter would have to be reviewed carefully, along with other material, but that the matter would be presented to the Board for consideration as soon as possible.

There was presented a request that Mr. Goodman, Assistant Director, Division of Examinations, be authorized to travel to Mexico City during the period July 12-26, 1953, to deliver three lectures

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and conduct one seminar on bank examination and bank supervision at the Center for Latin American Monetary Studies, this being in accord with a statement made in the Board's letter of January 16, 1953, to Mr. Javier Marquez, Director of the Center.

Approved unanimously, with the understanding that Mr. Goodman's per diem in lieu of subsistence while in Mexico would be at the rate of \$12.00, the same rate as that to which he would be entitled under the Board's travel regulations in connection with travel within the United States.

Thereupon the meeting adjourned. During the day the following additional actions were taken by the Board with Governors Szymczak, Mills, and Robertson present:

Memorandum dated June 30, 1953, from Mr. Noyes, Assistant Director, Division of Research and Statistics, recommending the appointment of Eileen M. Gibson as Clerk-Stenographer in that Division on a temporary basis for a period of three months, with basic salary at the rate of \$2,830 per annum, effective as of the date upon which she enters upon the performance of her duties after having passed the usual physical examination and subject to the completion of a satisfactory employment investigation.

Approved unanimously.



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Memorandum dated July 1, 1953, from Mr. Noyes, Assistant Director, Division of Research and Statistics, recommending the appointment of Doris M. Cannon as Clerk-Typist in that Division on a temporary indefinite basis, with basic salary at the rate of \$2,950 per annum, effective as of the date upon which she enters upon the performance of her duties after having passed the usual physical examination and subject to the completion of a satisfactory employment investigation.

Approved unanimously.

Memorandum dated July 2, 1953, from Mr. Noyes, Assistant Director, Division of Research and Statistics, recommending the appointment of Priscilla D. Staples as Clerk in that Division on a temporary indefinite basis, with basic salary at the rate of \$3,030 per annum, effective as of the date upon which she enters upon the performance of her duties after having passed the usual physical examination and subject to the completion of a satisfactory employment investigation.

Approved unanimously.

Memorandum dated June 23, 1953, from Mr. Sloan, Director, Division of Examinations, recommending the appointment of Elizabeth Ann Rundquist as Stenographer in that Division on a temporary basis

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for a period of four months, with basic salary at the rate of \$2,950 per annum, effective as of the date upon which she enters upon the performance of her duties after having passed the usual physical examination and subject to the completion of a satisfactory employment investigation.

Approved unanimously.

Letter to Mr. Dale Graham, President, The National Bank of Commerce, Baronne and Common Streets, New Orleans, Louisiana, reading as follows:

"This refers to your letter of July 2, 1953, concerning principally the application of section 8 of the Clayton Act and the Board's Regulation L, to possible interlocking relationships between your bank and The First National Bank of Jefferson Parish, Gretna, Louisiana. Your letter of July 2 stated that it superseded your letter of July 1, 1953, which was delivered at the time of your discussion of the matter with Messrs. Vest and Hackley of the Board's staff on the latter date.

"From your letter of July 2, it appears to be proposed that a holding company to be formed under Louisiana law will acquire a majority of the outstanding stock of The First National Bank of Jefferson Parish, and that a majority of the shares of the holding company will be owned by the same persons who own a majority of the shares of your bank. You raised the question whether in these circumstances it would be permissible for directors or officers of your bank to serve at the same time as directors or officers of The First National Bank of Jefferson Parish.

"On the basis of the information submitted, it is the Board's view that such interlocking relationships would be permissible, since under section 8 of the Clayton Act and Regulation L an exception to the prohibition upon interlocking relationships between banks is provided where

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"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 common stock of' the other bank. In addition, the exception would be applicable even though the persons (either individual or corporate) who own shares in both your bank and the holding company and whose share holdings, therefore, may be included in determining the requisite percentages of common ownership, may not, individually, own shares in both institutions in the same ratable proportion. It is noted in this connection that you have abandoned the proposal in your letter of July 1 to establish a voting trust for the holding company shares.

"Whether or not a particular interlocking relationship is in conformance with the law is, of course, a matter which would be covered during the examinations of the bank or banks concerned; and it is assumed that the banks involved will keep themselves informed as to whether the relationships continue to be permissible under the law.

"You also inquired as to the likelihood of a grant to the proposed holding company of a permit to vote the stock of The First National Bank of Jefferson Parish. Applications for voting permits should be made, on the forms prescribed, in accordance with the provisions of the Board's Regulation P (copy enclosed) and submitted through the Federal Reserve Bank. Whether or not such an application would be acted upon favorably would, of course, depend upon a full consideration of the information supplied in connection with the application. This matter is one which you may wish to bear in mind also in connection with any possible future acquisitions by the proposed holding company such as those mentioned in the copy of your letter of July 2 to the Comptroller of the Currency which you enclosed with your letter to the Board."

Approved unanimously, with  
a copy to Mr. Bryan, President,  
Federal Reserve Bank of Atlanta.

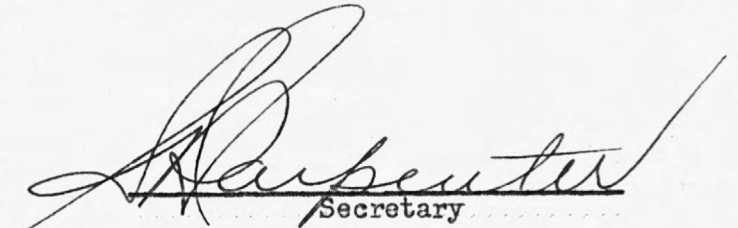
Letter to the Board of Directors, City Bank, Detroit, Michigan,  
reading as follows:



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"Pursuant to your request submitted through the Federal Reserve Bank of Chicago, the Board of Governors approves the change of location of the branch operated by your bank at 20950 Greenfield Road, Oak Park, Michigan, to 13701 Nine Mile Road, West, Oak Park, Michigan, provided formal approval is issued by the appropriate State authorities."

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

  
Secretary