

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, December 17, 1953. The Board met in the Board Room at 9:30 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. Thomas, Economic Adviser to the Board
Mr. Vest, General Counsel
Mr. Young, Director, Division of Research and Statistics
Mr. Marget, Director, Division of International Finance
Mr. Allen, Director, Division of Personnel Administration
Mr. Chase, Assistant General Counsel
Mr. Dembitz, Assistant Director, Division of International Finance
Mr. Grimwood, Economist, Division of International Finance

Mr. Marget made a report on the study of the Austrian banking structure in which he and Mr. Grimwood participated, at the request of the Federal Government of Austria and the Foreign Operations Administration, pursuant to the authorization given by the Board on August 7 and 18, 1953.

Following a discussion based on this report, Messrs. Marget, Dembitz, and Grimwood withdrew from the meeting and Mr. Farrell, Chief, Reserve Bank Budget and Expense Section, Division of Bank Operations, entered the room.

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Mr. Vest said that Mr. Gerhard A. Gesell, Counsel for Transamerica Corporation, called him on the telephone recently with regard to the press statement issued by the Board on December 4, 1953, concerning the Clayton Act proceeding against Transamerica Corporation and stated that the Corporation would like to have the Board formally dismiss the complaint. Mr. Gesell gave as a reason that the Corporation has to send to the Securities and Exchange Commission certain reports in which outstanding litigation is listed, and the Corporation, therefore, would like to be certain that the Board's proceeding was no longer outstanding. Although nothing was said by Mr. Gesell, Mr. Vest presumed that another reason for the request was that the injunction issued in June 1950 enjoining Bank of America National Trust and Savings Association from acquiring the assets of 21 banks controlled by Transamerica and establishing branches at those locations was by its terms to remain in effect until after final determination by the Board of the proceeding against Transamerica. Mr. Vest said he told Mr. Gesell that he would present the matter to the Board for consideration.

Mr. Vest said he did not think the order was necessary from the standpoint of the Board, but that from the standpoint of Transamerica there might be some reason to have the order on the record as confirmation of the press statement issued by the Board. In the circumstances, he recommended that the Board adopt such an order. Mr. Chase agreed with the views expressed by Mr. Vest.

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Following discussion of the matter, unanimous approval was given to an Order Dismissing Complaint, as follows:

UNITED STATES OF AMERICA
BEFORE THE
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
In the Matter of)
TRANSAMERICA CORPORATION)

ORDER DISMISSING COMPLAINT

The Order of the Board of Governors of the Federal Reserve System issued in this cause on March 27, 1952, directing Transamerica Corporation to cease and desist from violating section 7 of "An Act To supplement existing laws against unlawful restraints and monopolies, and for other purposes" (38 Stat. 731, 15 U.S.C. § 18) and to divest itself of all capital stock in certain named banks, having been set aside on July 16, 1953 by the United States Court of Appeals for the Third Circuit; and the Supreme Court of the United States having on November 30, 1953 denied a petition by the Board of Governors for a writ of certiorari to review the judgment of the Court of Appeals for the Third Circuit:

Upon consideration of all the circumstances, IT IS ORDERED that the Complaint in this cause dated June 24, 1948, as amended July 19, 1949, be and the same is hereby dismissed.

This 17th day of December, 1953.

By the Board.

(SEAL)

(Signed) S. R. Carpenter
S. R. Carpenter
Secretary.

Messrs. Vest and Chase then withdrew from the meeting.

Chairman Martin stated that Mr. Parten, Chairman of the Federal Reserve Bank of Dallas, had told him that he would be willing to continue to serve as Chairman of the Bank until final action was taken with respect to the selection of a President of the Bank.

Thereupon, it was voted unanimously to redesignate Mr. Parten as Chairman and Federal Reserve Agent at the Federal Reserve Bank of Dallas for the year

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1954 and to fix his compensation as such on the same basis as approved for 1953. It was also voted unanimously to reappoint Mr. Robert J. Smith as Deputy Chairman at the Dallas Bank for the year 1954 and to reappoint Mr. Hal Bogle as a Class C director of the Bank for the three-year term beginning January 1, 1954.

Pursuant to the understanding at the meeting on December 14, 1953, there had been sent to the members of the Board prior to this meeting copies of a revised draft of letter to the Presidents of the Federal Reserve Banks concerning the 1954 budgets submitted by the Banks.

During the course of a discussion of the proposed letter, Governor Mills withdrew from the meeting to keep another appointment and Messrs. Riefler, Thomas, Young, and Allen also withdrew.

At the conclusion of the discussion, during which several suggestions as to changes in the draft of letter were offered, Chairman Martin suggested that the letter be revised in the light of the comments made at this meeting and sent when in a form satisfactory to Governor Evans and Mr. Thurston.

Chairman Martin's suggestion was approved unanimously. Pursuant to this action, the following letter, with appropriate words inserted in each case, was sent over the Chairman's signature to the President of each Federal Reserve Bank under date of December 18, 1953:

This refers to the 1954 budget of your Bank, which was submitted with Mr. _____ letter of _____, 1953.

The Reserve Bank budgets for 1954 total about \$140 million. This is \$8 million over expenses for the 12 months ended June 30, 1953, and \$3 million over the budgets for the calendar year 1953. Both increases would be considerably larger were it not for the contemplated reduction in 1954 of between \$4 and \$5 million in the cost of printing, shipping and redeeming Federal Reserve currency.

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Determined efforts are being made to reduce expenditures and achieve more economy throughout the System. The Board's own 1954 budget, as originally proposed, showed a ten per cent increase over 1953. The Board ordered a restudy of the 1954 proposals. The review of the various items resulted in deferments of certain projects and other curtailments of expenses which will offset the effect of normal salary adjustments and other unavoidable increases. The restudy brought about a reduction of the original proposals of every Division of the Board and a budget total for 1954 that is approximately the same as that approved for 1953. The Board hopes that each Federal Reserve Bank will also be able to effect material reductions in its proposed budget for 1954 after a similar reexamination.

Some significant savings should result from, for example, reappraisal of the necessity for and desirability of certain activities in the bank relations field -- particularly the bank visitation program and publications issued; reappraisal of discretionary projects and programs in the fields of research and statistics, and personnel administration -- including continued questioning of personnel requirements; the deferment of purchases of furniture and equipment wherever possible without adverse effect on the efficiency of operations; and special attention to all operations where costs seem high or trends unfavorable. The Board is not questioning individual budgetary items or suggesting amounts of reductions, as it believes that the directors and officers of the Banks are in a position to determine where reductions can be made.

Federal Reserve Bank expenses were discussed by the Board with the Chairmen and the Presidents during their recent Conferences. In the light of those discussions and of this letter, the Board requests that each Federal Reserve Bank reconsider its 1954 budget to determine what reductions are feasible and submit a revised budget by March 1, 1954. Pending consideration of the revised budgets, the Board accepts, for operating purposes, the budgets as originally submitted. The Board requests, however, that any savings indicated by the budget review be put into effect as soon as possible, that all proposals involving controllable expenditures be carefully reconsidered, and that all new projects be deferred until the Board has reviewed the revised budgets.

A copy of this letter is being forwarded to the Chairman of your Bank.

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In connection with the foregoing action, the following letter, with appropriate words inserted, was sent over the Chairman's signature to the Chairman of each Federal Reserve Bank on the same date:

Enclosed is a copy of the letter regarding the 1954 budget of the Federal Reserve Bank of _____ which is being forwarded to President _____ today.

It is recognized that the reconsideration of the budget, which is requested in the attached letter, will impose an additional work load on the Bank and its Directors. It is hoped, however, that the review will result in some worth-while savings, and your cooperation toward this end is requested.

If you have any questions regarding this matter which you wish to discuss with the Board of Governors, we will be happy to meet with you at any mutually convenient time.

There was presented a draft of telegram to the Presidents and Assistant Federal Reserve Agents at all Federal Reserve Banks reading as follows:

In view of Government half holidays on Thursday, December 24 and Thursday, December 31, and to avoid release to the press on a nonpublishing date for many regular users, procedure outlined below will be followed with respect to issuance of Board's weekly statements, Condition of the Federal Reserve Banks and Condition of Weekly Reporting Member Banks in Central Reserve Cities:

1. Weekly condition statement of the Federal Reserve Banks will be issued Wednesday, December 23 and Wednesday, December 30 as of the preceding day. Form F. R. 34 and Form F.R. 5 wires should, accordingly, be submitted for December 22 and December 29. Form 34 and Form 5 wires for December 23 and December 30 also should be submitted December 24 and December 31, respectively. In condition statements for December 22, December 29, and January 6, items will be compared with figures for previous Wednesday in each case. The December 23 and December 30 figures will be used in Federal Reserve Bulletin.

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2. Board's weekly statement of condition of weekly reporting member banks in central reserve cities for December 23 will be issued on December 28 and for December 30 on January 4.

The Washington office of the Leased Wire System will be open all day December 24 and December 31, and the clearing for both dates will be conducted as usual.

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 16, 1953, were approved unanimously.

Memorandum dated December 11, 1953, from Mr. Young, Director, Division of Research and Statistics, recommending that the resignation of Jeanine O'Shields, Clerk-Typist in that Division, be accepted effective December 16, 1953.

Approved unanimously.

Letters to the Board of Directors, Farmers and Merchants American Bank of Long Beach, Long Beach, California, and the Board of Directors, Farmers and Merchants Bank of East Long Beach, Long Beach, California, stating, in each case, 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 banks application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of San

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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 \$500,000 and other capital funds of not less than \$750,000.

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

Letter to the Presidents of all Federal Reserve Banks reading
as follows:

It is desired that the regular annual reports of holding company affiliates on Form F. R. 437 be obtained for the year ending December 31, 1953, or for the holding company affiliate's latest fiscal year if it differs from the calendar year. Accordingly, please request each holding company affiliate which has its principal executive office in your district, and which holds a general voting permit, to file such a report in duplicate with your Bank not later than February 1, 1954. However, if the annual audit of any such holding company affiliate by public accountants has not been completed by that date, the holding company may, if it so desires, await the completion of the audit, provided that its report to the Board is filed as soon as practicable thereafter.

Please inform us as to the number of copies of Form F. R. 437 which your Bank will need, in excess of its present stock, in obtaining the reports of holding company affiliates in your district. The form has not been revised.

It is requested that the annual reports of the holding company affiliates for 1953 be obtained and processed by your Bank in the same manner as the previous annual reports of holding company affiliates. This contemplates that one copy of each report will be forwarded to the Board immediately after receipt by your Bank, to be followed as soon as practicable by such additional data and explanations as you may find it necessary to obtain from the respective holding company affiliates to complete or correct their reports. It is contemplated also that, when your Bank has analyzed and reviewed the reports of examination by the supervisory authorities of the banks and their affiliated

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organizations in each group, and has completed the review of each report filed by a holding company affiliate, a copy of the memorandum relating to the review will be forwarded to the Board, together with any recommendations, comments, or suggestions which you may have regarding each case.

Approved unanimously.

Letter for the signature of the Chairman to the Honorable Albert B. Maris, Chairman, Committee on Revision of the Laws of the Judicial Conference of the United States, 2070 United States Courthouse, Philadelphia, Pennsylvania, reading as follows:

We have given further thought to the draft of an amendment to existing statutes with respect to the review and enforcement of orders of administrative agencies by the United States courts of appeals which was enclosed with your letter of November 4, 1953, and we think the suggested amendment is very desirable.

The proposal would affect this Board only in connection with section 11 of the Clayton Act (15 U.S.C. 21), and in connection with section 25 of the Securities Exchange Act of 1934 (15 U.S.C. 78y) which is made applicable by section 8(a) of that Act (15 U.S.C. 78h) to certain proceedings by the Board. Although the question of when the jurisdiction of the courts of appeals would attach under section 11 of the Clayton Act has never come up, decisions under section 10 of the Nation Labor Relations Act, 49 U.S.C. 160, would indicate that jurisdiction does not attach until the transcript is filed (in re Labor Board, 304 U.S. 486 (1938); N.L.R.B. v. Friedman, 83 F. 2d 731, 733 (2d Cir. 1936); Paris v. N.L.R.B., 100 F. 2d 197 (3d Cir. 1938), cert. denied, 306 U.S. 645 (1939); Standard Oil Co. v. N.L.R.B., 114 F. 2d 743, 744 (8th Cir. 1940); Ford Motor Co. v. Labor Board, 305 U.S. 364 (1939)), and that lack of jurisdiction cannot be waived or overcome by agreement of the parties. (Mitchell v. Maurer, 293 U.S. 237, 244) This delay in the time when jurisdiction attaches might, in some circumstances, cause inconvenience or confusion (Avon Dairy Co. v. Eisaman, 69 F. Sup. 500), because the mere bulk of some of the records might cause delay in filing. During the interim the court might be powerless even to order the record sent up. See In Re Labor Board, 304 U.S. 486, 494.


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If section 11 of the Clayton Act is to be amended to fix jurisdiction of the courts on the filing of the petition, it would seem that the Committee should also give consideration to the amendment or elimination of the last sentence of the second paragraph of section 11. That sentence provides that until the transcript is filed the Board may at any time modify or set aside any order made by it under that section. With jurisdiction already in a court of appeals, retention of that sentence suggests a possible conflict of jurisdiction.

I should mention the fact that our experience under section 11 is limited, because we have had only one case under that section (the Transamerica case, in which the Supreme Court recently denied a petition for certiorari). We have had no cases under section 25 of the Securities Exchange Act of 1934. However, I trust that these comments may be of some assistance to your Committee.

Approved unanimously.


Secretary