

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, February 19, 1954. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Szymczak, Acting Chairman
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. Vest, General Counsel

There were presented telegrams to the Federal Reserve Banks of Boston, New York, Philadelphia, Atlanta, St. Louis, and San Francisco stating that the Board approves the establishment without change by the Federal Reserve Banks of Boston and St. Louis on February 15, by the Federal Reserve Bank of San Francisco on February 17, and by the Federal Reserve Banks of New York, Philadelphia, and Atlanta on February 18, 1954, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

The following drafts of letters, which had been circulated among the members of the Board, were presented for consideration at this meeting because the positions taken therein differed from the recommendations of the Federal Reserve Banks concerned:

Letter to Mr. Peterson, Vice President, Federal Reserve Bank of St. Louis

Reference is made to your letter of January 29, 1954, submitting the request of the Webster Groves Trust Company, Webster Groves, Missouri, for permission under the provisions of Section 24A of the Federal Reserve Act to invest approximately \$111,000 in remodeling and expanding its present banking premises.

2/19/54

-2-

The Board of Governors has given consideration to the asset condition, management, capital structure and physical needs of the Webster Groves Trust Company and approves the investment of not to exceed \$111,000 for the purpose of remodeling and expanding its banking premises without any augmentation of capital at this time. Please advise the bank accordingly.

Incidentally, the Board does not regard capital notes a substitute for equity capital and does not look with favor on the issuance of such notes by member banks.

Letter to the Comptroller of the Currency, Treasury Department, Washington, D. C., (Attention: Mr. L. A. Jennings, Deputy Comptroller of the Currency)

Reference is made to a letter from your office dated December 2, 1953, enclosing photostatic copies of an application to organize a national bank at Coeur d'Alene, Idaho, and requesting a recommendation as to whether or not the application should be approved.

We have received a report of investigation of this application made by a representative of the Federal Reserve Bank of San Francisco. In the light of the information contained in this report and after careful consideration of the factors set forth in your letter, the Board of Governors has concluded that, although the proposed capital structure is not completely satisfactory and although there is at least a doubt as to whether the needs of the community for additional banking facilities are sufficiently great to warrant the establishment of a new bank, it would be justified in recommending approval of the application in view of the desirability of providing banking competition in this community. In other words, the Board recognizes that the facts in this situation present a very close question which it has resolved on the basis of the competitive factor in making its recommendation to you.

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.

Following discussion, the letters were approved unanimously, Chairman Martin having indicated before he left Washington just prior to this meeting that if he were present, he would vote to approve.

2/19/54

-3-

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

Memorandum dated February 17, 1954, from Mr. Sloan, Director, Division of Examinations, recommending that the resignation of M. W. McNamara, Assistant Federal Reserve Examiner in that Division, be accepted effective March 17, 1954.

Approved unanimously.

Letter to Mr. Weigel, Secretary, Federal Reserve Bank of St. Louis, reading as follows:

The Board of Governors approves the reappointments of Messrs. Jacob VanDyke, Harold Puls, James Louis Crawford, Marvin W. Swaim, and G. A. Heuser as members of the Industrial Advisory Committee for the Eighth Federal Reserve District to serve for terms of one year each beginning March 1, 1954, in accordance with the action taken by the Board of Directors as reported in your letter of February 15, 1954.

Approved unanimously.

Letter to Mr. Powell, President, Federal Reserve Bank of Minneapolis, reading as follows:

The Board of Governors approves the reappointments of Messrs. S. V. Wood, John M. Bush, Walter Ringer, Sr., and A. H. Daggett as members of the Industrial Advisory Committee for the Ninth Federal Reserve District to serve for terms of one year each beginning March 1, 1954, in accordance with the action taken by the Board of Directors as reported in your letter of February 12, 1954.

2/19/54

-4-

It is noted in your letter that, due to the death of Mr. Albert Miller during the year, it becomes necessary to appoint a new member to the committee and, in this connection, you request the Board's views with respect to the desirability of appointing Mr. Byron Anderson, Cashier, First National Bank, Chippewa Falls, Wisconsin, or Mr. A. B. Heian of the Chippewa Canneries at Chippewa Falls. As you know, the Federal Reserve Act provides that each member of the Industrial Advisory Committee shall be actively engaged in some industrial pursuit. Accordingly, in the light of this provision and the nature of the functions involved, but without attempting to prescribe a technical definition for "industrial pursuit", the Board of Governors prefers that such committees be composed exclusively of persons who are not associated primarily with financial institutions.

The Board of Governors will, of course, be pleased to hear from you further as the matter develops.

Approved unanimously.

Telegram to Mr. Woolley, Vice President, Federal Reserve Bank of Kansas City, reading as follows:

Reurlet February 17, 1954, Board approves designation of Maurice Jerome Swords as a special assistant examiner for the Federal Reserve Bank of Kansas City. It is assumed his indebtedness to a member bank will be liquidated prior to his designation.

Approved unanimously.

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

Receipt is acknowledged of your letter of February 15, 1954, regarding the Board's approval on January 18, 1954, of the application for membership of Madison Trust Company, Madison, New Jersey, subject to a special condition requiring the applicant to dispose of the ownership of all stock of the First National Bank of Madison within six months after the date of admission to membership.

2/19/54

-5-

It is noted that the bank has been advised informally of the contents of the Board's letter of January 18, 1954, and the management has stated that the special condition of membership was wholly unacceptable. It is understood that the two institutions have appointed committees to discuss the possibilities of a merger and, therefore, the Madison Trust Company requests that its application be held in abeyance pending further developments.

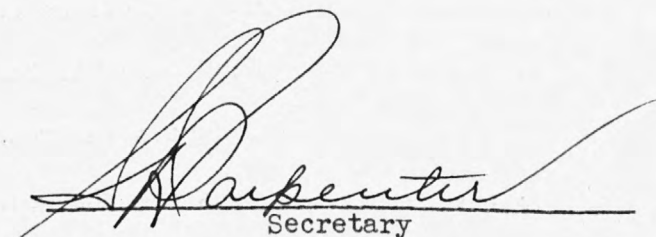
After considering all of the facts presented, the Board of Governors concurs in your recommendation that the trust company's current application for membership be allowed to lapse with the understanding that the trust company may re-apply for membership without prejudice if the merger should be consummated under a State charter or if, in the event no merger agreement is reached, the ownership of stock of the national bank is otherwise disposed of satisfactorily.

Approved unanimously.

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

Referring to your letters of February 8, 1954 and February 15, 1954, the Board of Governors extends until October 1, 1954, the time within which the Merchants Trust Company, Muncie, Indiana, may establish a branch at 1719 Broadway, Muncie, Indiana, and a branch at 2700 West Jackson Street, Muncie, Indiana, as approved by the Board under date of September 17, 1953.

Approved unanimously.


Secretary