

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, October 13, 1953. The Board met in the Board Room at 10:00 a.m.

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

Mr. Carpenter, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Thurston, Assistant to the Board
Mr. Horbett, Assistant Director,
Division of Bank Operations
Mr. Hackley, Assistant General Counsel

Reference was made to discussions at recent meetings of the Board regarding the proposal of the Association of Reserve City Bankers that the form of bank condition report be amended to show as a separate item loans to farmers directly guaranteed and redeemable upon demand by Commodity Credit Corporation, and certificates of interest in such loans.

Governor Robertson stated that an understanding had been reached under which the Comptroller of the Currency would print a new optional memorandum item directly on both the form of condition report for national banks and the publisher's copy; the memorandum item would permit banks at their option to report and publish, either by classes or in an aggregate amount, all loans, certificates of interest, and obligations, or portions thereof, which are fully backed or insured by agencies of the United States Government. No change in the form of State member bank condition report provided by the Board would be made, but the instructions with

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regard to the preparation of the publisher's copy of the condition report would be amended to permit banks at their option to publish the same optional memorandum item as would be printed by the Comptroller of the Currency on the national bank forms; for the convenience of the State member banks a supplement to the publisher's copy would be printed showing the memorandum item. Governor Robertson also stated that since the Federal Deposit Insurance Corporation does not require publication of reports of condition, it was not directly involved in the proposed change in instructions. He added, however, that the Corporation, which furnishes report forms to banking departments in about 35 States, would print copies of the supplemental report and the related instructions and supply them to all State banking departments that might request them.

Governor Robertson said that, having been asked by the Treasury Department, including the Comptroller's Office, to clear the matter with the National Association of Supervisors of State Banks, he talked by telephone on October 9 with Mr. Lynwood K. Elmore, Bank Commissioner of Connecticut and President of the Association, who requested a letter covering the understanding as outlined above. Such a letter was sent yesterday, Governor Robertson said, in which a request was made for the views of the Association as soon as practicable regarding the plans, and in particular the Association's views as to whether there would be any objection to the Federal Reserve Banks' advising State member banks, located in States where arrangements have been made for joint publication, of the

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Proposed optional publishing arrangements.

Governor Robertson suggested that copies of the letter to Mr. Elmore be transmitted to the Presidents of the Federal Reserve Banks with a letter stating that the Reserve Banks would be advised of the views of the National Association of Supervisors of State Banks regarding publishing the proposed optional items under joint publication arrangements.

Governor Robertson's suggestion was approved unanimously.

With further reference to a matter which he discussed at the meeting yesterday, Governor Robertson stated that Mr. William M. Cahill, President of the Newton-Waltham Bank and Trust Company, Waltham, Massachusetts, came to his office yesterday afternoon to discuss the Board's refusal to grant the State member bank permission to establish a branch in the vicinity of the intersection of Watertown and Adams Streets, Newton, Massachusetts. Governor Robertson said that the conversation was a very friendly one and that Mr. Cahill agreed in principle with the reasons for denying the application, although he felt that a hardship would be worked on his bank in this particular case because, with the branch of another bank being established near the proposed location, his bank would lose some business.

Messrs. Horbett and Hackley then withdrew from the meeting.

Chairman Martin referred to a letter dated October 9, 1953, from Mr. Erickson, President of the Federal Reserve Bank of Boston, which

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stated that the directors of the Bank had authorized him to grant Mr. Neal, First Vice President, a leave of absence with pay beginning October 9, 1953, and ending not later than March 1, 1954, so that Mr. Neal might serve as Director of Research of the Commission on Foreign Economic Policy established by the Trade Agreements Extension Act of 1953, as requested by Mr. Clarence B. Randall, Chairman of the Commission, and Secretary of the Treasury Humphrey.

Chairman Martin said that Messrs. Randall and Humphrey had talked with him about obtaining Mr. Neal for this assignment, that he told them the question whether Mr. Neal could be spared from his duties at the Bank was a matter for the directors to decide, that Mr. Humphrey subsequently talked with Mr. Hodgkinson, Chairman of the Bank, that he (Chairman Martin) discussed the matter with President Erickson, and that Mr. Neal, after coming to Washington to discuss the matter, apparently had indicated that he would be willing to accept the assignment.

Chairman Martin said that the work of the Commission on Foreign Economic Policy was of such importance that it would seem desirable for Mr. Neal to accept the assignment as Director of Research if the Reserve Bank's directors felt that he could be spared. In the circumstances, he proposed that the following letter be sent over his signature to President Erickson:

This letter is in acknowledgment of yours of October 9 advising that, with the approval of the Board of Directors

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of your Bank, a leave of absence with pay has been granted to Mr. Neal for the period October 9 to not later than March 1, 1954, to enable him to serve as Director of Research for the Commission on Foreign Economic Policy established by the Trade Agreements Extension Act of 1953.

The Board is pleased that this honor should come to Mr. Neal and that your Directors felt he could be spared from the Bank to undertake the work.

Following a discussion, during which Governor Szymczak joined the meeting, the letter was approved unanimously.

Governor Szymczak stated that he concurred in the approval of Governor Robertson's suggestion made earlier in this meeting with respect to the method of reporting in call reports of condition the proposed certificates of interest to be issued under the Commodity Credit Corporation program.

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

Minutes of actions taken by the Board of Governors of the Federal Reserve System on October 12, 1953, were approved unanimously.

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

In accordance with the recommendation contained in your letter of September 30, 1953, the Board of Governors extends to December 12, 1953, the time within which the Savannah Bank & Trust Company of Savannah, Savannah, Georgia, may establish a branch at the intersection of

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Skidaway Road and Victory Drive in the city of Savannah, Georgia, under the approval given by the Board in its letter of February 12, 1953.

Approved unanimously.

Letter to the Comptroller of the Currency, Treasury Department, Washington, D. C., (Attention: Mr. L. A. Jennings, Deputy Comptroller of the Currency) reading as follows:

Reference is made to a letter from your office dated August 6, 1953, enclosing photostatic copies of an application to organize a national bank at Lake Placid, Florida, and requesting a recommendation as to whether or not the application should be approved.

We have received a report of investigation of the application made by the Federal Reserve Bank of Atlanta setting forth information with respect to the factors usually considered in connection with such applications. This information indicates that the proposed capital structure of the bank may be somewhat weak but that the proponents will provide more capital if necessary; that the management is barely acceptable; and that while the bank would be a convenience to the inhabitants of Lake Placid and the surrounding area, there is considerable doubt that the community could support a bank at this time. Under these circumstances, the earnings prospects of the institution are regarded as poor also. After considering these unfavorable factors, the Board of Governors does not feel justified in recommending 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.



Secretary