

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, January 26, 1954. The Board met in the Board Room at 10:00 a.m.

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

Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Kenyon, Assistant Secretary
Mr. Thurston, Assistant to the Board
Mr. Thomas, Economic Adviser to the Board
Mr. Young, Director, Division of Research and Statistics
Mr. Marget, Director, Division of International Finance
Mr. Solomon, Assistant General Counsel
Mr. Youngdahl, Assistant Director, Division of Research and Statistics
Mr. Dembitz, Assistant Director, Division of International Finance
Mr. Tamagna, Chief, Financial Operations and Policy Section, Division of International Finance

Pursuant to the understanding at the meeting on January 22, 1954, Mr. Marget made a statement on the report of the Commission on Foreign Economic Policy, which was released on January 23, his remarks being directed to the tone of the report as a whole and to the references therein to the possibility of making Federal Reserve credits available to foreign central banks for the purpose of furthering currency convertibility. He indicated that a staff memorandum was in process which would cover in more detail the precedents for extending such credits, the legal aspects, alternative forms

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of assistance, parallel or complementary credits which might be available, and the magnitude of the Federal Reserve credits which might be involved in such a program.

Mr. Marget also touched briefly on the memorandum which Mr. Stassen, Director of the Foreign Operations Administration, sent to Chairman Martin and the heads of certain other Government agencies under date of January 12, 1954, concerning relations between the EPU area and the dollar area.

Following a discussion based on Mr. Marget's comments, it was understood that the Board would consider the matter of Federal Reserve stabilization credits further after the staff memorandum mentioned by Mr. Marget had been completed.

Messrs. Thomas, Young, Marget, Youngdahl, Dembitz, and Tamagna then withdrew from the meeting.

Pursuant to the understanding at the meeting on January 22, 1954, there was presented a draft of letter to Mr. Earhart, President of the Federal Reserve Bank of San Francisco, reading as follows:

This is with further reference to the question whether Bank of America may participate in the election of directors of your Bank when Transamerica Corporation has designated another bank for the purpose under that portion of section 4 of the Federal Reserve Act which provides that: "whenever any two or more member banks within the same Federal reserve district are affiliated with the same holding company affiliate, participation by such member banks in any such nomination or election shall be confined to one of such banks, which may be designated for the purpose by such holding company affiliate."

The question under section 4 of whether or not a bank is affiliated with a holding company affiliate is essentially a question of fact governed by the applicable provisions of law, and it can not be definitely determined without thorough examination and

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consideration of all the relevant facts and circumstances. However, in most cases under section 4 the question is not of sufficient importance to warrant such an exhaustive inquiry, and in the absence of some special circumstance it is often appropriate to dispose of the question in the particular instance by merely accepting the prima facie case presented by a bank's own statement that it is not so affiliated. Of course, such a disposition of the matter would not constitute a determination as to the actual relationships between the two institutions, and it would not prevent such a determination from being made at any time on the basis of a full and complete inquiry and without regard to such disposition if that should seem appropriate at some other time or in some other connection.

It will be recalled that on October 15, 1953 the Board of Governors wrote Mr. Beise, Senior Vice President of Bank of America National Trust and Savings Association in part as follows:

" . . . on several occasions . . . the Board has carefully considered the question of the eligibility of your Bank to participate in such elections. The Board's conclusions were that your Bank was affiliated with Transamerica Corporation and that, since that Corporation had designated a different bank to participate in such elections, your Bank was not eligible for such participations. Moreover, a closely related question is involved in the Clayton Act case with respect to Transamerica Corporation regarding which a petition for certiorari is now pending in the Supreme Court of the United States. In the circumstances, the Board feels that it would not be warranted in taking a position at this time different from that which it has heretofore taken on this question . . ."

On November 30, 1953 the petition for certiorari in the Transamerica case was denied and on December 17, 1953 the Board issued an order dismissing the complaint in the case. Bank of America has previously stated that none of its stock is owned by Transamerica, that there are no officers or directors of one institution which are officers or directors of the other, and that it is not affiliated with Transamerica Corporation.

In the circumstances, it would seem that in the absence of other facts it might now be reasonable to accept the prima facie statements by Bank of America in this respect for future elections. If this reasoning were followed, and if the bank should seek to vote in a future election or should inquire in the meantime, it would seem appropriate for your institution to advise the bank accordingly, indicating the nature of such a disposition of the matter as outlined above. In order to aid the Board in reaching the best conclusion in this matter, the Board would appreciate your advice as to whether or

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not you believe there are any facts at the present time which should be considered of sufficient importance to warrant declining to accept the prima facie statements of the bank in this respect, and it would also appreciate any other comments you might care to make on the subject.

Following a discussion, the letter was approved unanimously.

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

Minutes of actions taken by the Board of Governors of the Federal Reserve System on January 25, 1954, were approved unanimously.

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

In accordance with the request contained in your letter of January 18, 1954, the Board approves the appointment of Harold G. Welkener as an assistant examiner for the Federal Reserve Bank of St. Louis. Please advise as to the date upon which the appointment is made effective and the salary rate.

The Board also approves the designation of Robert J. Greise as a special assistant examiner for the Federal Reserve Bank of St. Louis.

Approved unanimously.

Letter to Mr. Stetzelberger, Vice President, Federal Reserve Bank of Cleveland, reading as follows:

This refers to your letter of January 8, 1954, submitting, with your favorable recommendation, the request of The Union Bank of Commerce Company, Cleveland, Ohio, for permission to expand its activities to include the acceptance of savings deposits in its banking department and to broaden the nature and extent of fiduciary services offered through its trust department.

The necessity for the Board's permission in order for this bank to operate a trust department was considered in 1946 when

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the bank first decided to undertake this type of business. On August 13, 1946, the Board addressed a letter to Mr. Fulton, Vice President of your Reserve Bank, in which it was pointed out that when the bank's application for membership was under consideration in 1937 the bank's sponsors felt that it should have trust powers in the event that they felt it necessary and desirable to exercise them at some later date. Accordingly, the Board prescribed and the bank accepted trust conditions before it was admitted to membership. In view of this, the Board stated that The Union Bank of Commerce Company has authority to operate a trust department without any further action on the part of the Board of Governors, and Mr. Fulton was requested to advise the bank to that effect. Although not specifically stated, the Board did not place any limitation upon the extent to which fiduciary services might be offered at that time or in the future.

With respect to the acceptance of savings deposits, it is noted that authority for this type of business was contained in the Articles of Incorporation of the bank when it was admitted to membership, and no conditions or restrictions on the conduct of such business were imposed at that time. While this extension of activities may to some extent constitute a change in the general character of the bank's business, and to some extent involve a change in the scope of the corporate powers exercised by the bank, the change is not felt to be such as would come within the intent of the general condition of membership and require the Board's permission.

Accordingly, the Board is of the opinion that its permission is not necessary in order for The Union Bank of Commerce Company to expand its activities to include the acceptance of savings deposits, and the Board has no objection to the proposed expansion of activities.

Approved unanimously.

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

Reference is made to your letter of January 19, 1953, and an attached letter from Union Trust Company of Maryland, Baltimore, Maryland.

In view of the circumstances outlined in the letter from the trust company, and your favorable recommendation, the Board of Governors extends until December 31, 1954, the time

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within which Union Trust Company of Maryland may establish a branch at the intersection of Ritchie Highway and Edison Street, Anne Arundel County, Maryland, as a result of the removal to this location of the present branch now located at 3530 South Hanover Avenue, Baltimore, Maryland, as approved by the Board under date of August 26, 1953.

Approved unanimously.

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

Referring to your letter of January 19, the Board extends to March 1, 1954, the time within which Harris Trust and Savings Bank, Chicago, Illinois, shall file the report of Larcon Company, its affiliate, as of December 31, 1953. It is earnestly hoped that by this date the matter will have been settled and that requests for further extensions of time will be unnecessary.

In regard to the September 30, 1953 report, the Board will not require its submission, as publication at this late date will serve no useful purpose.

Please keep the Board advised of further developments in this matter.

Approved unanimously.

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

The Board is glad to learn from you, as well as from Mr. Peterson, Vice President of the Federal Reserve Bank of St. Louis, that as a result of your negotiations with Mr. Sorensen, Chief Examiner for the Illinois Banking Department, the Auditor of Public Accounts of the State of Illinois has agreed to arrangements for joint publication of reports of condition for State member banks in that State.

It has been noted that these negotiations resulted in the acceptance of the publisher's copy (form F. R. 105e) by the State Banking Department without modification other than in the heading and footnote to include reference to the Auditor of Public Accounts.

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Since joint publication arrangements were concluded with California in 1952, Illinois was the only remaining State in which State member banks were subject to dual publication requirements. Your successful negotiations with that State's banking department completes an endeavor initiated many years ago. Please express to the appropriate Illinois banking department officials the Board's appreciation of their cooperation in this matter.

Approved unanimously, with a copy to Mr. Peterson, Vice President, Federal Reserve Bank of St. Louis.

Letter to Mr. Earhart, President, Federal Reserve Bank of San Francisco, reading as follows:

There is enclosed a copy of a letter from The Continental Bank and Trust Company, Salt Lake City, Utah, dated January 15, 1954, which appears to request the Board's opinion as to whether additional investments in banking quarters by the bank, through its affiliated Continental Building Company by means of mortgage loan financing from sources other than the bank, would be added to investments in bank premises within the meaning of the Utah law limiting such investments to 50 per cent of the bank's capital and surplus.

The Board, of course, is not in a position to interpret the State statute authoritatively or to advise the bank whether the proposed investment would be included under limitations prescribed by that statute. However, the bank's attention should be called to section 24A of the Federal Reserve Act, which requires the Board's permission if investments in bank premises exceed the amount of the capital stock of the bank. In this connection, the Board has taken the position that an investment in bank premises by a subsidiary company would come within the limitations of section 24A although financed by a mortgage loan from sources other than the bank itself.

In accordance with the Board's policy of having member banks communicate directly to the Federal Reserve Bank, it will be appreciated if you will transmit information along this line to The Continental Bank and Trust Company.

Approved unanimously, together with a letter to Mr. S. J. Wandvik, Vice President, The Continental Bank and Trust Company, advising that his letter was being referred to the Federal Reserve Bank of San Francisco.

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Letter to the Federal Deposit Insurance Corporation, Washington, D. C., prepared pursuant to action taken by the Board on November 20, 1953, and reading as follows:

Pursuant to the provisions of section 4(b) of the Federal Deposit Insurance Act, the Board of Governors of the Federal Reserve System hereby certifies that the Titonka Savings Bank, Titonka, Iowa, became a member of the Federal Reserve System on January 4, 1954, and is now a member of the system. The Board of Governors of the Federal Reserve System further hereby certifies that, in connection with the admission of such bank to membership in the Federal Reserve System, consideration was given to the following factors enumerated in section 6 of the Federal Deposit Insurance Act:

1. The financial history and condition of the bank,
2. The adequacy of its capital structure,
3. Its future earnings prospects,
4. The general character of its management,
5. The convenience and needs of the community to be served by the bank, and
6. Whether or not its corporate powers are consistent with the purposes of the Federal Deposit Insurance Act.

Approved unanimously.

Letter to Mr. W. J. Galbraith, Manager, Government Services Department, Potomac Electric Power Company, Washington, D. C., reading as follows:

In accordance with the request contained in your letter of January 8, 1954, permission is hereby granted to perform the work outlined therein, and as shown on Print #7178811 Sheets 1 and 2 attached to your letter, subject to your acceptance of and compliance with the following conditions:-

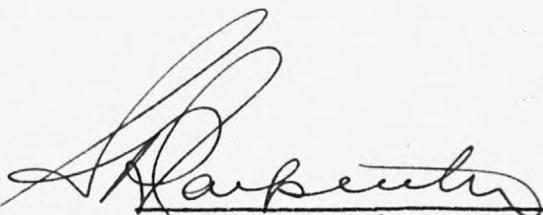
1. That the work is necessary to provide additional electrical facilities to United States Government activities in the general area of Constitution Avenue and 21st Street Northwest.
2. That every precaution shall be exercised to protect the property of the Board of Governors of the Federal Reserve System.

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3. That all disturbed areas shall be restored to the satisfaction of the Board's representatives.
4. That the Board shall be protected from any loss, damage, claims or liability by reason of the work permitted or performed.
5. That adequate barricades, warning signs and guides shall be installed and maintained at all times and, between sundown and sunup, suitable red lanterns and flares ample in quantity shall be installed and maintained.
6. That adequate men and equipment shall be assigned to keep the traveling way broom clean.
7. That any further instructions from official representatives of the Board, or inspectors assigned to this project by the Board, shall be complied with.
8. That all permits relating to the work, as may be required by law, shall be procured by the Potomac Electric Power Company.
9. That this permit, revocable in the discretion of the Board, shall become effective upon the return of one copy executed by your company indicating your acceptance of the conditions contained therein.
10. That any relocation, reconstruction and removal of all or any portion of the installation permitted shall be made by and at the expense of the Potomac Electric Power Company, when so directed by the Board.
11. That you shall notify Mr. L. P. Bethea, Director, Division of Administrative Services (REpublic 7-1100 Extension 247), before starting the work.

Approved unanimously.


Secretary