

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, January 7, 1954. 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. Leonard, Director, Division of Bank Operations
 Mr. Vest, General Counsel
 Mr. Sloan, Director, Division of Examinations
 Mr. Hackley, Assistant General Counsel
 Mr. Hostrup, Assistant Director, Division of Examinations
 Mr. Thompson, Federal Reserve Examiner, Division of Examinations

The following requests for travel authorization were presented:

<u>Name and title</u>	<u>Duration of travel</u>
Woodlief Thomas, Economic Adviser to the Board	January 28-31, 1954

To travel to New York, New York, to attend a meeting of the Conference of Business Economists on January 29 and 30.

Lowell Myrick, Assistant Director, Division of Bank Operations	January 12-14, 1954
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Guy E. Noyes, Assistant Director, Division of Research and Statistics	January 12-13, 1954
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Charles Molony, Assistant to Mr. Thurston	January 11-13, 1954
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To travel to Boston, Massachusetts, to attend a meeting of an ad hoc committee appointed by the Presidents' Conference to review

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accounting procedures with respect to the personnel, research, and bank relations functions of the Federal Reserve Banks.

Approved unanimously.

Governor Mills stated that pursuant to the understanding at the meeting on December 22, 1953, he had discussed with Mr. Bethea, Director of the Division of Administrative Services, the latter's service on the Interdepartmental Savings Bond Committee. He said Mr. Bethea had raised the question previously as to whether some other person should be designated because of his long service on the Committee and because of the transfer from the Division of Administrative Services to the Office of the Controller of certain functions having to do with the sale of United States savings bonds to employees on the pay-roll deduction plan, but that Mr. Bethea was willing to continue on the Committee and had done an outstanding job. In the circumstances, he recommended that Mr. Bethea's designation as alternate to the Chairman of the Board on the Interdepartmental Savings Bond Committee be continued.

There was unanimous agreement with Governor Mills' recommendation.

Governor Robertson presented for consideration a request from Main Line, Inc., of Bryn Mawr, Pennsylvania, submitted through the Federal Reserve Bank of Philadelphia, that it be determined not to be a holding company affiliate except for the purposes of section 23A of the

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Federal Reserve Act by reason of the fact that it is not engaged, directly or indirectly, as a business in holding the stock of or managing or controlling banks. It was reported that Main Line, Inc., owned 837 of the 1,500 outstanding shares of The National Bank of Malvern, Malvern, Pennsylvania, that investment being the only bank stock owned or controlled by the corporation.

Comments on the ownership and operations of Main Line, Inc., and The National Bank of Malvern were set forth in a memorandum dated January 6, 1954, from the Division of Examinations. The memorandum brought out, among other things, that Main Line, Inc., was closely associated with a group of small loan companies in Pennsylvania and Florida, that the controlling interest of The National Bank of Malvern may have been acquired to provide a place where some of the paper of the small loan companies could be placed, and that one loan of the maximum legal limit had been made by the national bank to one of the small loan companies. As to the management of the national bank, the memorandum stated that the board of directors was divided and that the Office of the Comptroller of the Currency deemed it preferable to maintain active control of the bank in the hands of the directors representing Main Line, Inc. The Division of Examinations made no recommendation regarding the requested section 301 determination, stating that the questions involved were principally of a legal nature, but the Division recommended, in the event the Board did not make the determination, that a limited voting

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permit be issued to Main Line, Inc., so that it might vote its stock at a forthcoming meeting of the shareholders of the national bank.

A memorandum from Mr. Hackley dated January 6, 1954, stated reasons why in the opinion of the Legal Division the Board might legally refuse to make the requested determination. It brought out, however, that, if such action were taken, that would suggest the need for reviewing all previous cases in which the Board had made exemptive determinations where the holding company's sole activity was the holding of bank stock and there was only one bank involved since a refusal to make the determination in the case of Main Line, Inc., would represent a departure from past practice.

Following a discussion of the matter, Governor Robertson said that he concurred in the recommendation of the staff that the determination requested by Main Line, Inc., be denied, but that a limited voting permit be granted. This would prevent the minority interests in The National Bank of Malvern from gaining control of the bank in the forthcoming shareholders' meeting but would reserve a final decision on whether a section 301 determination should be made pending further review of the situation and pending completion of the suggested study of similar cases acted on by the Board in the past.

Thereupon, unanimous approval was given to a letter to Mr. Hill, Vice President of the Federal Reserve Bank of Philadelphia, reading as follows:

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This refers to your letter of December 29, 1953, with its enclosures, regarding the request made by Main Line, Inc., Bryn Mawr, Pennsylvania, through its attorney, that the Board determine that such company is not a holding company affiliate (except for purposes of section 23A of the Federal Reserve Act).

It is understood that Main Line, Inc., was chartered early in 1953 for the purpose of acquiring and holding stock of The National Bank of Malvern, Malvern, Pennsylvania; that the Company now owns 837 shares (55.8%) of the 1500 outstanding shares of that bank; that this is the only investment of the Company; and that it is engaged in no other substantial activity or business. It is also understood that the president and majority stockholder of the Company, together with his father, who is one of the directors of the National Bank, control several small loan companies, as well as a company engaged in the operation through subsidiaries of a number of small loan companies.

As you know, Section 2 of the Banking Act of 1933, as amended, excludes from the definition of "holding company affiliate" any company which is determined by the Board not to be engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies. While this provision refers to banks in the plural, it is believed that, under rules of statutory construction prescribed by Congress (U. S. Code, Title 1, sec. 1) it also includes the singular. The business of Main Line, Inc., appears to be solely that of holding bank stocks; and the Company therefore does not fall within the language of the statute.

In considering whether there is any justification for making the requested determination, the Board has carefully considered all the circumstances of this case, including the close relationship of Main Line, Inc., with a number of lending institutions. However, on the basis of all the facts of the case as presented to the Board, and in view of the nature of the Company's business, the Board has concluded that it would not be warranted in making the determination here requested; and it will be appreciated if you will so advise the Company. Consequently, as you know, the Company will not be in a position legally to vote the stock of the National Bank unless a voting permit is obtained from the Board.

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In this connection, unanimous approval also was given to a telegram to Mr. Meinel, Federal Reserve Agent at the Federal Reserve Bank of Philadelphia, authorizing the issuance of a limited voting permit, under the provisions of section 5144 of the Revised Statutes of the United States, to Main Line, Inc., Bryn Mawr, Pennsylvania, entitling such organization to vote the stock which it owns or controls of The National Bank of Malvern, Malvern, Pennsylvania, at any time prior to April 1, 1954, to elect directors of such bank at the annual meeting of shareholders or any adjournments thereof, and to act thereat upon such matters of a routine nature as are ordinarily acted upon at the annual meetings of such bank, subject to the following condition:

Prior to issuance of limited voting permit authorized herein, Main Line, Inc., shall execute and deliver in duplicate to Reserve Bank an application for voting permit on Form P-1, together with exhibits A, C, K, M, and O.

The above actions were taken with the understanding that the proposed review of practices followed by the Board in granting exemptive determinations to holding companies would be made by the staff.

Messrs. Sloan, Hackley, Hostrup, and Thompson then withdrew from the meeting, and Mr. Chase, Assistant General Counsel, entered the room.

Mr. Vest stated that Mr. Gerhard A. Gesell, Counsel for Trans-america Corporation, had called him on the telephone and said that the Corporation and Bank of America National Trust & Savings Association would like to have the United States Court of Appeals for the Ninth Circuit terminate the injunction entered in June 1950 enjoining the

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acquisition by Bank of America National Trust & Savings Association of the assets or banking business of certain banks controlled by Transamerica Corporation until final determination by the Board of Governors of its Clayton Act proceeding against Transamerica Corporation. This would be done by formal court order, and Mr. Gesell inquired whether Counsel for the Board would be willing to agree to such an order which would be presented to the court by both parties. Mr. Vest then read the order proposed by Mr. Gesell, as follows:

IN THE UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

BOARD OF GOVERNORS OF THE)	
FEDERAL RESERVE SYSTEM,)	
Petitioner,)	No. 12587
)	Action for Temporary
v.)	Restraining Order,
TRANSAMERICA CORPORATION, and)	Permanent Injunction
BANK OF AMERICA NATIONAL TRUST)	and Other Relief
AND SAVINGS ASSOCIATION,)	
Respondents.)	

ORDER VACATING INJUNCTION ORDER
AND DISMISSING ACTION

This Court having by an order dated June 24, 1950, enjoined the acquisition by respondent bank of the assets or banking business of certain named banks until final determination by the Board of a certain proceeding theretofore initiated by the Board against respondent Transamerica Corporation under Section 7 of the Clayton Act (15 U.S.C. 18), and the Board having finally dismissed the complaint in said proceeding by its order dated December 17, 1953, a copy of which is attached, now therefore, it is hereby

ORDERED, ADJUDGED AND DECREED that this Court's order herein, dated and filed June 24, 1950, be and the same hereby is vacated and the injunction dissolved; and it is

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FURTHER ORDERED, ADJUDGED AND DECREED that the above entitled action be and the same hereby is dismissed, as against all parties.

Dated: January , 1954.

Judges, United States Court of Appeals for the Ninth Circuit

The making and entry of the foregoing order is hereby consented to and notice thereof is hereby waived.

Dated: January , 1954.

Assistant General Counsel
For the Board of Governors of the
Federal Reserve System

Mr. Vest said that the basis for the injunction having been eliminated by developments in the Transamerica proceeding and the Board having dismissed the proceeding, he saw no reason why the Board should object to the proposed order. In the circumstances, he recommended that Counsel for the Board be authorized to agree to the proposal. Mr. Chase agreed with Mr. Vest's recommendation, and it was stated that Mr. Chase had discussed the matter with Counsel for the Comptroller of the Currency and with Mr. Earhart, President of the Federal Reserve Bank of San Francisco, neither of whom had any objection.

Thereupon, Mr. Chase was authorized to consent to the order on behalf of the Board.

Mr. Chase then withdrew from the meeting, and Messrs. Solomon, Assistant General Counsel, and Daniels, Chief, Reserve Bank Operations Section, Division of Bank Operations, entered the room.

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Mr. Vest referred to discussions at meetings of the Board on December 2, 1953, and previously regarding a proposed plan for the sale of certain assets of the Reconstruction Finance Corporation to commercial banks. He said that on January 5 Mr. McConnley, General Counsel, and another representative of the Corporation (Mr. Devin) brought over and left with the Legal Division copies of a draft agreement between the RFC and a group of commercial banks. The draft was understood to have been submitted to the RFC by a committee of commercial bankers working with the Corporation on the plan. The RFC representatives requested suggestions and comments and indicated that Mr. Cravens, Administrator of the Corporation, had asked them to inquire how the matter might best be submitted to the Board of Governors.

Mr. Vest said he explained that the Board had reserved the right to oppose the plan and had taken no position with respect to it, and that his authority was limited to giving assistance from a technical standpoint only. He went on to say that he thereafter reviewed the draft agreement and, while there were a few comments of a technical nature that he could make, the only significant comments would be those of substance which he did not feel he could offer without first consulting the Board. Mr. Vest then read from and discussed the draft agreement, referring particularly to the portions thereof regarding the activities of the Federal Reserve Banks as fiscal agents.

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There followed a general discussion of the proposed plan for the sale of RFC assets to commercial banks during which various views were stated and it was pointed out that a statement giving the details of the plan had not been made available to the Board.

Consideration was given to what response Mr. Vest might make to the RFC representatives, and Chairman Martin suggested that he make such technical comments on the draft agreement as appeared desirable, that he say it was his understanding that the Board would not care to pass on the question whether the proposed procedure for the sale of assets was wise or unwise, and that he indicate that the fiscal agency aspect was one which at the appropriate time should have full consideration by the Federal Reserve Banks as well as the Board. Chairman Martin also suggested that Mr. Vest might point out that a first step was to ascertain from the Comptroller of the Currency whether national banks were authorized to participate or whether legislation would be necessary to grant such authority, and that some of the members of the Board were of the opinion that legislation would be required. In response to a question by Mr. Vest as to what he might say if the RFC representatives asked about presenting the matter formally to the Board, Chairman Martin suggested he might say that while he understood the Board had not taken a position, he also understood that the Board was disposed to think that the question whether the plan should be instituted was primarily a

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matter for decision by the Reconstruction Finance Corporation.

It was agreed unanimously that Mr. Vest should handle the matter along the lines suggested by Chairman Martin.

In connection with the foregoing discussion, consideration was given to whether the aspects of the plan relating to the use of the Federal Reserve Banks as fiscal agents should be taken up by the high-level policy committee which was created pursuant to the suggestion at the meeting of the Board and the Presidents of the Reserve Banks on December 15, 1953, to consider important questions of policy relating to Federal Reserve Bank fiscal agency operations.

Chairman Martin stated in this connection that Secretary of the Treasury Humphrey had designated Mr. Burgess, Deputy to the Secretary, to represent the Treasury on the committee. (Governor Szymczak previously had been designated by the Board as its representative on the committee, and President Young, Chairman of the Presidents' Conference Committee on Fiscal Agency Operations, had been designated to represent the Reserve Bank Presidents.)

It was agreed that although under the proposed plan for sale of assets of the RFC to commercial banks the Federal Reserve Banks apparently would act as fiscal agents of that Corporation, it would be appropriate for the policy committee to discuss the matter.

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Mr. Solomon reported on a meeting which he and Mr. Daniels attended yesterday at the Bureau of Engraving and Printing, with representatives of the General Accounting Office and various offices of the Treasury Department present, to discuss the liability for losses arising out of the recent theft of \$160,000 in \$20 Federal Reserve notes by an employee of the Bureau of Engraving and Printing. At the time of the meeting all but about \$30,000 of the notes had been recovered.

Mr. Solomon said that a representative of the Treasury Department reported at the meeting that the Treasury's General Counsel had taken the position that an innocent holder of the stolen notes should not be expected to stand the loss, which left open the question of how the loss should be covered. The possibilities appeared to be (1) that the Federal Reserve stand the loss, (2) that the loss be charged against the general operating fund of the Bureau of Engraving and Printing, or (3) that it be covered by a Congressional appropriation. Mr. Solomon said it seemed to be the sense of the meeting that the Bureau's operating fund should be used, but that there was a question of authority to use the fund for such a purpose and a meeting to discuss that point was to be held at the Government Accounting Office this afternoon.

Mr. Solomon felt that use of the Bureau's operating fund would be the proper solution, and he expressed the hope that this decision would be made at the meeting this afternoon. He thought it would be

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desirable for some member of the Board's staff to attend the meeting.

Following a discussion of the circumstances under which the theft apparently occurred, members of the Board expressed the view that there would seem to be no reason why the loss should fall upon the Federal Reserve. It was agreed, however, that Messrs. Solomon and Daniels should attend the meeting at the General Accounting Office this afternoon.

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 January 6, 1954, were approved unanimously.

Memorandum dated December 30, 1953, from Mr. Sloan, Director, Division of Examinations, recommending, pursuant to the program approved by the Board on September 16, 1952, that Edward A. Fink, Manager of the Accounting Department of the Federal Reserve Bank of Cleveland, be appointed an Assistant Federal Reserve Examiner with official headquarters in Cleveland, Ohio, while assigned to duty with the Board's field examining staff during the calendar year 1954. The memorandum stated that Mr. Fink would remain on the pay roll of the Federal Reserve Bank of Cleveland on a reimbursable basis while assigned to duty with the field examining staff, that reimbursement to the Federal Reserve Bank would include his salary and all related payments such as retirement, social security, hospitalization-surgical insurance, and group life insurance

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and that the Board would pay his travel expenses and per diem in lieu of subsistence on the same basis as is applicable to the other members of the field staff. The memorandum also stated that it was contemplated that Mr. Fink would report in Washington, D. C., about the middle of January and join the field staff shortly thereafter.

Approved unanimously.

Letter to Mr. Shepherd, Assistant Federal Reserve Agent, Federal Reserve Bank of Richmond, reading as follows:

In accordance with the request contained in your letter of December 29, 1953, the Board of Governors approves the appointments of Messrs. Henry J. Sheckels and Charles P. Kahler as Federal Reserve Agent's Representatives at the Baltimore Branch to succeed Messrs. E. Riggs Jones, Jr. and Eugene L. Shipley.

This approval is given with the understanding that Messrs. Sheckels and Kahler will be placed upon the Federal Reserve Agent's pay roll and will be solely responsible to him or, during a vacancy in the office of the Federal Reserve Agent, to the Assistant Federal Reserve Agent, and to the Board of Governors, for the proper performance of their duties. When not engaged in the performance of their duties as Federal Reserve Agent's Representatives they may, with the approval of the Federal Reserve Agent or, in his absence, of the Assistant Federal Reserve Agent, and the Vice President in charge of the Baltimore Branch, perform such work for the Branch as will not be inconsistent with their duties as Federal Reserve Agent's Representatives.

It is noted from your letter that, upon the approval of the appointments of Messrs. Sheckels and Kahler by the Board of Governors, they will execute the usual oaths of office, which will be transmitted to the Board, and that their appointments will become effective with the execution of their oaths of office.

Approved unanimously.

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

In accordance with the requests contained in your letters of December 23 and 24, 1953, the Board of Governors approves the payment of salary to Mr. John R. Koserski, Elevator Operator (Split-Shift), effective December 21, 1953, at the rate of \$4327 per annum which, when converted to a 40 hour week basis, exceeds the maximum established for the grade in which his job is classified by \$253 and to Mr. Philip J. Dressler, Elevator Operator, effective November 16, 1953, at the rate of \$4056 per annum which, when converted to a 40 hour week basis, exceeds by \$17 the maximum established for the grade in which his job is classified.

In reviewing the agreement between the Building Managers' Association of Chicago and the Elevator Operators and Starters Union, which became effective on October 1, 1952, the Board notes that for the period beginning January 1, 1954 and ending September 30, 1954, the elevator operators covered by this agreement will be paid 25 cents an hour more per hour than at present and that the differential paid split-shift operators, starters, and assistant starters will be increased by $1\frac{1}{2}$ to 2 cents per hour. It is assumed that any changes in the rates paid by your Bank as a result of this adjustment will be submitted to the Board.

Approved unanimously.

Telegram to Mr. Virden, Chairman, Federal Reserve Bank of Cleveland, stating that, subject to the condition set forth in the telegram, the Board of Governors of the Federal Reserve System authorizes the issuance of a general voting permit, under the provisions of section 5114 of the Revised Statutes of the United States, to BancOhio Corporation, Columbus, Ohio, entitling such organization to vote the stock which it owns or controls of The First National Bank of Newark, Newark, Ohio, at all meetings of shareholders of such bank, and that the period

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within which a permit may be issued pursuant to the authorization contained in the telegram is limited to thirty days from the date of the telegram unless an extension of time is granted by the Board. The condition upon which the permit was authorized was as follows:

Prior to issuance of general voting permit authorized herein, applicant shall execute and deliver to you in duplicate an agreement in form accompanying Board's letter S-964 (F.R.L.S. #7190).

Approved unanimously.

Letter to Mr. Armistead, Vice President, Federal Reserve Bank of Richmond, reading as follows:

Reference is made to your letter of December 29, 1953, submitting the request of State-Planters Bank and Trust Company, Richmond, Virginia, for the Board's approval under the provisions of Section 24A of the Federal Reserve Act for an additional investment of \$960,300 in bank premises.

After consideration of all available information, the Board of Governors concurs in the recommendation of the Reserve Bank and approves the additional investment of not to exceed \$960,300 in bank premises by the State-Planters Bank and Trust Company, Richmond, Virginia.

It is assumed that approval of this additional investment will be obtained from the appropriate State authorities.

Approved unanimously.

Telegram to Mr. Miller, Chairman, Federal Reserve Bank of Minneapolis, stating that, subject to the condition set forth in the telegram, the Board of Governors of the Federal Reserve System authorizes the issuance of a general voting permit, under the provisions of section 5144 of the Revised Statutes of the United States, to First Bank Stock Corporation, Minneapolis, Minnesota, entitling such organization to vote

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the stock which it owns or controls of The National Bank in Wahpeton, Wahpeton, North Dakota, at all meetings of shareholders of such bank, and that the period within which a permit may be issued pursuant to the authorization contained in the telegram is limited to thirty days from the date of the telegram unless an extension of time is granted by the Board. The condition upon which the permit was authorized was as follows:

Prior to issuance of general voting permit authorized herein, applicant shall execute and deliver to you in duplicate an agreement in form accompanying Board's letter S-964 (F.R.L.S. #7190).

Approved unanimously.

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

In accordance with the recommendations made by the Ad Hoc Committee on Trust and Pension Fund Statistics on December 4, 1952, which were subsequently approved by the Presidents' Conference, the Board authorized an exploratory study of the problems involved in conducting an annual survey of investments of common trust funds and a semi-annual survey of investments of noninsured pension funds. The nature of the problems involved has made it possible to conduct the exploratory studies independently. Thus, the purpose of this letter is to present a draft of the questionnaire and a proposed collection plan to be used in the annual survey of investments of common trust funds, if and when it is decided that such a survey should be established.

The Ad Hoc Committee's report indicated that the data on common trust funds might be obtained by the Federal Reserve Banks from the annual audit reports of each common trust fund administered in their respective districts and

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that the Federal Reserve Banks should send the data collected to the Board for compilation.

In this connection, a review has been made of the audit reports of the 55 common trust funds, administered by State member banks, that are available at the Board's offices. The results of this study indicate that, if the audit reports only were used for the purpose of collecting the information desired (1) in only 20 per cent of the cases could the data be obtained readily, (2) in 47 per cent of the cases considerable analysis would be necessary to overcome the lack of uniformity among the audit reports, and (3) in the remaining 33 per cent of the cases studied the audit report would be an inadequate source of information. It would seem, therefore, that adequate information can be obtained only by direct requests to the fiduciary institutions operating common trust funds.

The review of the audit reports available also gave some insight into the kinds of information that could be made available readily and, with this in mind, every effort has been made to prepare a relatively simple questionnaire while maintaining the maximum usefulness of the information obtained. As indicated on the draft, the questionnaire would cover the fiscal year established for each common trust fund. This will raise some problems in aggregating the data obtained, but it has the advantage of requesting information at a time when the fiduciary institution will have it readily available.

The classification used in the questionnaire conforms roughly to that suggested by the Ad Hoc Committee. However, modifications were made by including the more significant classes of investments of common trust funds. Undoubtedly problems will arise with respect to the proper classification of specific securities on the questionnaire. Therefore, it probably will be desirable to suggest that respondents use, as a guide, the Standard Industrial Classification Manual which was designed by the Bureau of the Budget for the purpose of securing uniformity in the statistical data collected by Federal agencies and others. Instructions on the matter of classification can be abstracted from the Manual and supplied to the respondents along with the questionnaire once it is determined that the survey should be established.

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It would be appreciated if you would review the questionnaire and give us any comments or suggestions on it or on the proposed collection plan that you may deem appropriate.

Approved unanimously.

Letter to Mr. Leedy, President, Federal Reserve Bank of Kansas City, reading as follows:

The Board of Governors authorizes the expenditure of not to exceed \$60,000 for alterations to the garage building which was recently purchased and for tying the property into the Federal Reserve Bank building, in accordance with the program outlined in your letter of December 24, 1953.

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 dated November 5, 1953, from your office regarding an application to organize a national bank at Arlington, Florida, and requesting a recommendation as to whether or not the application should be approved.

The Board has received a report of an investigation made by an examiner for the Federal Reserve Bank of Atlanta covering the factors usually considered in connection with such applications. This report indicates that the organizers plan to increase the proposed capital structure of the bank from \$175,000, as shown in the application, to \$250,000, consisting of \$150,000 capital stock, \$50,000 surplus, and \$50,000 undivided profits. The information submitted is generally favorable with respect to the usual factors considered, and the Board of Governors recommends approval of the application.

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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.

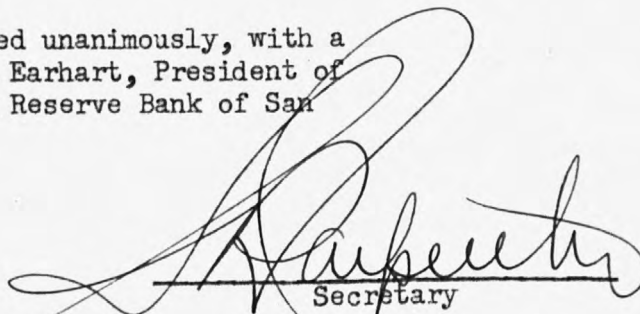
Letter to the Federal Deposit Insurance Corporation reading as follows:

Pursuant to Sec. 8 (a) of the Federal Deposit Insurance Act, you forwarded to the Board with your letter of July 15, 1953 a statement of unsafe and unsound practices engaged in by the First State Bank of Lynwood, Lynwood, California. Under date of July 28, 1953 the Board of Governors advised your Corporation that it had served notice upon the bank regarding the required corrections, and that it would forward to your Corporation any advice which it received as to action taken by the bank to effect such corrections. Since that time there have been various informal conversations between members of the staff of your Corporation and members of the staff of the Board of Governors.

Enclosed herewith is a copy of a memorandum dated December 9, 1953 written by Vice President Millard of the Federal Reserve Bank of San Francisco relative to the examiner's findings with respect to the points listed in the statement enclosed with your letter of July 15, 1953, and your particular attention is invited to the last paragraph of the memorandum.

The report of examination of the subject bank by the Federal Reserve Bank of San Francisco made as at the close of business November 11, 1953, referred to in the memorandum, will be made available to you as soon as it is received by the Board.

Approved unanimously, with a copy to Mr. Earhart, President of the Federal Reserve Bank of San Francisco.


Secretary