

7/28/53 Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, July 28, 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. Carpenter, Secretary
 Mr. Sherman, Assistant Secretary
 Mr. Thurston, Assistant to the Board
 Mr. Vest, General Counsel
 Mr. Sprecher, Assistant Director,
 Division of Personnel Administration

The following request for travel authorization was presented:

<u>Name and Title</u>	<u>Duration of Travel</u>
Arthur W. Marget, Director, Division of International Finance	August 25-26, 1953

To make an off-the-record address before the School of Banking at the University of Wisconsin at Madison, Wisconsin.

Approved unanimously.

Chairman Martin stated that in accordance with the understanding at the meeting of the Board on July 23, 1953, he talked by telephone with Mr. Virden, Chairman of the Federal Reserve Bank of Cleveland, regarding salaries fixed by the directors of that Bank for the officers other than the President and First Vice President. Chairman Martin said that he gave Chairman Virden the substance of the suggestions made at the July 23 meeting and that Chairman Virden replied that the Cleveland directors had considered

7/28/53

-2-

the matter of salaries for officers of the Bank very carefully and that they were fully aware that some of the increases proposed under the new salary administration plan were substantial. It was their considered view, however, that the adjustments which they proposed and which were indicated in his letter of July 17 should be made at once, even though the salary for Mr. Kossin, Vice President in charge of the Pittsburgh Branch, initially was being fixed at the maximum for the highest grade. This action was felt necessary in an effort to hold Mr. Kossin.

Governor Vardaman said that, if there were no objection, he would like to make a statement at the next meeting of the Board with the Presidents' Conference, which would represent his personal views, to the effect that now that the salary plan was in effect for officers the Banks were "on their own" so far as he was concerned and that he would not hesitate to go before the Congress and criticize the directors' actions.

Chairman Martin said that he could see no reason why Governor Vardaman should not make whatever statement of his personal views he desired at that time.

Following a discussion, unanimous approval was given to a letter to Mr. Virden, Chairman of the Federal Reserve Bank of Cleveland, reading as follows, it being understood that \$20,000 was the ceiling for the position of Vice President in charge of the Pittsburgh Branch and that Mr. Kossin's successor would be expected to start at a lower salary:

7/28/53

-3-

"In accordance with your letter of July 17, 1953, the Board of Governors approves the following minimums and maximums for the officer salary groups at the Federal Reserve Bank of Cleveland and its Branches:

<u>Group</u>	<u>Minimum</u>	<u>Maximum</u>
A	\$14,000	\$20,000
B	12,000	17,000
C	10,000	14,000
D	8,000	11,000

"The Board of Governors also has approved the payment of salaries to the following officers of the Federal Reserve Bank of Cleveland and its Branches, effective as of your established pay period beginning nearest July 23 through December 31, 1953, at the rates indicated, which are the rates fixed by the Board of Directors as reported in Mr. Fulton's letter of July 9 and two separate letters from you dated July 17, 1953:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
Roger R. Clouse	Vice President and Secretary	\$15,000
A. H. Laning	Vice President and Cashier	16,500
Martin Morrison	Vice President	16,500
H. E. J. Smith	Vice President	14,000
Paul C. Stetzelberger	Vice President	16,000
P. B. Didham	Assistant Vice President	11,500
G. H. Emde	Assistant Vice President	12,000
J. R. Lowe	Assistant Vice President	11,500
Jos. M. Miller	Assistant Vice President	11,500
C. J. Bolthouse	Assistant Cashier	10,500
C. E. Crawford	Assistant Cashier	9,000
Elwood V. Denton	Assistant Cashier	8,200
Elmer F. Fricke	Assistant Cashier	8,000
G. R. Ross	Assistant Cashier	10,000
H. M. Boyd	Chief Examiner	11,500
L. M. Hostetler	Director of Research	13,000
H. B. Flinkers	Assistant Secretary	8,200
C. F. Ehninger	General Auditor	13,500
<u>Cincinnati Branch</u>		
R. G. Johnson	Vice President	14,000
P. J. Geers	Cashier	12,000
John Biermann, Jr.	Assistant Cashier	8,000
C. Harrell	Assistant Cashier	11,000
G. W. Hurst	Assistant Cashier	8,500

7/28/53

-4-

<u>"Name</u>	<u>Title</u>	<u>Annual Salary</u>
<u>Pittsburgh Branch</u>		
J. W. Kossin	Vice President	\$20,000
A. G. Foster	Cashier	13,500
W. H. Nolte	Assistant Cashier	10,000
J. R. Price	Assistant Cashier	9,500
Jno. A. Schmidt	Assistant Cashier	11,000
R. J. Steinbrink	Assistant Cashier	10,500

"No action has yet been taken by the Board of Governors with respect to changes in the salaries of the Presidents and the First Vice Presidents of the Reserve Banks."

Chairman Martin then referred to the salaries proposed by the Federal Reserve Banks of Boston and Kansas City, and Governor Mills noted the comment in the memorandum from the Division of Personnel Administration that the Boston Bank, in recasting its ranges to meet the \$20,000 maximum for officers other than the President and First Vice President, had merely consolidated the top two groups of officers, thus creating a materially smaller overlap than at other Federal Reserve Banks for which salary ranges had been submitted. This had had the effect of distorting the salary pattern for the Boston Bank, and the Division of Personnel Administration had questioned the advisability of accepting the present structure, feeling that it might be desirable to suggest to the Boston Bank that it review and recast the ranges with a view to getting more nearly a straight line progression through the four salary groups.

Governor Szymczak stated that while he recognized this situation, it related to the ranges for the salary groups and not to the individual salaries submitted. He felt that the salary ranges could be adjusted later

7/28/53

-5-

if that seemed desirable from the standpoint of good salary administration, and under the circumstances he recommended that the Board approve the salaries as fixed by the Boston directors. Governor Szymczak also recommended that the salaries fixed by the directors of the Kansas City bank for officers other than the President and First Vice President be approved.

Thereupon, unanimous approval was given to letters to Mr. Hodgkinson Chairman of the Federal Reserve Bank of Boston, and to Mr. Hall, Chairman of the Federal Reserve Bank of Kansas City, reading as follows:

Letter to the Federal Reserve Bank of Boston

"In accordance with your letter of July 20, 1953, the Board of Governors approves the following minimums and maximums for the officer salary groups at the Federal Reserve Bank of Boston:

<u>Group</u>	<u>Minimum</u>	<u>Maximum</u>
A	\$14,500	\$20,000
B	11,500	15,500
C	9,500	13,000
D	8,500	11,500

"The Board of Governors also has approved the payment of salaries to the following officers of the Federal Reserve Bank of Boston, effective as of your established pay period beginning nearest July 28, through December 31, 1953, at the rates indicated, which are the rates fixed by the Board of Directors as reported in your letter:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
Robert B. Harvey	Vice President and Cashier	\$18,000
E. O. Latham	Vice President	17,000
Carl B. Pitman	Vice President	18,000
O. A. Schlaikjer	Vice President and General Counsel	18,000
R. F. Van Amringe	Vice President	15,000
D. H. Angney	Assistant Vice President	11,500
Elliot S. Boardman	Assistant Vice President	11,500

7/28/53

-6-

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
F. C. Gilbody	Assistant Vice President	\$10,500
E. W. O'Neil	Assistant Vice President	10,000
Dana D. Sawyer	Assistant Vice President	11,500
L. A. Zehner	Assistant Vice President	10,500
William R. King	Assistant Cashier	9,500
John J. Rock	Assistant Cashier	9,000
James D. MacDonald	Chief Examiner	9,500
Ansgar R. Berge	Secretary and Assistant Counsel	12,500
D. L. Strong	General Auditor	10,500

"The Board of Governors also approves the payment of salaries to Messrs. D. H. Angney and Elliot S. Boardman, as Assistant Vice Presidents of the Federal Reserve Bank of Boston, for the period July 1, 1953, until the beginning of your established pay period starting nearest July 28, 1953, at the rates of \$8,750 and \$9,000 per annum, respectively.

"The Board of Governors also approves the payment of salaries to the following officers of the Federal Reserve Bank of Boston for the period August 1, 1953, through December 31, 1953, at the rates indicated, which are the rates fixed by the Board of Directors as reported in your letter:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
George H. Ellis	Director of Research	\$10,000
Parker B. Willis	Financial Economist	9,500
John E. Lowe	Assistant Cashier	8,500

"The Board of Governors has previously approved the payment of salary to Mr. John J. Fogg as Vice President at the rate of \$13,000 per annum through December 31, 1953.

"No action has yet been taken by the Board of Governors with respect to changes in the salaries of the Presidents and First Vice Presidents of the Reserve Banks."

Letter to the Federal Reserve Bank of Kansas City

"In accordance with your letter of July 20, 1953, the Board of Governors approves the following minimums and maximums for the officer salary groups at the Federal Reserve Bank of Kansas City and its Branches:

<u>Group</u>	<u>Minimum</u>	<u>Maximum</u>
A	\$13,750	\$20,000
B	11,250	16,250
C	9,250	13,250
D	7,500	11,000

7/28/53

-7-

"The Board of Governors also has approved the payment of salaries to the following officers of the Federal Reserve Bank of Kansas City and its Branches, effective as of your established pay period beginning nearest July 28, through December 31, 1953, at the rates indicated, which are the rates fixed by the Board of Directors as reported in a separate letter from you, also dated July 20, 1953.

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
M. W. E. Park	Vice President	\$11,000
Clarence W. Tow	Vice President	15,000
E. D. Vanderhoof	Vice President	11,250
D. W. Woolley	Vice President	18,000
John T. Boysen	Cashier	9,500
F. H. Larson	Assistant Vice President	9,800
E. U. Sherman	Assistant Vice President	10,000
C. A. Cravens	Assistant Cashier	8,500
J. S. Handford	Assistant Cashier	8,500
J. R. Euans	Assistant Cashier	7,800
J. T. White	Assistant Cashier	8,000
L. F. Mills	Chief Examiner	9,800
C. L. Bollinger	General Auditor	10,000
<u>Denver Branch</u>		
G. A. Gregory	Vice President	14,500
H. L. Stempel	Cashier	9,500
Hubert G. Duck	Assistant Cashier	8,400
H. W. Pritz	Assistant Cashier	7,500
<u>Oklahoma City Branch</u>		
R. L. Mathes	Vice President	15,000
F. W. Alexander	Cashier	9,800
F. R. Fritz	Assistant Cashier	8,400
Fred C. Schmocker	Assistant Cashier	8,300
<u>Omaha Branch</u>		
L. H. Earhart	Vice President	15,000
P. A. Debus	Cashier	9,800
U. S. Berry	Assistant Cashier	8,500
W. P. Doran	Assistant Cashier	8,300

"The Board of Governors also approves the payment of salary to Mr. C. L. Bollinger, as General Auditor, at the rate of \$8,900 per annum, for the period July 1, 1953, to the beginning of the pay period starting nearest July 28.

"No action has yet been taken by the Board of Governors with respect to changes in the salaries of the Presidents and First Vice Presidents of the Reserve Banks."

7/28/53

-8-

Mr. Sprecher withdrew from the meeting at this point, and Messrs. Riefler, Assistant to the Chairman, Chase, Assistant General Counsel, and Cherry, Legislative Counsel, entered the room.

Chairman Martin stated that in accordance with the understanding at the meeting on July 22, 1953, he would like to have Mr. Vest present to the Board the highlights of the opinion of the Court of Appeals for the Third Circuit in the Transamerica case, together with his comments regarding the decision and the courses open to the Board. Pursuant to this request, Mr. Vest made a statement in which he summarized the highlights of the opinion of the court, the current situation with respect to the injunction against the branching of certain banks in California by Bank of America N. T. and S. A., and the courses open to the Board, which were (1) apply to the Court of Appeals for a rehearing, (2) seek a writ of certiorari from the United States Supreme Court, or (3) take no action and let the opinion of the Court of Appeals stand. The substance of Mr. Vest's statement is incorporated in a memorandum under date of July 28, 1953, prepared by him in response to a request made by the Board later in this meeting.

Governor Vardaman stated that the Third Circuit Court had mentioned that the Board had based its case on lessening of competition in a five state area whereas in the course of the hearing the Board had stated repeatedly and the Court had not disputed the statement that the field of competition for commercial banks was local. Governor Vardaman wondered

7/28/53

-9-

whether this was an indirect suggestion to the Board that it go into each community in which it felt that competition might have been lessened.

Mr. Vest stated that there would seem to be a responsibility on the Board to consider whether, if the Court of Appeals decision stands, it would have a case or whether it should try to bring a case which would be effective and practicable in an area of local competition. He also said that the Court did not take issue with the Board's findings that banking competition is a local matter. Mr. Vest felt that, notwithstanding the Court's opinion, if the Board as an administrative agency considered it to be impracticable to bring a case in some area, it would have the administrative authority to make such a decision.

Governor Vardaman stated that the decision of the Third Circuit Court did not seem to furnish any guide for further hearings under section 7 of the Clayton Act in connection with admission of evidence or exclusion of evidence or other matters that had been raised during the Transamerica hearing. He then raised the question with respect to the Court's decision as it might relate to use of the subpoena power, and Mr. Vest stated that the Court made no decision on this point, that the question was left open in view of the fact that the Court had already disposed of the case by reversing the Board's order. Mr. Vest went on to say that if the Supreme Court should review the decision of the Third Circuit Court and send it back to that Court for further consideration, it would be assumed that the Third Circuit Court

7/28/53

-10-

would have to consider and decide the question of use of subpoena before the matter went back to the Board for any further proceedings.

There followed a general discussion covering questions relating to the courses which the Board might pursue and to the steps that would be necessary if it were to request a writ of certiorari. During this discussion, Chairman Martin asked Mr. Vest to state specifically the time available to the Board for taking actions in connection with the decision of the Third Circuit Court.

Mr. Vest stated that if the Board were to request a rehearing, the period for filing such a request would terminate on July 31, 1953, 15 days after the decision was filed. If the Board were to decide to petition for certiorari, such a request must be filed with the Supreme Court by October 14, 1953, i.e., before the expiration of 90 days from the date on which the Third Circuit Court's decision was filed. If the Board were to request certiorari, however, the Solicitor General's Office should be advised of that decision as soon as practicable, Mr. Vest said, in view of the fact that that office would have to review the matter and a brief would have to be prepared.

Chairman Martin stated that he felt the question of requesting a rehearing on the decision of the Third Circuit Court of Appeals could be taken up this morning and he inquired whether any of the members of the Board present felt that such a rehearing should be requested. None of

7/28/53

-11-

the members of the Board who were present indicated that they would favor requesting a rehearing, and there was unanimous agreement with Chairman Martin's statement that this disposed of that question.

There followed a discussion of when a decision should be reached on the question whether the Department of Justice should be asked to petition for a writ of certiorari. Governor Evans stated that he was prepared to make a decision on the question now and that he felt the case should be taken to the Supreme Court.

Governor Vardaman stated that he felt it would be desirable to reach a decision as soon as possible, indicating that he was inclined to favor taking the case to the Supreme Court, not because he disagreed with the decision of the Third Circuit Court on the merits of the case, but because that decision did not furnish a guide for the conduct of hearings in the future under section 7 of the Clayton Act. Governor Vardaman also inquired whether Mr. Vest was prepared to make a recommendation, to which Mr. Vest stated that he was.

Chairman Martin suggested that Mr. Vest submit a memorandum to each member of the Board covering the comments he had made at this meeting regarding the opinion of the Court of Appeals and the courses open to the Board, together with his recommendation. Chairman Martin also suggested that there be a further discussion of the matter at the meeting on Wednesday, August 5, 1953, by which time each member of the Board would have had an

7/28/53

-12-

opportunity to study the memorandum to be submitted by Mr. Vest.

These suggestions were approved
unanimously.

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

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

Minutes of actions taken by the Board of Governors of the Federal Reserve System on July 24 and 27, 1953, were approved and the actions recorded therein were ratified unanimously.

Memorandum dated July 28, 1953, from Mr. Bethea, Director, Division of Administrative Services, recommending personnel actions as follows:

Transfers, effective August 2, 1953

Edward D. Rogers, Messenger in Governor Vardaman's office, to the position of Mimeograph Operator in the Division of Administrative Services, with no change in his present basic salary of \$3,150 per annum, with the understanding that in accordance with the Board's established policy, Mr. Rogers' basic salary would be adjusted from \$3,150 to \$3,032 per annum effective at the beginning of the first pay roll period following the expiration of six months from the effective date of his transfer, provided he was still occupying the position to which he was now transferred or another at the same level.

Henry Tidwell, Cafeteria Laborer, Division of Administrative Services, to the position of Messenger in Governor Vardaman's office, with an increase in salary from \$2,632 to \$2,792 per annum.

Approved unanimously.

7/28/53

-13-

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

"In accordance with the request contained in your letter of July 21, 1953, addressed to Mr. Sloan, the Board approves the designation of W. George Rickel as a special assistant examiner for the Federal Reserve Bank of Chicago."

Approved unanimously.

Letter to Mr. Mangels, First Vice President, Federal Reserve Bank of San Francisco, reading as follows:

"In accordance with the request contained in your letter of July 17, 1953, the Board approves the designation of the following named employees as special assistant examiners for the Federal Reserve Bank of San Francisco:

<u>Head Office</u>	<u>Los Angeles</u>	<u>Seattle</u>
D. C. Adams	R. H. Murray	P. R. Smith
H. J. Maguire		

"Appropriate notations have been made in the Board's records of the names to be deleted from the list of examiners and special assistant examiners.

"It is noted that the name of Charles Robert Klugherz, whose appointment as an assistant examiner was approved by the Board on April 7, 1953, does not appear on the list of assistant examiners. Please advise as to whether or not he is still employed as an assistant examiner."

Approved unanimously.

Letter to Mr. Hodgkinson, Chairman, Federal Reserve Bank of Boston, reading as follows:

"At the completion of the examination of the Federal Reserve Bank of Boston, made as of May 21, 1953, by the Board's examiners, a copy of the report of examination was left for your information and that of the directors. A copy was also left for President Erickson. The Board will appreciate advice that the report has been considered by the Board of Directors.

7/28/53

-14-

"The Board has noted the information on page 17 of the report with respect to the revision of policy allowing the reimbursement of expenses for officers' wives at certain conventions. The Board feels that expenditure of the funds of the Reserve Banks for this purpose would not be proper.

"On page 30 of the report of examination, there is set forth a recommendation that a plan of rotation of key personnel be instituted in the interest of more effective internal controls in the Noncash Collection Department. It is urged that a suitable plan of rotation be instituted at an early date.

"The Board would like to have any comments you may care to offer regarding discussions with respect to the examination, or as to action taken or to be taken as a result of the examination."

Approved unanimously.

Letter to Mr. Francis A. Yost, Cashier, Cicero State Bank, Cicero, New York, reading as follows:

"In response to the request contained in your letter of July 20, 1953, the Board of Governors extends to October 2, 1953, the time within which the Cicero State Bank, Cicero, New York, may accomplish admission to membership in the Federal Reserve System, under the terms and conditions outlined in a letter to your board of directors dated June 4, 1953."

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

Letter to the Peoples National Bank of Jonesboro, Jonesboro, Arkansas, 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 for certain minors under an order of the Chancery Court of Poinsett County,

7/28/53

-15-

"Arkansas, entered as of March 14, 1949, in the case of Emrich vs. Emrich, the exercise of such authority 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 power 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 St. Louis.

Letter to the Comptroller of the Currency, Treasury Department,
Washington, D. C., (Attention: Mr. G. W. Garwood, Deputy Comptroller
of the Currency), reading as follows:

"Reference is made to a letter from your office dated June 2, 1953, enclosing photostatic copies of an application to organize a national bank at Dallas, Texas, under the title of Industrial National Bank of Dallas and requesting a recommendation as to whether or not the application should be approved.

"The Board has received a report of investigation made by a representative of the Federal Reserve Bank of Dallas covering the factors usually considered in connection with such applications. While the report indicates that the proposed capital and management of the bank would be satisfactory, the prospective earnings of the institution appear quite uncertain based upon the experience of other suburban banks in the territory, and there seems to be considerable doubt as to the need for additional banking facilities in the area. In view of these unfavorable factors, the Board does not recommend approval of the application.

"The Board's Division of Examinations will be glad to discuss any aspects of this case with representatives of your office, if you so desire."

Approved unanimously.

7/28/53

-16-

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

"The Board of Governors has received your letter of July 13, 1953, referring to several matters discussed in the report of examination of the Federal Reserve Bank of Kansas City, made as of April 23, 1953, by the Board's examiners.

"The Board appreciates the prompt action taken to designate employees other than members of the Auditing Department as your assistants and representatives at all offices of the Bank in the handling of your function as Federal Reserve Agent, and the steps taken to bring about correction of the situation with respect to differences in the Government Card Checks Section of the Check Collection Department. The Board is pleased to note also that the title of the Auditor was changed to General Auditor effective July 1, 1953, and that consideration is being given to certain changes in nonofficial job titles in the Auditing Department.

"With regard to the matter of strengthening internal controls in the Noncash Collection Department and in the Remittance and Return Items units of the Check Collection Department, it is noted that an effort will be made to work out a suitable plan of rotation of key personnel. It is urged that such a plan be instituted at an early date.

"The Board has noted your comments regarding the expenditures listed on page 21 of the report of examination. It is the Board's view that expenditures of this kind should be very carefully watched by the directors and officers of the Federal Reserve Banks and that they should be kept to a reasonable minimum in accordance with the position set forth in the Board's letter of January 16, 1945 (S-826; FRLS #3137).

"Referring further to the Auditing Department, it is understood that Chief Federal Reserve Examiner Lang discussed with you the fact that the Federal Reserve Bank of Kansas City does not have a regularly constituted Audit Review Committee of the Board of Directors, with continuing membership and holding regularly scheduled meetings for the express purpose of giving attention to the audit function. Although the Executive Committee also acts as an Audit Committee, this arrangement is not felt to provide adequate means of frequent and easy exchange between

7/28/53

-17-

"the General Auditor and the directors as contemplated by the statement of principles adopted by the Chairmen's Conference in October 1942. The Board feels that the establishment of a regularly constituted Audit Review Committee should have the early attention of your Board of Directors."

Approved unanimously.

Letter to Mr. Walter F. Ryan, Clearance Officer, Division of Statistical Standards, Bureau of the Budget, Washington, D. C., reading as follows:

"This refers to your letter of July 21 notifying us of the August 31 expiration date of the approval number assigned to form F. R. 416a, Principal changes in commercial and industrial loans, by industry. There are enclosed two copies of this form and of your form 83 requesting extension of the approval.

"The data obtained on form F. R. 416a were first collected approximately two years ago from about 220 weekly reporting member banks classifying their larger new loans and repayments according to the business of the borrower and purpose of the loan. Originally, this information was collected at the request of the National Voluntary Credit Restraint Committee. Upon the suspension of the Voluntary Credit Restraint program last year, the banks were requested to continue reporting loans and repayments according to the business of the borrower, but reporting of loans and repayments according to purpose of loan was discontinued. There has been no substantial change in coverage since that time.

"It is felt that reports of this type provide valuable information as to the composition of the bank loans and whether the changes in the loan portfolio are apt to be of a short or long-run character. They are the basis of a weekly press release, two copies of which are attached."

Approved unanimously.

7/28/53

-18-

Memorandum dated July 21, 1953, from Mr. Chase, Assistant General Counsel, stating that, under the provisions of section 8(a) of the Federal Deposit Insurance Act as amended, the Federal Deposit Insurance Corporation had cited to the Board the First State Bank of Lynwood, Lynwood, California, a State member bank, for the purpose of obtaining a correction of certain unsafe and unsound banking practices by that institution. The memorandum recommended that the Board allow the full 120 days permitted under the statute as a period within which to obtain correction of the practices or violations cited, and submitted drafts of appropriate letters.

The memorandum was approved
unanimously, together with letters
reading as follows:

Letter to Mr. Earhart, President, Federal Reserve Bank of San Francisco

"Under the provisions of Section 8(a) of the Federal Deposit Insurance Act, as amended, the Board of Directors of the Federal Deposit Insurance Corporation has found that the First State Bank of Lynwood, Lynwood, California, has continued unsafe and unsound practices and violations of law in the conduct of its business, has so advised the Board, and has requested the Board to fix the time in which the bank shall make the necessary corrections and to advise the Corporation of the date upon which the Board notified the bank of the unsafe and unsound practices, and the corrections ordered.

"There is enclosed a letter the Board has addressed to the First State Bank of Lynwood, Lynwood, California, together with two copies thereof, advising of the findings of the Board of Directors of the Federal Deposit Insurance Corporation and fixing November 17, 1953, as the date not later than which the necessary corrections of the practices and violations mentioned shall be effected.

"Please have the enclosed letter, together with a copy of the Federal Deposit Insurance Act, sent by registered mail (return

7/28/53

-19-

"receipt requested) to the First State Bank of Lynwood, Lynwood, California, and advise the Board of the date of receipt.

"One of the copies of the letter to the bank is for your files, and you are requested to forward the other copy to the State Banking Department of the State of California, for its information."

Letter to the First State Bank of Lynwood, Lynwood, California

"Section 8(a) of the Federal Deposit Insurance Act, as amended, reads in part as follows:

'Sec. 8(a) . . . Whenever the Board of Directors shall find that an insured bank or its directors or trustees have continued unsafe or unsound practices in conducting the business of such bank, or have knowingly or negligently permitted any of its officers or agents to violate any provision of any law or regulation to which the insured bank is subject, the Board of Directors shall first give to . . . the Board of Governors of the Federal Reserve System in the case of a State member bank, a statement with respect to such practices or violations for the purpose of securing the correction thereof and shall give a copy thereof to the bank. Unless such correction shall be made within one hundred and twenty days or such shorter period of time as the . . . Board of Governors of the Federal Reserve System . . . shall require, the Board of Directors, if it shall determine to proceed further, shall give to the bank not less than thirty days' written notice of intention to terminate the status of the bank as an insured bank, and shall fix a time and place for a hearing before the Board of Directors or before a person designated by it to conduct such hearing, at which evidence may be produced, and upon such evidence the Board of Directors shall make written findings which shall be conclusive.'

"Pursuant to the statutory provisions above quoted, the Federal Deposit Insurance Corporation has submitted to the Board of Governors of the Federal Reserve System a statement, a copy of which is attached hereto, with respect to continued unsafe and unsound practices and violations of provisions of law occurring at First State Bank of Lynwood for the purpose of securing corrections thereof and of which you will please take notice. You are hereby directed to effect corrections of the unsafe and unsound

7/28/53

-20-

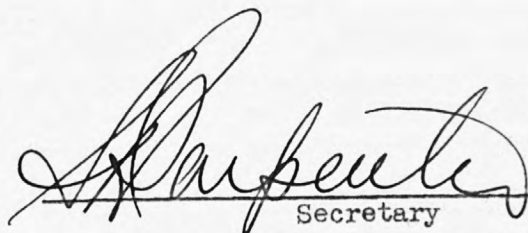
"practices and violations enumerated in the enclosed copy of the statement of the Federal Deposit Insurance Corporation; and the Board of Governors of the Federal Reserve System has fixed the period ending November 17, 1953, as the time within which such corrections shall be effected. You are requested to advise the Federal Reserve Bank of San Francisco on or before that date as to the action which has been taken effecting corrections of the unsafe and unsound practices and violations referred to.

"For your information, there is enclosed a copy of the Federal Deposit Insurance Act and your attention is called to section 8(a) thereof."

Letter to the Federal Deposit Insurance Corporation, Washington, D. C.

"This refers to your letter dated July 15, 1953, in which it is stated that the Board of Directors of the Federal Deposit Insurance Corporation has found that the First State Bank of Lynwood, Lynwood, California, a State member bank, has continued unsafe and unsound practices and violations of law in the conduct of its business. Pursuant to section 8(a) of the Federal Deposit Insurance Act, as amended, your letter enclosed a statement with respect to such practices and violations for the purpose of securing corrections thereof.

"The Board of Governors has today addressed a letter to the bank serving notice regarding the required corrections, and has fixed the period ending November 17, 1953, as the time within which the necessary corrections of the unsafe and unsound practices and the violations of provisions of law recited in your letter may be effected. You will be informed as promptly as possible of any advice which the Board receives as to any action taken by the bank to effect such corrections."


Secretary