

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

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

Mr. Sherman, Assistant Secretary
Mr. Kenyon, Assistant Secretary
Mr. Leonard, Director, Division of
Bank Operations

Mr. Leonard presented for informal consideration tentative plans for the new building of the Buffalo Branch, Federal Reserve Bank of New York. He explained that although no action on the part of the Board of Governors was required at this time, it was his feeling that it would be helpful if the Board could indicate whether it would have any objection (1) to the general design of the proposed building, and (2) to the construction of a building providing as much space as was contemplated. He pointed out that if there were objections by the Board on either of these grounds, it might be well to inform the Reserve Bank before the Bank proceeded with the preparation of detailed plans and presented them formally for the Board's approval. If, on the other hand, there were no such objections, Mr. Leonard proposed to send to the Reserve Bank certain suggestions which had been made by Mr. Persina, Consulting Architect to the Board, so that they might be considered in preparing the detailed plans. Regarding the size of the building,

4/5/54

-2-

Mr. Leonard said that branch operations at the current level would not utilize all of the space to be provided although it was not possible for him to say exactly how much of the building would not be needed for branch activities. He went on to say, in this connection, that the recent assignment of additional territory to the Buffalo Branch zone, the fact that the branch would provide some services for banks in the upper part of New York State which are in the head office zone, and the fact that in event of a disaster it was planned to make extensive use of the branch quarters were reasons which might be cited for providing adequate room for expansion.

Mr. Leonard also stated, in response to questions by members of the Board, that the Reserve Bank anticipated being able to construct a building of this design and size at a cost not exceeding the amount which had been tentatively earmarked for a new Buffalo Branch building out of the aggregate limitation on the "building proper" costs of Reserve Bank branches.

During a discussion of the matter, Governor Vardaman offered several suggestions with respect to the arrangement of certain facilities which he thought it would be desirable to bring to the Reserve Bank's attention.

At the conclusion of the discussion, it was understood that, while Mr. Leonard should make no comments to the Federal Reserve Bank of New York that would commit the Board pending the submission of detailed plans

4/5/54

-3-

for the Buffalo Branch building, there would be no objection to his forwarding to the Bank the comments of Mr. Persina and the suggestions made by Governor Vardaman.

Mr. Leonard then withdrew from the meeting.

Reference was made to a letter which Mr. Willard L. Thorp had addressed to Mr. Young, Director, Division of Research and Statistics, under date of March 26, 1954, inviting Mr. Young and other members of the Board's staff to participate in the sessions of The Merrill Center for Economics, to be held at Southampton, Long Island, from June 28 through August 13, 1954. The letter indicated that the purpose of the Center was to bring together groups of scholars and experts to consider some economic problem in a series of off-the-record discussions and that the program this summer would be concerned with the topic, "The Fear of Recession". The letter also stated that the Center would be glad to pay transportation expenses, including those involved in any weekends spent away from the Center and that room and meals would be taken care of in Southampton.

During a discussion of the matter, it was suggested that members of the Board's staff might be authorized to participate in the meetings at the Center with the understanding that such approval was in general terms and that a more definite program as to who would attend and for

4/5/54

-4-

what periods of time would be worked out by Mr. Young. In this connection, it was suggested that no individual should attend for the entire period, and that consideration should be given to the practicality of having perhaps as many as five or six individuals participate in the meetings for a period of one week each in order that several persons might have the benefit of the discussions.

In accordance with these suggestions, unanimous approval was given in principle to participation by members of the Board's staff in the meetings to be held at the Center, with the understanding that Mr. Young was authorized to work out a program for attendance by individual members of the staff.

Chairman Martin stated that he received a visit last Friday, April 2, from Mr. L. D. Lacy, who has an interest in Mid-Continent Bank Shares, Inc., Wilmington, Delaware (sometimes listed as located in Tulsa, Oklahoma) which is a holding company for certain nonmember insured banks and investment companies in Oklahoma, Texas, and Kansas. He said Mr. Lacy and his associates wished to dissolve the holding company but that apparently any plan for dissolution would subject the owners of holding company shares to taxation on the accrued value of bank shares received in the distribution. It also appeared that an amendment to the Internal Revenue Code which would provide tax relief had been proposed and, in the circumstances, Mr. Lacy inquired whether he (Chairman

4/5/54

-5-

Martin) would communicate with the staff of the Ways and Means Committee of the House of Representatives to state that the Board would have no objection to the proposed amendment.

Governor Robertson recalled that this question had been raised by Mr. Lacy at the time of hearings before the Senate Banking and Currency Committee on bank holding company legislation in June 1953, and that it was explained to Mr. Lacy that the matter of tax relief was not within the Board's province. He felt that if the Ways and Means Committee wished to have the Board's views it would make a request of the Board; in the absence of such a request, it was his opinion that no action should be taken.

The other members of the Board indicated that they agreed with the position stated by Governor Robertson.

Governor Vardaman stated that it appeared he would have to be away from his office during the month of June and again from late November of this year until early in January 1955 because of the necessity for his undergoing certain medical examinations and treatment.

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

Minutes of actions taken by the Board of Governors of the Federal Reserve System on April 2, 1954, were approved unanimously.

4/5/54

-6-

Letter to the Board of Directors, City National Bank of Anchorage, Anchorage, Alaska, stating that, subject to conditions of membership numbered 1 and 2 in the Board's Regulation H, and the following special conditions, the Board approves the bank's application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of San Francisco:

3. Prior to admission to membership, such bank, if it has not already done so, shall charge-off or otherwise eliminate losses of \$6,815.56, as shown in the report of examination as of July 3, 1953; made by an examiner for the Comptroller of the Currency.
4. Prior to admission to membership, any indebtedness to the bank of the Alaska Bancorporation, an affiliate, shall be eliminated from the assets or made to conform to the provisions of Section 23A of the Federal Reserve Act.

Approved unanimously, together with a letter to Mr. Earhart, President, Federal Reserve Bank of San Francisco, reading as follows:

The Board of Governors of the Federal Reserve System approves the application of City National Bank of Anchorage, Anchorage, Alaska, for membership in the Federal Reserve System, subject to the conditions prescribed in the enclosed letter, which you are requested to forward to the board of directors of the institution. A copy of such letter is enclosed for your files.

In the report of examination of the bank made by a national bank examiner as of July 3, 1953, several matters were mentioned which did not conform with the provisions of the National Banking Act, although they were legal under the territorial banking laws. We are informed that it is the Comptroller's policy to permit a reasonable time within which corrections may be effected after conversion to a

4/5/54

-7-

national bank and that no specific requirements were made at the time of conversion. Except for purely technical requirements, the only conditions imposed by the Office of the Comptroller were an increase in capital to not less than \$254,000 and the execution of an agreement that the capital would be increased another \$150,000 if deposits reached a total of \$4,000,000. One of the matters commented upon by the examiner was the payment of interest at the rate of three per cent on savings accounts in violation of Title 12 U.S.C., Section 371b. In this connection it should be pointed out that the limitation on the rate of interest that can be paid under this statute applies only to deposits payable within a State of the United States or in the District of Columbia.

The Board feels that the City National Bank of Anchorage, upon becoming a member of the Federal Reserve System, should be furnished the same basic services as member banks located in the United States.

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 March 2, 1954, enclosing photostatic copies of an application to convert the Guaranty Bank and Trust Company, Huntington, West Virginia, into a national banking association and requesting a recommendation as to whether or not the application should be approved or disapproved.

Information contained in a report of investigation of the application by the Federal Reserve Bank of Richmond indicates generally favorable findings with respect to the factors usually considered in connection with such proposals. Accordingly, 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 February 26, 1954, enclosing photostatic copies of an

4/5/54

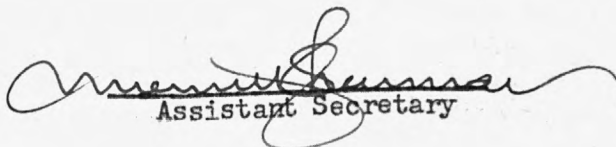
-8-

application to convert the Industrial Savings Bank, Miami, Florida, into a national banking association and requesting a recommendation as to whether or not the application should be approved.

Information contained in a report of investigation of the application, made by the Federal Reserve Bank of Atlanta, indicates generally favorable findings with respect to the factors usually considered in connection with such applications, except as to the adequacy of the capital structure. It would appear that the bank should have substantially more capital than presently proposed and, therefore, the Board recommends approval of the application, provided arrangements are made for a capital structure satisfactory to your office.

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.


Assistant Secretary