

12/4/53 Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, December 4, 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. Thurston, Assistant to the Board  
 Mr. Riefler, Assistant to the Chairman  
 Mr. Leonard, Director, Division of Bank Operations  
 Mr. Vest, General Counsel  
 Mr. Young, Director, Division of Research and Statistics  
 Mr. Chase, Assistant General Counsel

There was presented a request that Mr. Goodman, Assistant Director, Division of Examinations, be authorized to travel to New York, New York, at various times during a period of approximately five weeks beginning December 6, 1953, to conduct examinations of Bank of America, Bankers Company of New York, International Banking Corporation, and Morgan & Cie., Inc., all of New York, New York.

Approved unanimously.

In accordance with the understanding at the meeting on December 1, 1953, further consideration was given to the proposal of the Federal Reserve Bank of Cleveland to construct a security court for the Cincinnati Branch in space to be leased in a public garage located across an

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alley at the rear of the branch building.

Following a discussion of the need for the security court, the adequacy of the present building for branch operations, and the possibility of a decision to move the branch quarters to another location in Cincinnati at some time in the future, unanimous approval was given to a letter to Mr. Fulton, President of the Cleveland Reserve Bank, reading as follows:

The Board has considered the proposal of the Reserve Bank to rent space in the public garage at the rear of the Cincinnati Branch to provide a security court for the branch, as outlined in Mr. Thompson's letter of October 2. The Board has no objection to the program so outlined, and authorizes the expenditure of approximately \$100,000 for the necessary alterations.

Mr. Thompson's letter requests a ruling as to whether the alterations would be considered an addition to the branch "building proper" and thus come within the limitation of \$30,000,000 contained in Section 10 of the Federal Reserve Act.

Without undertaking to rule finally on the point, the Board considers that, for the time being at least, the alterations should be regarded as building construction, with that portion coming under the "building proper" formula subject to the statutory limitations.

Reference was made to the action of the Supreme Court of the United States on November 30, 1953, denying the petition for a writ of certiorari, filed by the Department of Justice on October 14, 1953, to review the decision of the Court of Appeals for the Third Circuit which set aside the Order entered by the Board of Governors under date of March 27, 1952, in its proceeding against Transamerica Corporation.

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At the request of the Board, Mr. Vest discussed the possible courses of action which might be followed, stating that on the basis of discussions with representatives of the Department of Justice, Mr. O'Keefe, Assistant Counsel of the Federal Reserve Bank of New York, and others who had been interested in the proceeding, it appeared that there was room for difference of opinion as to whether it would be possible for the Board to proceed further in this matter. Mr. Vest pointed out, however, that any further action in this proceeding presumably would have to be taken in the light of the decision of the Court of Appeals, which would mean that the Board would have a difficult, if not impossible, task in view of the principles set forth in the court decision. In any event, he considered the possibility of further action sufficiently doubtful to recommend against attempting to proceed further.

If the Board felt that it would be advisable to discontinue further action in the case, Mr. Vest said that the Legal Division, after consulting the Department of Justice and others, was of the opinion that from a technical standpoint it was not essential for the Board to do anything to close the case. However, if the Board wished make a public statement of its decision, he felt that it would be appropriate to issue a brief announcement saying that the Board had decided that no further action would be taken in this proceeding.

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Mr. Vest also discussed the situation resulting from the court order which was handed down in June 1950 enjoining Bank of America National Trust and Savings Association from acquiring the assets of 21 banks controlled by Transamerica Corporation and establishing branches at those locations. He pointed out in this connection that according to its language, the injunction was to remain in effect until after final determination by the Board of Governors of the proceeding against Transamerica Corporation. However, while the Comptroller of the Currency had granted permission for the branches in question in 1950 and such permission had not been revoked, it would be necessary under section 18(c) of the Federal Deposit Insurance Act, which was passed subsequently, for Bank of America National Trust and Savings Association to obtain a further permission from the Comptroller's Office for the take-over of these banks and establishment of the branches. It was possible, Mr. Vest thought, that Transamerica would like to have formal action by the Board terminating the Clayton Act proceeding against it, in order that Bank of America could be sure that it was not violating any court order if it should obtain permission from the Comptroller's Office to take over the banks and establish branches; but no such request from Transamerica had been received and he felt that a public announcement by the Board, although not necessary, would be adequate and appropriate from the Board's standpoint at this time.

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In response to an inquiry by Chairman Martin, Mr. Chase stated that his views were the same as those expressed by Mr. Vest.

There followed a discussion of the question whether a statement should be issued by the Board and the content of such a statement, during the course of which Governor Robertson suggested that the staff be requested to prepare a draft of statement for the Board's 1953 Annual Report which would explain to the Congress the exact nature of the situation with respect to a proceeding against a bank holding company under the Clayton Act and make clear the obstacles against proceeding under that Act. Agreement was expressed with regard to Governor Robertson's suggestion, it being proposed that the Board might consider the draft with a view to deciding whether it should be submitted to the Congress in advance of publication of the Annual Report.

At the conclusion of the discussion, unanimous approval was given to a statement for the press, dated today for immediate release, and reading as follows:

On November 30, 1953, the Supreme Court of the United States denied the petition for certiorari to review the decision of the Court of Appeals for the Third Circuit which set aside the order entered by the Board of Governors in its proceeding against Transamerica Corporation under the Clayton Antitrust Act. In the circumstances, the Board of Governors has decided that no further action will be taken in this proceeding.

Mr. Chase then withdrew from the meeting and Messrs. Allen, Director, Division of Personnel Administration; Noyes, Assistant Director, Division of Research and Statistics; Fauver, Assistant to Mr. Thurston;

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Farrell, Chief, Reserve Bank Budget and Expense Section, Division of Bank Operations; and Massey, Technical Assistant, Division of Bank Operations, entered the room.

In accordance with the procedure for handling the 1954 Federal Reserve Bank budgets which was approved by the Board on August 5, 1953, Governor Evans had transmitted to the other members of the Board by memorandum dated November 24: (1) a summary of the budgets, including separate summaries of the budgets for the research and statistical, bank and public relations, and personnel functions, and (2) a reference volume comprising a detailed factual analysis of the budgets.

Consideration of the budgets was prefaced by a discussion, at the request of Chairman Martin, concerning the authority of the Board to approve or disapprove the payment of compensation to Reserve Bank officers and employees and to approve or disapprove other Reserve Bank expenditures. This included a discussion of the power of the Board to remove officers of Federal Reserve Banks and also of the responsibilities of the Federal Reserve Bank boards of directors and of the Board of Governors with respect to preparing and passing upon the Reserve Bank budgets. In the latter connection, reference was made to reasons why the Board up until last year had accepted rather than approved the Federal Reserve Bank budgets.

Following statements by Messrs. Leonard and Farrell concerning the proposed Federal Reserve Bank budgets, including a comparison with

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expenses of the Reserve Banks for the year ended June 30, 1953, and previous periods, it was understood that further consideration would be given to the budgets at another meeting of the Board.

There were presented telegrams to the Federal Reserve Banks of New York, Philadelphia, Atlanta, Chicago, St. Louis, and Kansas City stating that the Board approves the establishment without change by the Federal Reserve Bank of St. Louis on November 30 and by the Federal Reserve Banks of New York, Philadelphia, Atlanta, Chicago, and Kansas City on December 3, 1953, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

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 December 3, 1953, were approved unanimously.

Memoranda from appropriate individuals concerned recommending salary increases effective December 6, 1953, as follows:

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
	<u>Office of the Secretary</u>		
John C. Brennan, General Assistant		\$6,125	\$6,250
	<u>Legal Division</u>		
Walter H. Young, Assistant Counsel		9,800	10,000

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<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Research and Statistics</u>			
Alice Swindlehurst, Statistical Assistant		\$4,545	\$4,705
<u>Administrative Services</u>			
William R. McDonald, Clerk		3,335	3,415
Anna E. Imhoff, Cook		3,070	3,150
Lydia M. Adwell, Cafeteria Helper		2,770	2,840

Approved unanimously.

Memorandum dated December 1, 1953, from Mr. Carpenter, Secretary of the Board stating that Madison P. Coe, Senior Index Clerk in the Office of the Secretary, has submitted his application for retirement under the Board Plan of the Federal Reserve Retirement System, effective January 1, 1954.

Noted.

Memorandum dated December 2, 1953, from Mr. Sloan, Director, Division of Examinations, recommending that Harry J. Meyer, an examiner for the Federal Reserve Bank of New York; Albert C. Chase, Harvey Fleetwood, and Benedict Rafanello, assistant examiners for the Federal Reserve Bank of New York; Frank X. Kayser, a special assistant examiner for the Federal Reserve Bank of New York; and Robert J. Hochstatter, an assistant examiner for the Federal Reserve Bank of Chicago, be appointed by the

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Board of Governors as examiners for the purpose of participating in an examination of Bank of America, New York, New York, a corporation organized under section 25(a) of the Federal Reserve Act. The memorandum also recommended that the Federal Reserve Bank of Chicago be reimbursed for the expenses incurred by Mr. Hochstatter in traveling from Chicago, Illinois, to Washington, D. C., New York, New York, and return to Chicago in accordance with that Bank's policy of reimbursing its employees for such expenditures. The memorandum noted in this connection that in accordance with the Board's action on April 27, 1951, regarding the cost of examinations of foreign banking corporations organized under section 25(a) of the Federal Reserve Act, examinations of Bank of America are made on a reimbursable basis covering the actual cost of transportation of the Board's examiners and allowable expenses incident to such transportation, plus subsistence and other necessary allowable expenses.

Approved unanimously.

Letter to Mr. Quackenbush, Manager, Bank Examinations Department, Federal Reserve Bank of New York, reading as follows:

Reference is made to your letter of November 30, 1953, transmitting the request of the Manufacturers and Traders Trust Company, Buffalo, New York, for an extension of time in which to establish a branch at 65 Broad Street, Tonawanda, New York.

In accordance with your recommendation, the Board extends to February 23, 1954, the time within which the Manufacturers and Traders Trust Company may establish a branch at 65 Broad Street, Tonawanda, New York.

Approved unanimously.

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Letter to Mr. McCreedy, Vice President, Federal Reserve Bank of Philadelphia, reading as follows:

This refers to your letter of December 1, regarding the penalty of \$55.60 incurred by the First National Bank, Claysburg, Pennsylvania, on a deficiency in its reserves for the period ended October 31.

It is noted that the deficiency was the result of an extraordinarily large amount of group clearings items received by the subject bank on Friday, October 23, which were simultaneously charged against its reserve account; that steps were taken immediately to restore its reserves, with the result that the account was at its usual level on Monday, October 26, but that this did not provide a sufficient amount to offset a three-day deficiency over the week end, when the bank could make no adjustment in its reserves; and that the bank has not had a reserve deficiency since May 1948.

In the circumstances, the Board authorizes your Bank to waive the assessment of the penalty in this case.

Approved unanimously.

Letter to Mr. Peterson, Vice President, Federal Reserve Bank of St. Louis, reading as follows:

This is to acknowledge receipt of your letter of November 20, 1953, enclosing copies of a recent order of the Department of Bank Supervision of the State of Mississippi, fixing maximum interest rates on time and savings deposits to become effective on January 1, 1954. It is noted that this order prescribes a maximum rate of interest of 1-1/2 per cent for savings deposits and time certificates of deposit with maturities of 6 months and a maximum rate of 2 per cent for time certificates of deposit with maturities of 12 months. It is understood that the present maximum rate is 1 per cent for all time and savings deposits.

It will be recalled that when maximum interest rates on deposits were prescribed by an order of the State Comptroller of Mississippi in January 1945, a copy of the Comptroller's order was sent by him to every bank in the State of Mississippi; and it is assumed that a copy of the new order will likewise be sent to all banks in the State. If it should

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develop, however, that this is not the case, it is suggested that you may wish to advise all member banks in the State of Mississippi within your district that, as the result of the new order of the Department of Bank Supervision, the maximum rates payable by national banks and other member banks in Mississippi after January 1, 1954, will be those prescribed by the Department's order.

Approved unanimously, together with a letter to Mr. Bryan, President of the Federal Reserve Bank of Atlanta, reading as follows:

For your information, there is enclosed a copy of a letter addressed to Mr. William E. Peterson, Vice President, Federal Reserve Bank of St. Louis, regarding the recent action of the Department of Bank Supervision of the State of Mississippi fixing maximum interest rates on time and savings deposits effective January 1, 1954. As indicated in that letter, it is assumed that a copy of the Department's order will be furnished to every bank in the State; but if this should not be the case, it is suggested that you may wish to advise all member banks in the State of Mississippi within your District that as a result of this order the maximum rates of interest payable by national banks and other member banks in Mississippi after January 1, 1954, will be those prescribed by the Department's order.

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

In accordance with the request contained in your letter of November 27, 1953, addressed to Mr. Sloan, the Board approves the appointment of Charles L. Childers, at present an assistant examiner, as an examiner for the Federal Reserve Bank of Dallas, effective January 1, 1954.

If the appointment is not made effective January 1, 1954, as planned, please advise the Board.

Approved unanimously.

Telegram to Mr. Wilbur, Chairman, Federal Reserve Bank of San Francisco, authorizing him to issue a limited voting permit, under the

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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 Los Altos, Los Altos, California, at any time prior to March 1, 1954, 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.

Letter to the Board of Directors, Bank of Las Vegas, Las Vegas, Nevada, stating that, subject to conditions of membership numbered 1 and 2 contained in the Board's Regulation H, and the following special condition, the Board approves the bank's application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of San Francisco, effective if and when the bank is authorized to commence business by the appropriate State authorities:

3. At the time of admission to membership, such bank shall have a paid-up and unimpaired capital stock of not less than \$250,000 and other capital funds of not less than \$75,000.

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The letter also contained the following special paragraph:

It appears that the bank will possess certain powers which are not required in the conduct of a banking business, such as the power to promote and guarantee any issue of stock. The Board understands that the bank does not intend to exercise any powers or functions other than those usual to commercial banking, and membership in the Federal Reserve System is approved upon this understanding. Attention is invited to the fact that if the bank desires, at a later time, to exercise any powers other than those usual to commercial banking, it will be necessary, under condition of membership numbered 1, to obtain the permission of the Board of Governors before exercising them.

Approved unanimously, for transmittal through the Federal Reserve Bank of San Francisco, together with a letter to Mr. Earhart, President of the Reserve Bank, containing the following paragraph:

It is noted that five directors are provided for in the bank's Articles of Incorporation, whereas the memorandum accompanying the application states that the board will consist of seven directors. It is suggested that this matter be called to the bank's attention in order that appropriate steps be taken to provide for the increase in number of directors if the bank has not already done so.

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

Reference is made to a letter from your office dated September 9, 1953, enclosing photostatic copies of an application to organize a national bank at Plant City, 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 an examiner for the Federal Reserve Bank

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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 if the volume of business anticipated by the proponents is attained and if a substantial investment in fixed assets becomes necessary in order to obtain a desirable business location; that earnings prospects are only fair; that satisfactory arrangements have not been made for active management of the bank; and that a pressing need for additional banking facilities is not apparent. It is stated, however, that a bank would probably afford an added convenience to the community. After considering these unfavorable factors, the Board of Governors does not feel justified in recommending approval of the application at this time.

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.

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

Reference is made to a letter from your office dated November 3, 1953, with respect to the amended application to organize University National Bank of Peoria, Peoria, Illinois, and requesting advice as to whether or not the proposed changes in the application would in any manner affect the previous favorable recommendation made to your office by the Federal Reserve Bank of Chicago.

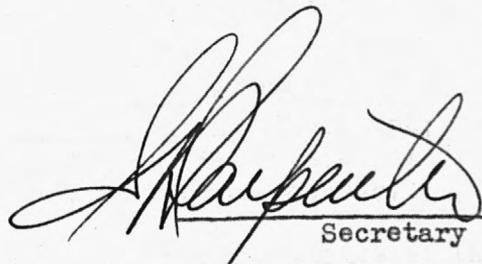
According to information received from the Federal Reserve Bank of Chicago, the original plan for organization of the bank has been changed to the extent that no business trust or holding company is involved. We have been advised also that the new organizers included on the amended application are regarded favorably. The Federal Reserve Bank of Chicago does not feel that the changes in the application to organize the University National Bank of Peoria would affect the previous recommendation made to your office, and the Board of Governors concurs in that conclusion.

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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