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

PRESENT: Mr. Szymczak, Acting Chairman  
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. Thomas, Economic Adviser to the Board  
Mr. Vest, General Counsel  
Mr. Young, Director, Division of Research and Statistics

Governor Robertson presented for consideration an application by City Bank, Detroit, Michigan, submitted through the Federal Reserve Bank of Chicago, for permission to establish a branch in the vicinity of Gratiot Avenue and Eight Mile Road in Detroit, Michigan. The recommendation of the Reserve Bank, as stated in a memorandum transmitted by Vice President Diercks with his letter of December 2, 1953, was for favorable action on the application, provided City Bank's capital structure was increased by the sale of additional capital stock in an amount not less than \$750,000.

After stating that prompt action on the application was desired by the member bank because the site of the proposed branch was held in

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an estate involving eight heirs and a delay might interfere with the plans for the branch, Governor Robertson discussed the matter and said that the factors usually considered in connection with branch applications pointed to favorable action except for the bank's undercapitalized position. He regarded \$750,000 as the bare minimum of new capital which should be injected and pointed out that to provide a one-to-six ratio between capital and risk assets (secondary computation) the bank would need approximately \$2,166,000 additional capital. Governor Robertson pointed out, on the other hand, that since a change in the top management of the bank was effected in July of this year, more conservative lending policies had been followed and it appeared that continued improvement in the handling of the loan portfolio might be expected. Taking all factors together, including the competitive banking situation in Detroit, which is a branch banking community, Governor Robertson felt that the proposed branch should not be approved until additional capital had been provided, that \$750,000 would be a minimum requirement, and that the bank's management should be urged to provide a much larger amount of new capital so that the capital structure of the institution might be clearly adequate. In response to a question by Governor Mills, Governor Robertson stated that apparently it would take several months to establish the branch, so that a condition requiring that the bank's capital structure must be increased by not less than \$750,000 prior to the opening of the branch would allow time to accomplish the sale of additional capital stock.

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Following a discussion, unanimous approval was given to a letter to the Board of Directors of City Bank, for transmittal through the Federal Reserve Bank of Chicago, in the following form:

Pursuant to your request submitted through the Federal Reserve Bank of Chicago, the Board of Governors approves the establishment and operation of a branch in the vicinity of Gratiot Avenue and Eight Mile Road in Detroit, Michigan, by City Bank, Detroit, Michigan, provided (a) that prior to opening of the branch the capital structure of City Bank is increased by not less than \$750,000 through the sale of additional capital stock, and (b) the branch is established within six months after the date of this letter.

The Board feels that the \$750,000 of new capital funds to be provided is a bare minimum and that a much larger amount would seem to be needed to place the bank in a clearly adequate capital position. It is hoped that the management of the bank will make its plans for additional capital with that view in mind.

There was a discussion of developments in the Government securities market, and of problems involved in the management of the System Open Market Account, during the course of which Governor Mills left the meeting to keep another appointment.

At the conclusion of the discussion the meeting adjourned. During the day the following additional actions were taken by the Board with all of the members except Chairman Martin present:

Minutes of actions taken by the Board of Governors of the Federal Reserve System on December 9, 1953, were approved unanimously.

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

In accordance with the recommendation contained in your letter of December 4, 1953, the Board approves the designation of Donald L. Henry as a special assistant examiner for the Federal Reserve Bank of St. Louis.

Approved unanimously.

Letter to the Board of Directors, Security Trust & Savings Bank of San Diego, San Diego, California, reading as follows:

The Board of Governors of the Federal Reserve System approves the application of the Security Trust & Savings Bank of San Diego, San Diego, California, for permission to establish and operate a branch in Vista, San Diego County, California, provided such branch is established within six months from the date of this letter.

Approved unanimously, together with the following letter to Mr. Earhart, President of the San Francisco Reserve Bank:

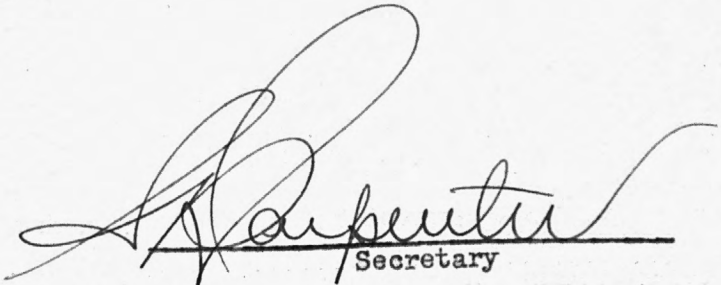
Reference is made to your letter of November 19, 1953, transmitting the request of the Security Trust & Savings Bank of San Diego, San Diego, California, for reconsideration of its application to establish a branch in Vista, California.

After careful consideration of all of the information you have submitted with respect to this application and in view of your representations and that of the State Banking Department that a definite need exists for additional banking facilities in Vista, the Board of Governors has approved the application as indicated in the enclosed letter addressed to the Board of Directors of the Security Trust & Savings Bank of San Diego. Please forward this letter to the bank, a copy of which is enclosed for your files.

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It is understood that Counsel for the Reserve Bank will review and satisfy himself with respect to all steps taken in establishing this branch.

  
Secretary

Minutes of the Board of Directors of the Federal Reserve Bank of Cleveland, December 10, 1953, at the regular meeting held at the Federal Reserve Bank of Cleveland, Ohio, at 10:00 A.M. The Board of Directors of the Federal Reserve Bank of Cleveland, Ohio, met on December 10, 1953, at the regular meeting held at the Federal Reserve Bank of Cleveland, Ohio, at 10:00 A.M. The meeting was held in accordance with the existing schedule.

Telegram to Mr. ...  
Emergency, ...  
Meeting on December ...  
Board of Directors ...  
recommended you direct ...  
Federal Reserve Bank ...  
starting January 1, 1954 ...  
assistance by calling ...