

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, March 5, 1954. The Board met in the Board Room at 10:00 a.m.

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

Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Kenyon, Assistant Secretary
Mr. Leonard, Director, Division of Bank
Operations
Mr. Vest, General Counsel
Mr. Cherry, Legislative Counsel

Reference was made to the discussion at the meeting of the Board yesterday regarding the proposal that property located at 5th and Liberty Streets in Louisville, Kentucky, be acquired at the option price of \$449,305 as a site for a new building for the Louisville Branch of the Federal Reserve Bank of St. Louis. At the request of the Board, the Secretary read from a letter which Mr. Johns, President of the St. Louis Bank, wrote to Governor Evans on February 17, 1954, in which Mr. Johns stated that the asking price for this property had remained stable at \$449,305 for a period of several months. According to Mr. Johns, the price of \$414,000 which had been mentioned informally by a Louisville member banker (Mr. Lee P. Miller) in recent conversations with individual members of the Board of Governors apparently reflected the fact that Mr. Miller had been out of touch with the matter for some time and had reached back in his memory for a figure which was

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never more than tentative and preliminary, and actually was in part an estimate. The difference also was explained partially by the fact that Mr. Miller had not taken into account real estate agents' commissions.

Thereupon, unanimous approval was given to a letter to President Johns reading as follows:

This is in reply to your letter of March 2, 1954, regarding the purchase of property at 5th and Liberty Streets, Louisville, as a site for a new building for the Louisville Branch.

The Board will interpose no objection to the purchase of the property at the option price of \$449,305, as recommended by the Board of Directors of the Federal Reserve Bank of St. Louis, subject to satisfactory arrangements and terms for vacation of the public alley running through the property. It is understood that you now believe that the alley will be closed without payment to the City and that the only costs to the Bank will be minor legal charges and the cost of relocating the sewer now running under the alley and the utility lines running through the alley.

It is noted that the proposed location not only has the approval of the Board of Directors of the Federal Reserve Bank but was the unanimous recommendation of the Directors of the Louisville Branch, in which the six member banks in Louisville concurred. The Board is pleased that the matter has worked out to the satisfaction of these groups.

It is also noted that the Directors have authorized, subject to the approval of the Board, the employment of the architectural firm of Russell, Mullgardt, Schwarz, Van Hoefen, St. Louis, Missouri, to assist in determining the adequacy and suitability of the proposed site and also, if the site is acquired, to prepare plans and specifications for the proposed new building and to supervise its construction; and that the architects have agreed to the engagement under the terms of the standard contract of the American Institute of Architects for a fee equal to 6-1/2 per cent of the cost of construction. The Board will interpose no objection to the employment of the firm, and assumes that the agreement will include a provision,

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referred to in the Board's letter of December 1, 1953, S-1518, that the Federal Reserve Bank is not obligated to retain the architect for any work beyond the preparation of preliminary plans, but that if the firm is retained the payment for such work will be taken into account in the final fee, and that no commitment will be entered into for the preparation of detailed plans and specifications until the preliminary plans have been reviewed by the Board.

A question, however, is raised as to the fee of 6-1/2 per cent, which seems slightly high. Architectural fees for the three latest branch buildings, Jacksonville, Portland, and Seattle, were 6 per cent and that is likewise the fee for the San Antonio Branch, for which final plans are being prepared, and the fee contemplated for the architects for the proposed Buffalo building. It is also the fee proposed for the large addition contemplated for the Birmingham Branch, with a fee of 7 per cent on the cost of alterations to the old building. In the circumstances, it would seem appropriate to reconsider with the architects the basis for the fee.

Further reference was made to the discussions at the meeting of the Board on March 3, 1954, and at the meeting of the Board with the Presidents of the Federal Reserve Banks on the same day regarding bill H. R. 7602, introduced by Representative Patman and referred to the Committee on Government Operations. This bill would direct the Comptroller General to make an audit for the year ending December 31, 1953, of the Board of Governors, the Federal Open Market Committee, and the Federal Reserve Banks and their branches. In a letter dated January 29, 1954, Representative Hoffman, Chairman of the Committee on Government Operations, had requested a report by the Board on the bill.

The discussion at this meeting concerned the nature of the response that should be made by the Board. Several suggestions were offered

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in this respect and it was understood that a draft of letter report would be prepared for the Board's further consideration.

Mr. Cherry then withdrew from the meeting.

Chairman Martin referred to the wide fluctuations in the volume of float and to the difficulties which they present in carrying out System open market policies. He said that he had discussed the matter with Mr. Riefler, Assistant to the Chairman, who suggested that steps be taken to investigate possible methods which would tend to minimize the fluctuations.

Reference was made in this connection to the current joint committee study of the check collection system and Governor Mills stated that although the report of the committee, due to be released shortly, would not deal directly with the relationship between the volume of float and monetary policy, it would contain some comments regarding possible regional check clearing arrangements which would have a bearing on the subject.

Chairman Martin then suggested that Governor Mills be requested to review the matter in the light of the check collection study with a view to ascertaining whether there were any steps that appeared to be feasible which would tend to reduce the daily variations in the amount of float.

This suggestion was approved unanimously.

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Governor Mills reported that Mr. Young, Director of the Division of Research and Statistics, had been elected to the Board of Directors of the National Academy of Economics and Political Science. After reviewing the purposes and functions of the organization and the duties of its directors, Governor Mills recommended that Mr. Young be advised that the Board would have no objection to his serving as a director of the Academy.

Governor Mills' recommendation was approved unanimously.

There was presented a draft of letter to Mr. Knoke, Vice President of the Federal Reserve Bank of New York, reading as follows:

This is in reference to your letter of February 18, 1954, with enclosures, relating to the request that your Bank perform certain functions as custodian of gold pledged by Banco de Guatemala to The Chase National Bank of the City of New York, as Agent, to guarantee bonds of two Guatemalan government institutions in which foreign life insurance companies in Guatemala may invest. It is understood that the proposed arrangement contemplates that your Bank would, upon receipt of appropriate instructions, transfer the gold, which is to constitute the collateral, from the account of Banco de Guatemala on your books to a gold custody account to be opened on your books in the name of The Chase National Bank of the City of New York as Agent under an agreement with Banco de Guatemala.

The Board approves the establishment and maintenance of the gold custody account as outlined in the documents enclosed with your letter.

Following comments on the matter by Governor Szymczak, during which he stated reasons why the Federal Reserve Bank of New York would like to have advice of Board action today, the letter to Mr. Knoke was approved unanimously.

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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 March 1, by the Federal Reserve Bank of San Francisco on March 3, and by the Federal Reserve Banks of New York, Philadelphia, and Atlanta on March 4, 1954, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

At this point all of the members of the staff except Mr. Carpenter withdrew from the meeting.

Mr. Carpenter stated that Mr. Wayne, First Vice President of the Federal Reserve Bank of Richmond, had suggested that, if agreeable to the Board, the Bank would invite groups of the Board's employees to spend a day at the Bank for the purpose of observing and asking questions about its operations. It was expected that only those employees would be invited whose work at the Board was such that they would profit from the visit. The Bank was prepared to supply the necessary bus transportation for the visits and to provide luncheon for the employees at the Bank.

The matter was discussed and it was the unanimous decision of the Board that the value of such visits to Board employees would not justify the time and expense involved.

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

Minutes of actions taken by the Board of Governors of the Federal Reserve System on March 4, 1954, were approved unanimously.

Letter to Mr. Willis, Secretary, Federal Reserve Bank of New York, reading as follows:

Thank you for your letter of March 1, 1954, advising that the leave of absence without pay granted to Mr. John F. Pierce of the Bank Examinations Department has been extended for a period of approximately two months to enable him to finish his assignment as adviser to the Central Bank of Ceylon on problems of commercial bank examination and supervision. It is noted from your letter that the extension of the present leave is to be on the same terms as the original leave and will permit Mr. Pierce sufficient travel time for his return to the United States with the understanding that, if feasible, he will return to the Bank a week or so earlier than is now anticipated.

The Board of Governors interposes no objection to the arrangements with respect to Mr. Pierce as described in your letter.

Approved unanimously.

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

In accordance with the request contained in your letter of March 1, 1954, the Board approves the appointment of Frank Ralph Martin as an assistant examiner for the Federal Reserve Bank of Chicago. Please advise as to the date upon which the appointment is made effective.

Approved unanimously.

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Letter to the Board of Directors, The County Trust Company,
White Plains, New York, reading as follows:

On February 18, 1954, the Board of Governors approved the establishment of a branch of The County Trust Company at 208 Westchester Avenue, White Plains, New York, provided the branch is established within six months from that date.

In accordance with the request submitted through the Federal Reserve Bank of New York, the Board now approves the establishment of that branch at 158 Westchester Avenue instead of 208 Westchester Avenue, White Plains, New York.

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

Letter to The Hanover Bank, New York, New York, reading as
follows:

The Board of Governors of the Federal Reserve System authorizes The Hanover Bank, New York, New York, pursuant to the provisions of Section 25 of the Federal Reserve Act, to establish a branch at 15 Carlos Place, Grosvenor Square, W. 1, London, England, and to operate and maintain such branch subject to the provisions of such section; upon condition that, unless the branch is actually established and opened for business on or before March 1, 1955, all rights granted hereby shall be deemed to have been abandoned and the authority hereby granted shall automatically terminate on such date. It is understood, of course, that no change will be made in the location of such branch without the prior approval of the Board of Governors.

Approved unanimously, for
transmittal through the Federal
Reserve Bank of New York, with a
letter to Mr. Wiltse, Vice President of the Reserve Bank, containing the following paragraph:

Please ask The Hanover Bank to note that the authority to establish the branch will automatically terminate on March 1, 1955 if the branch is not actually established and

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opened for business on or before that date, and request the Bank to advise the Board in writing through the Federal Reserve Bank of New York when the branch is so established and opened for business.

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

Reference is made to your letter of February 25, 1954, submitting request of the State Bank and Trust Company, Evanston, Illinois, for permission under the provisions of section 24A of the Federal Reserve Act to increase its investment in bank premises to \$1,000,000, which is in excess of the \$500,000 capital stock of the bank.

It is noted that preliminary estimate of the cost of remodeling and modernizing bank premises is \$566,151, but that management believes that the total cost will be in the neighborhood of \$600,000.

While the proposed total investment in fixed assets appears to be extremely heavy in relation to bank's capital funds, the Board of Governors, after giving due consideration to all of the factors presented, approves the additional investment in bank premises of an amount not to exceed \$600,000.

Approved unanimously.

Letter to the Northfield National Bank, Northfield, Minnesota, reading as follows:

This refers to the resolution adopted on November 25, 1953, by the board of directors of your bank, signifying the bank's desire to surrender its rights to exercise fiduciary powers heretofore granted to it.

The Board, understanding that your bank has never undertaken to act in any fiduciary capacity within the scope of the authority previously granted, has issued a formal certificate to your bank certifying that it is no longer authorized to exercise any of the fiduciary powers covered by the provisions of section 11(k) of the Federal Reserve Act, as amended. This certificate is enclosed herewith.

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In this connection, your attention is called to the fact that, under the provisions of section 11(k) of the Federal Reserve Act, as amended, when such a certificate has been issued by the Board of Governors of the Federal Reserve System to a national bank, such bank (1) shall no longer be subject to the provisions of section 11(k) or the regulations of the Board of Governors of the Federal Reserve System made pursuant thereto, (2) shall be entitled to have returned to it any securities which it may have deposited with the State authorities for the protection of private or court trusts, and (3) shall not exercise thereafter any of the powers granted by section 11(k) without first applying for and obtaining a new permit to exercise such powers pursuant to the provisions of section 11(k).

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

Letter to the Board of Directors, Security Trust & Savings
Bank of San Diego, San Diego, California, reading as follows:

Pursuant to your request submitted through the Federal Reserve Bank of San Francisco, the Board of Governors approves the establishment of a branch at 40th Street and El Cajon Boulevard in the city of San Diego, California, by Security Trust & Savings Bank of San Diego, provided the branch is established within six months from the date of this letter.

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

Letters 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 from your office dated January 22, 1954, enclosing photostatic copies of an application to organize a national bank in Des Moines, Iowa, and requesting a recommendation as to whether or not the application should be approved.

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A report of investigation of the application, made by a representative of the Federal Reserve Bank of Chicago, indicates that a capital structure of \$280,000 is to be provided for the bank instead of \$250,000 proposed in the application. This report discloses generally favorable findings with respect to the factors considered in these cases, although there does not appear to be a pressing need for additional banking facilities in the area. After considering all of the factors, however, the Board of Governors recommends approval of the application.

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.

Reference is made to a letter from your office dated January 21, 1954, enclosing photostatic copies of an application to organize a national bank at Wolf Point, Montana, and requesting a recommendation as to whether or not the application should be approved.

Information obtained in an investigation of the application, made by an examiner for the Federal Reserve Bank of Minneapolis, is generally favorable with respect to the factors usually considered in connection with such applications, except that the proposed capital structure may be somewhat weak and the proposed management seems to lack an experienced bank executive. If these matters are resolved to the satisfaction of your office, the Board of Governors recommends approval of the application.

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.



Secretary