

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, June 15, 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. Riefler, Assistant to the Chairman  
Mr. Leonard, Director, Division of Bank Operations  
Mr. Young, Director, Division of Research and Statistics  
Mr. Solomon, Assistant General Counsel  
Mr. Hostrup, Assistant Director, Division of Examinations  
Mr. Youngdahl, Assistant Director, Division of Research and Statistics  
Mr. Cherry, Legislative Counsel

Mr. Cherry stated that yesterday he delivered to the office of the Chairman of the House Banking and Currency Committee reports of examination of the twelve Federal Reserve Banks and audits of the System Open Market Account for the five years ending 1953, together with the letter addressed to Chairman Wolcott which had been approved by the Board at the meeting on June 11, 1954. He reviewed discussions which he had with Representatives Patman and Oakman and members of the staff of the Committee when he delivered the reports in the morning and also at a meeting in the afternoon which was arranged at Mr. Patman's suggestion. Mr. Cherry commented particularly on Representative Patman's request that the reports be delivered to the

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General Accounting Office where representatives of that office could go over them for the purpose of indicating their views as to the adequacy of the examinations and audits, stating that he informed Representative Patman that he could not go beyond the terms of the letter from Chairman Martin which stated that the documents were being sent to the Banking and Currency Committee with the understanding that they may be made available in confidence only to members of Congress and the staff of that Committee. Mr. Cherry also said that representatives of the General Accounting Office were present during the afternoon meeting, apparently at Mr. Patman's request, and that they indicated a preference for having a resolution by the House Banking and Currency Committee requesting the General Accounting Office to review the examination reports, if such reports were to be delivered to them for review.

There was a discussion of possible actions that might be taken by the Board in the event such a resolution were adopted by the House Banking and Currency Committee, and it was agreed that no action by the Board was called for at this time.

Messrs. Cherry and Hostrup withdrew from the meeting at this point.

Before this meeting there had been sent to the members of the Board a memorandum from Mr. Young dated June 11, 1954, regarding an inquiry he had received from Mr. Stuart A. Rice, Assistant

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Director for Statistical Standards, Office of Statistical Standards, Bureau of the Budget, inquiring as to deficiencies and gaps in the Federal statistics program. Mr. Young explained that Mr. Rice's letter was prompted by a request which he had received from Congressman Talle, Chairman of the Statistics Subcommittee of the Joint Committee on the Economic Report. Mr. Young also referred to a draft of reply to Mr. Rice which had been prepared for his signature reading as follows:

In reply to your letter of May 14, 1954, we believe that the most important requirement for increasing the efficiency, reliability, and accuracy of existing statistical series is a firm program of periodic censuses. The availability of benchmark statistics at relatively frequent intervals is an indispensable prerequisite to improved current series. Comprehensive censuses of manufactures, minerals, business, agriculture, housing and government should be taken with reasonable frequency and should be supplemented by intercensal surveys based on samples. The programs in this field recently recommended by the Intensive Review Committee appear to us to be appropriate.

A second general requirement, in our view, is a speed-up in processing of data, so that more timely figures can be made available for use. Substantial progress has been made recently by some agencies with respect to current monthly statistics, and much more can be done in this area. More importantly, release of benchmark data needs to be speeded up. However, improvements in timeliness should not be carried to the point where the quality of the data is seriously affected.

Some of the more important specific limitations in existing series and programs--as we see them--are touched on in the attachment. In a memorandum on the programs of the Bureau of the Census to the Bureau's Intensive Review Committee, dated October 21, 1953, we discussed some of the important specific limitations in existing series and programs in greater detail. It is my understanding that a copy of this memorandum has been made available to the

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Office of Statistical Standards.

Because of limitations of time, the attached summary of our views regarding statistical needs in specific areas is confined to programs which have recently come under our review. The remarks are also confined to major needs and do not include miscellaneous gaps which are currently receiving the attention of the compiling organizations, nor a number of subjects now under review by committees organized by the Bureau of the Budget in their continuing program for improving government statistics.

Mr. Young went on to say that Mr. Rice had indicated that his reply to Mr. Talle's inquiry would be in the form of a letter to which would be appended copies of letters of comment he received from the various Government departments and agencies to which he had addressed letters inquiring as to deficiencies in the Federal statistics program.

During a discussion of the proposed reply, Governor Mills stated that he felt it entirely appropriate to furnish Mr. Rice with the comments suggested in the draft of letter presented by Mr. Young and all of the members of the Board who were present concurred in this view.

Thereupon, the proposed letter to Mr. Rice was approved unanimously.

Mr. Sloan, Director, Division of Examinations, entered the room at this point.

Before this meeting there had been sent to the members of the Board a draft of letter to the Board of Directors of The Hartford-Connecticut Trust Company, Hartford, Connecticut, reading as follows:

Pursuant to your request submitted through the Federal Reserve Bank of Boston, the Board of Governors of the



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Federal Reserve System approves the establishment of a branch at 803 Main Street, Hartford, Connecticut in connection with a proposed merger of your institution with Phoenix State Bank and Trust Company, Hartford, Connecticut. It is understood that the title of the merged institution will be The Connecticut Bank and Trust Company. This approval is given provided (a) the merger is effected as proposed, (b) the branch is established within six months from the date of this letter and (c) establishment of the branch is formally approved by the appropriate State authorities.

Governor Robertson stated that he had not had an opportunity to read the proposed letter to The Hartford-Connecticut Trust Company or the memorandum from the Division of Examinations dated June 4, 1954, regarding the proposed merger and approval by the Board of the establishment of a branch by the merged institution in the location formerly occupied by the head office of Phoenix State Bank and Trust Company. However, in view of a telephone call from President Erickson of the Federal Reserve Bank of Boston this morning stating that the directors of the two banks concerned were meeting at eleven o'clock this morning for the purpose of considering the terms of the proposed merger, he would have no objection to discussing the matter at this meeting.

Mr. Sloan then reviewed the terms of the proposed merger along the lines of the memorandum from the Division of Examinations dated June 4, 1954. He stated that the capital stock and surplus of the merged institution would be at least equal to the aggregate capital stock and the aggregate surplus of the two banks involved

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in the merger, that the existing branches of the two merging banks would continue as branches of the merged institution, and that the question presented for Board approval was the establishment of a branch in the quarters formerly occupied as a head office by Phoenix State Bank and Trust Company. Mr. Sloan also stated, in response to an inquiry from Governor Robertson, that it did not appear that the proposed merger would conflict with the anti-trust laws, and that the Connecticut Banking Commission had informally approved the proposed merger subject to completion of plans and agreements and approval by shareholders of each bank.

At the conclusion of the discussion, unanimous approval was given to the letter set forth above addressed to the Board of Directors, The Hartford-Connecticut Trust Company, Hartford, Connecticut, with the understanding that it would be transmitted through the Federal Reserve Bank of Boston.

Mr. Sloan withdrew from the meeting at this point.

Before this meeting there had been circulated among the members of the Board a memorandum from Mr. Solomon dated June 9, 1954, transmitting a proposed set of answers to a questionnaire received from the Commission on Organization of the Executive Branch of the Government (Hoover Commission) regarding the Board's administrative procedures. During a discussion of the memorandum a minor change in wording was suggested on page 41.

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Following discussion, unanimous approval was given to the transmission of the proposed answers to Mr. John B. Hollister, Executive Director of the Commission.

There followed a general discussion of possible changes that might be made in reserve requirements of member banks, at the conclusion of which it was understood that further consideration would be given to the matter at an early meeting of the Board.

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 June 11, 1954, were approved unanimously.

Minutes of the action taken by the Board of Governors of the Federal Reserve System on June 14, 1954, were approved and the action recorded therein was ratified unanimously.

Telegram to Mr. Wysor, Deputy Chairman, Federal Reserve Bank of Richmond, reading as follows:

The Board of Governors approves the payment of salary to Mr. James M. Slay as Vice President of the Federal Reserve Bank of Richmond for the period July 5, 1954, through December 31, 1954, at the rate of \$14,000 per annum, which is the rate fixed by the Executive Committee with the concurrence of a majority of your Board of Directors as indicated in your letter of June 9, 1954.

The Board further approves the payment of salary to K. Brantley Watson as Personnel Consultant at the rate of \$15,000 per annum for a period of five weeks following entrance upon duty of Mr. Slay.

Approved unanimously.

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

This refers to your letter of May 28, 1954 and the enclosed copies of the letter from your bank to Mr. Donald M. Liddell, Jr., dated April 27, 1954 and Mr. Liddell's reply dated May 19, 1954 regarding the applicability of section 32 to Mr. Liddell's services as director of The National State Bank of Elizabeth and as director of Templeton & Liddell Fund, Inc.

As was pointed out in the Board's letter of May 21, 1953, the question was then thought to be a close one. When your letter of March 26, 1954 was received the matter was reviewed and very carefully considered by the Board, and, for the reasons stated in its letter of April 19, 1954 and summarized in your bank's letter of April 27, 1954 to Mr. Liddell, the Board concluded that the statute was applicable.

The Board, as you know, is not given discretion by the statute to issue permits in individual cases. The statute applies to interlocking relationships with corporations "primarily engaged" in underwriting, selling and distributing securities, and the Board may make exceptions by general regulations only. Upon review of the information contained in Mr. Liddell's letter of May 19, 1954, the Board does not believe that it should change the view expressed in its letter of April 19, 1954.

Approved unanimously.

Letter to The Second National Bank of Cooperstown, Cooperstown, New York, reading as follows:

The Board of Governors of the Federal Reserve System has given consideration to your supplemental application for fiduciary powers, and, in addition to the authority heretofore granted to act as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, and committee of estates of lunatics, grants you authority to act, when not in contravention of State or local law, in any other fiduciary capacity in which State banks, trust companies, or other corporations which come into competition with national



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banks are permitted to act under the laws of the State of New York. The exercise of all such powers shall be subject to the provisions of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System.

A formal certificate indicating the fiduciary powers which The Second National Bank of Cooperstown is now authorized to exercise will be forwarded to you in due course.

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

Letter to the Board of Directors, Lincoln Rochester Trust Company, Rochester, New York, reading as follows:

Pursuant to your request submitted through the Federal Reserve Bank of New York, the Board of Governors approves the establishment of a branch by Lincoln Rochester Trust Company, Rochester, New York, at 101 Eastway Plaza, 1950 Empire Boulevard, in an unincorporated area of the Town of Penfield, Monroe County, New York, provided the branch is established within one year from the date of this letter.

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

Letter to the Board of Directors, Peoples Union Bank, McKeesport, Pennsylvania, reading as follows:

Pursuant to your request submitted through the Federal Reserve Bank of Cleveland, the Board of Governors of the Federal Reserve System approves the establishment of a branch at 3515 Walnut Street, McKeesport, Pennsylvania, by Peoples Union Bank, McKeesport, Pennsylvania, provided formal approval is obtained from the State authorities, and the branch is established within one year of the date of this letter.

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

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Letter to Kenosha National Bank, Kenosha, Wisconsin, reading as follows:

The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers and grants you authority to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies or other corporations which come into competition with national banks are permitted to act under the laws of the State of Wisconsin, the exercise of all such rights to be subject to the provisions of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System.

A formal certificate indicating the fiduciary powers which the Kenosha National Bank is now authorized to exercise will be forwarded to you in due course.

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

Letter to Mr. Peterson, Vice President, Federal Reserve Bank of St. Louis, reading as follows:

This refers to your letter of May 28, 1954, by which you transmitted the request of the Switz City Bank, Switz City, Indiana, for permission under the provisions of its condition of membership numbered 1 to act as registrar for the stock of the Switz City Central School Building Corporation. It is noted that it is not the desire of the member bank to exercise general trust powers and that the authority requested is solely to permit the bank to continue administration of this specific account.

Following consideration of the information submitted and in view of your favorable recommendation, the Board of Governors of the Federal Reserve System grants the applicant permission, under the provisions

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of its condition of membership numbered 1, to act as registrar in the specific instance above described with the understanding that it will not acquire any other fiduciary business without first obtaining permission of the Board. Please advise the member bank accordingly.

Approved unanimously.

Letter to The First National Bank in Blytheville, Blytheville, Arkansas, reading as follows:

The Board of Governors of the Federal Reserve System has given consideration to your supplemental application for fiduciary powers and grants you authority to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies or other corporations which come into competition with national banks are permitted to act under the laws of the State of Arkansas. The specific authorization granted on May 7, 1952, to act as trustee in connection with Public Housing Authority bonds and as registrar of such bonds is now contained in the general fiduciary powers herein authorized. The exercise of these powers shall be subject to the provisions of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System.

A formal certificate indicating the fiduciary powers which The First National Bank in Blytheville is now authorized to exercise will be forwarded to you in due course.

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

Letter to Mr. Pondrom, Vice President, Federal Reserve Bank of Dallas, reading as follows:

Reference is made to your letter of May 28, 1954, submitting the application of McAllen State Bank, McAllen, Texas, for permission to exercise fiduciary powers.

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Following consideration of the information submitted by you in this connection and in view of your favorable recommendation, the Board of Governors of the Federal Reserve System grants the applicant permission, under the provisions of its condition of membership numbered 1, to exercise the fiduciary powers now or hereafter authorized under the terms of its charter and the laws of the State of Texas.

You are requested to advise the McAllen State Bank, McAllen, Texas, of the Board's action.

Approved unanimously.

Letter to Mr. Harris, Chairman, Federal Reserve Bank of Atlanta, reading as follows:

At the completion of the examination of the Federal Reserve Bank of Atlanta, made as of February 19, 1954, by the Board's examiners, a copy of the report of examination was left for your information and that of the directors. A copy also was left for President Bryan. The Board will appreciate advice that the report has been considered by the Board of Directors.

The Board would appreciate having your comments with respect to action taken or to be taken regarding the several matters which were the subject of recommendations or suggestions by the examiners, as follows:

Birmingham Branch. Correction of method of reporting deposits and required reserves by member banks and exercise of greater care by branch personnel in checking such reports (page 95).

Jacksonville Branch. Closer supervision of operations regarding Treasury tax and loan accounts to prevent discrepancies in records pertaining to collateral, and to correct tardiness in the submission and reconciliation of the monthly statements of depositaries (page 139).

New Orleans Branch. Requirement, and recording, of official approval of unusual reserve adjustments (page 200); prompt posting of register of purchases and sales of securities for member banks (page 206); and prevention of deficiencies in collateral securing Treasury tax and loan accounts (page 209).



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The Board would like to be informed also regarding any further developments with respect to the missing Treasury Certificates of Indebtedness amounting to \$101,000, and as to the present status of the currency destruction program.

Any additional comments you may care to offer regarding discussions with respect to the examination, or as to action taken or to be taken as a result of the examination, will also be appreciated.

Approved unanimously.

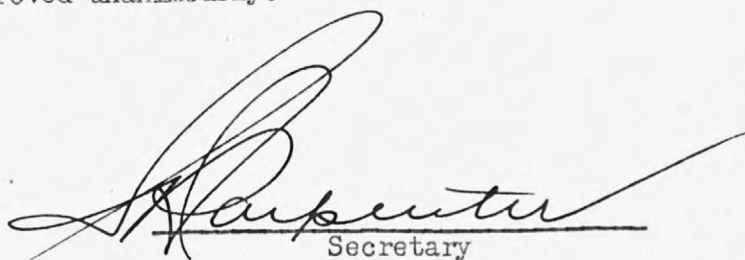
Letter to the Comptroller of the Currency, Treasury Department, Washington, D. C., (Attention: Mr. W. M. Taylor, Deputy Comptroller of the Currency), reading as follows:

Reference is made to a letter from your office dated April 5, 1954, enclosing photostatic copies of an application to organize a national bank at Graham, North Carolina, and requesting a recommendation as to whether or not the application should be approved.

Based upon information developed in an investigation made by an examiner for the Federal Reserve Bank of Richmond, it appears that the need of the community for additional banking facilities is not sufficient to warrant the establishment of a new bank. Graham and Burlington, North Carolina, are adjacent and reported to represent, in effect, one community with ample banking facilities. The ability of the proposed new bank to acquire sufficient business to assure profitable operations was considered doubtful and question was raised as to the experience and competency of the proposed management. In view of these circumstances, the Board of Governors does not feel justified in recommending 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