

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, May 20, 1954.

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

Minutes of actions taken by the Board of Governors of the Federal Reserve System on May 19, 1954, were approved unanimously.

Telegram to Mr. Wilgus, Cashier and Assistant Secretary, Federal Reserve Bank of Philadelphia, reading as follows:

Reurtel today. Board approves effective May 21, 1954, rates of 1-1/2 per cent on discounts for and advances to member banks under Sections 13 and 13a, 1-1/2 per cent on discounts for Federal Intermediate Credit Banks, and 2 per cent on advances to member banks under Section 10(b). Otherwise Board approves establishment by your Bank, without change, of rates of discount and purchase in Bank's existing schedule, advice of which was contained in your telegram of May 20. Board's announcement on change in discount rate is being handed to press this afternoon for immediate release.

Approved unanimously, with the understanding that the Presidents of all Federal Reserve Banks and the Vice Presidents in charge of Federal Reserve Bank branches would be advised by telegram, that advice would be sent to the Federal Register, and that the Board's press statement would be in a form similar to those previously issued announcing a reduction in the discount rate from 1-3/4 to 1-1/2 per cent at other Federal Reserve Banks.

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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 May 13, 1954, the Board of Governors approves the designation of Paul T. Mott as a special assistant examiner for the Federal Reserve Bank of New York.

Approved unanimously.

Letter to Mr. F. P. Shepard, President, Bankers Company of New York, 16 Wall Street, New York, New York, reading as follows:

There is enclosed a copy of the report of examination of the Bankers Company of New York, New York, New York, made as of December 29, 1953 by an examiner for the Board of Governors of the Federal Reserve System. The figures for Bankers Trustee and Executor Company Limited, shown in the report, were supplied by your Company.

Your courtesy in acknowledging receipt of the report will be appreciated.

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

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

This refers to your letters of May 7 and May 14, 1954, requesting advice as to whether or not the Fidelity Trust Company, Pittsburgh, Pennsylvania, would be required to dispose of its present holdings of corporate stocks as a condition to membership in the Federal Reserve System. It is understood that consideration is being given to a merger of The Colonial Trust Company and the Fidelity Trust Company, both of Pittsburgh, Pennsylvania, under the charter of the latter institution and that a strong feeling exists that it would be desirable for the continuing bank to be a member of the Federal Reserve System.

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As you know, member banks are prohibited by statute from investing funds in corporate stocks, with certain limited exceptions, and this restriction would seem to indicate the view of Congress that corporate stocks should not be regarded as suitable investments for commercial banking institutions. While the Board of Governors prescribes no general or standard condition of membership requiring the disposition of corporate stocks held by State banks at the time of their admission to membership, its present policy is to prescribe appropriate conditions of membership with respect to this matter in view of the circumstances existing in individual cases and to require disposition of corporate stocks unless the circumstances of the individual case justify permitting their retention.

Your letters have been considered by the Board in the light of this policy. Although the information submitted would indicate that the Fidelity Trust Company would be a desirable member of the System, the Board sees no circumstances present in this case which, under the policy of the Board above stated, would justify permitting retention of the corporate stocks now owned by Fidelity Trust Company in the event of its admission to membership.

This does not mean, however, that, if an application for membership were submitted by the bank, the Board would require disposition of such stocks before admitting the bank to membership; the bank would be afforded a reasonable period of time, not to exceed approximately 3 years, in which to effect such disposition.

It should be noted also that, while The Colonial Trust Company owns certain corporate stocks, they were held by that bank prior to the adoption of the Board's present policy and the Board would therefore make no requirements with respect to disposition of those stocks.

It will be appreciated if you will advise the management of the Fidelity Trust Company of the Board's views as stated in this letter.

Approved unanimously.

Letter to Mr. Heflin, Vice President and General Counsel, Federal Reserve Bank of Richmond, reading as follows:

This refers to your telephone call to Mr. Chase regarding the injunction issued against Wheaton Park, Inc., and its officers enjoining further violations of Regulation X.

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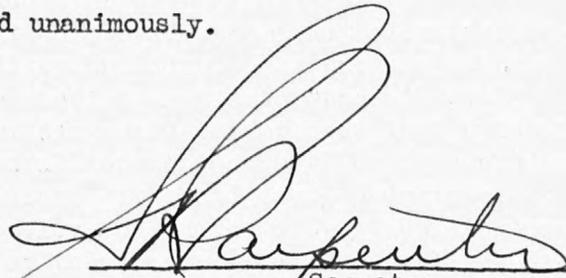
As you know, the Board has taken the position, regarding similar injunctions issued in connection with Regulation W, that since that regulation has been suspended, the injunctions served no further purpose and consequently the Board would interpose no objection if the defendant in any case should make a motion to have the injunction dissolved.

The Board has decided to take the same position with respect to this injunction, which is the only one issued in connection with Regulation X, and you may so advise the defendants' attorney.

Approved unanimously.

Telegram to Mr. Brawner, Chairman, Federal Reserve Bank of San Francisco, authorizing him to issue a limited voting permit, under the provisions of section 5144 of the Revised Statutes of the United States, to Transamerica Corporation, San Francisco, California, entitling such organization to vote the stock which it owns or controls of First National Trust and Savings Bank of Santa Barbara, Santa Barbara, California, at any time prior to September 1, 1954, to act upon proposals (1) to increase the capital stock of such bank, and (2) to amend the articles of association of such bank to conform to articles recommended by the Comptroller of the Currency, provided that all action taken shall be in accordance with plans satisfactory to the Comptroller of the Currency.

Approved unanimously.


Secretary