

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, February 2, 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. Solomon, Assistant General Counsel

There had been distributed to the members of the Board a first draft of a statement to be made by Chairman Martin before the Joint Committee on the Economic Report on February 3, 1954, concerning problems set forth in the Economic Report of the President. On the basis of suggestions which were received, the draft was revised and copies of the second draft were distributed before this meeting.

There was agreement with the substance of the statement, and it was understood that Chairman Martin would make such further changes in form as seemed to him to be desirable.

Pursuant to the understanding at the meeting yesterday, there was further discussion at this meeting of the drafts submitted by the Legal Division and Governor Mills of the statement proposed for inclusion in the Board's 1953 Annual Report concerning the administration of the Clayton Antitrust Act with respect to banks.

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Following a discussion, during which an additional change in the draft submitted by Governor Mills was suggested, unanimous approval was given to the statement in the following form:

In June 1948 the Board of Governors issued a complaint against Transamerica Corporation, charging that the acquisition of certain banks in California, Oregon, Washington, Nevada, and Arizona by that corporation violated section 7 of the Clayton Antitrust Act. That section, enacted in 1914 and amended in certain particulars in 1950, prohibits any corporation from acquiring the stock of one or more corporations engaged in commerce where the effect may be substantially to lessen competition or to tend to create a monopoly. Authority to enforce compliance with this provision is vested in the Board of Governors where the statute is applicable to banks.

Hearings were held in Washington, D. C., and in San Francisco, California, over a period of several years and, after oral argument before the Board, the Board, on March 27, 1952, issued an order requiring Transamerica to divest itself of the stock of 47 of the banks named in the Board's complaint. Transamerica Corporation petitioned the United States Court of Appeals for the Third Circuit to review the Board's order, and on July 16, 1953, that court set aside the Board's order. While the court decided that banks are within the purview of section 7, thus affirming the Board's jurisdiction in this field, it held that the Board's order was not supported by the findings which the Board had made. The court added that it may well be in the public interest to have appropriate legislative action on this subject, with which position the Board is in agreement, in view of the fact that its quantitative analysis disclosed a tremendous concentration in banking capital and thereby of economic power.

On November 30, 1953, the Supreme Court of the United States denied a petition for a writ of certiorari to review the decision of the Court of Appeals. On December 4, 1953, the Board announced that it had decided that no further action would be taken in this proceeding.

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Chairman Martin reported that Mr. Sproul, President of the Federal Reserve Bank of New York, had informed him in confidence that he expected the directors of the Reserve Bank to act at their meeting on Thursday, February 4, 1954, to reduce the Bank's discount rate. There was a brief discussion of the reasons which would justify a reduction in the discount rate at this time, and it was understood that the matter would be considered further on February 4 in the light of developments.

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 February 1, 1954, were approved unanimously.

Memoranda dated February 2, 1954, from Mr. Bethea, Director, Division of Administrative Services, recommending that the resignations of Jesse D. Smith, Head Messenger, and William H. Drake, Assistant Head Messenger, in that Division be accepted effective February 1, 1954.

Approved unanimously.

Letter to Mr. Wiltse, Vice President, Federal Reserve Bank of New York, reading as follows:

In accordance with the request contained in your letter of January 26, 1954, the Board approves, effective January 21, 1954, the designation of Alfred E. Hamel and George B. Rodda, at present assistant examiners, as special assistant examiners for the Federal Reserve Bank of New York.

Approved unanimously.

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Letter to the Board of Directors, The Ohio Citizens Trust Company, Toledo, Ohio, reading as follows:

Pursuant to your request submitted through the Federal Reserve Bank of Cleveland, the Board of Governors approves the establishment and operation of a branch at the intersection of Jefferson and Erie Streets, Toledo, Ohio, by The Ohio Citizens Trust Company, Toledo, Ohio, provided the branch is established by July 21, 1954, and with the understanding that the capital structure of the trust company will be increased by at least \$600,000, through the sale of additional common stock on or before June 30, 1954.

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

Letter to the Board of Directors, Bank of Dearborn, Dearborn, Michigan, reading as follows:

Pursuant to your request submitted through the Federal Reserve Bank of Chicago, the Board of Governors of the Federal Reserve System approves the establishment and operation of a branch at 22293 Michigan Avenue, Dearborn, Michigan, by the Bank of Dearborn, provided the branch is established within six months from the date of this letter.

Approved unanimously, together with the following letter to Mr. Diercks, Vice President, Federal Reserve Bank of Chicago:

Reference is made to your letter of January 14, 1954, submitting request of the Bank of Dearborn, Dearborn, Michigan, for permission to establish a branch at 22293 Michigan Avenue, Dearborn, Michigan.

After considering all available information and the Reserve Bank's recommendation, the Board of Governors has approved the establishment of the branch, as shown in the enclosed letter to be forwarded to the board of directors of the bank. A copy of the letter is enclosed for your files.

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This approval has been given because of special circumstances along with the apparent competency of management and adequacy of capital, and notwithstanding our reluctance to authorize a new bank such as this to expand its operations branchwise until it has demonstrated that it can operate successfully. The Board would not look with favor upon further expansion until the bank is more firmly established.

Since the proposed permanent location on the northwest corner of Michigan Avenue and Howard Street is diagonally across the street from 22293 Michigan Avenue, the subsequent removal of the branch to its permanent location in approximately ten months will not require the approval of the Board of Governors.

It is understood that Counsel for the Reserve Bank will review and satisfy himself as to the legality of all steps taken to establish the branch.

Letter to Mr. Peter W. Billings, Fabian, Clendenin, Moffat & Mabey, Attorneys and Counselors at Law, Continental Bank Building, Salt Lake City, Utah, reading as follows:

This refers to your letter of January 22, 1954, with respect to the acquisition by a State member bank of the stock of a corporation owning the real estate on which the bank office is located. Assuming that the corporation also owns the bank office, such office, together with the real estate, constitutes "bank premises" within the meaning of section 24A of the Federal Reserve Act.

In answer to your specific question, the acquisition of the stock of such a corporation and any subsequent loans by the bank to the corporation would come within the limitations of section 24A and require the Board's approval if the aggregate of all such investments and loans exceeds the amount of the capital stock of the bank. In addition, if the corporation is an affiliate of the bank, as defined by section 2(b) of the Banking Act of 1933 (12 U.S.C., sec. 221(a)), section 23A of the Federal Reserve Act limits the aggregate of loans and investments to 10 per cent of the capital stock and surplus of the bank unless the corporation was engaged on June 16, 1934, in holding the bank premises or in maintaining and operating properties acquired for banking purposes prior to that date.

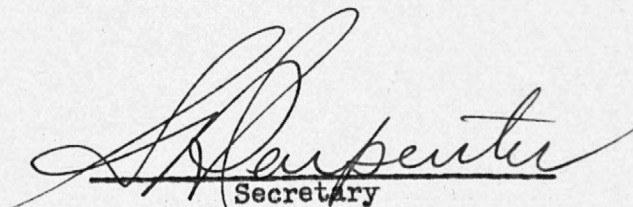
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In answer to your further question, the Board is of the opinion that any indebtedness of a subsidiary bank building corporation related to investments in the bank building comes within the purview of section 24A, regardless of whether the indebtedness is assumed or guaranteed in any manner by the bank.

It is rather difficult to give exact answers to your questions as no details were given in your letter and you, as an attorney, will realize that under these circumstances the questions can only be answered in a general way. If you would like more help in interpreting these statutes, it is suggested that you communicate with the Federal Reserve Bank of San Francisco which will be in a position to provide more assistance to you if the actual facts and figures are supplied.

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


Secretary