

Minutes of actions taken by the Board of Governors of the  
Federal Reserve System on Monday, July 19, 1954.

PRESENT: Mr. Mills, Acting Chairman  
Mr. Robertson

Mr. Carpenter, Secretary  
Mr. Sherman, Assistant Secretary  
Mr. Kenyon, Assistant Secretary

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

For the reasons set forth in your letter of  
July 12, 1954, the Board of Governors approves the  
payment of salary to Mr. Tomczak through August 31,  
1954. The Board understands that Mr. Tomczak will  
be retired effective September 1, 1954.

Approved unanimously.

Secretary's Note: The employee  
referred to in the above letter  
was Mr. Stanley P. Tomczak.

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

This will acknowledge receipt of your letter dated  
June 16, 1954, enclosing a copy of a letter from Mr.  
Percy J. Ebbott, President of the Chase National Bank  
of the City of New York, requesting reconsideration of  
the bank's application to establish a branch at 8 and  
10 Eduardo Giorgetti Street, Rio Piedras, Puerto Rico.

The Board has given careful consideration to Mr.  
Ebbott's letter but does not feel on the basis of the  
statements contained therein that it would be warranted  
at this time in changing the position stated in its  
letter of May 19, 1954, directed to the Chase National  
Bank, a copy of which is in your files. As you will re-  
call, in that letter it was stated that the Board would  
be glad to consider a new application at some later date,  
and indicated that a suitable length of time would be  
approximately one year. If the Chase National Bank should

7/19/54

-2-

wish to have this matter further considered during the early part of next year, the Board would be glad to consider a new application at that time in the light of all the then existing circumstances. It will be appreciated if you will so advise the applicant.

Approved unanimously.

Letter to Mr. Armistead, Vice President, Federal Reserve Bank of Richmond, reading as follows:

Reference is made to your letter of June 21, 1954, with respect to the requirement prescribed in the Board's letter of April 19, 1954, for an increase in capital by the Randallstown Bank, Randallstown, Maryland, upon establishment of a branch at Woodmoor in Baltimore County, Maryland. You enclosed a letter from the bank proposing an increase in capital of \$50,000 before opening of the branch and an additional \$50,000 whenever average deposits exceeded a certain amount.

The Board has reviewed this matter again and has concluded that the bank's proposal to predicate part of the increase in capital upon the amount of increase in deposits would not be satisfactory. However, you may inform the bank that an increase in the capital structure of \$50,000 prior to the opening of the branch and an additional \$50,000 within six months after the branch is established will be acceptable. It is understood that the additional capital would be provided from the sale of stock.

Approved unanimously.

Letter to the Board of Directors, Fidelity Trust Company, Indianapolis, Indiana, reading as follows:

Pursuant to your request submitted through the Federal Reserve Bank of Chicago, the Board of Governors approves the establishment of a branch at 5236 North Keystone Avenue, Indianapolis, Indiana, by the Fidelity Trust Company, provided the branch is established within 12 months from the date of this letter.

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

7/19/54

-3-

Letter to The Waggoner National Bank of Vernon, Vernon, Texas,  
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 Texas, 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 Waggoner National Bank of Vernon is now authorized to exercise will be forwarded to you in due course.

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

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

Receipt is acknowledged of your letter of July 13, 1954, stating that you have received from a special agent of the Federal Bureau of Investigation a request that you permit him to examine the file in your Bank relating to an investigation of a Registrant under Regulation W, Rockwool Insulation Company, Birmingham, Alabama. He states that he desires to examine the file in connection with an investigation he is making into various transactions involving home improvement loans insured by FHA.

In the past the Board has permitted examination of Regulation W files by representatives of other agencies of the Federal Government, and the Board has no objection to your permitting the agent to examine the file referred to above, with the understanding that information obtained

7/19/54

-4-

from the file will be used only as a lead to obtain evidence from other sources and that in the event he should later desire to use any of the information in the file as evidence in a formal proceeding, it will either be subpoenaed or the problem will be worked out with the Board on some other satisfactory basis.

Approved unanimously.

Letter to Mr. A. J. Gock, Chairman of the Board of Directors, Bank of America, 40 Wall Street, New York, New York, reading as follows:

This will acknowledge receipt of the letter of June 9, 1954 from Executive Vice President Russell G. Smith in reply to the Board's letter of April 23, 1954 transmitting copies of the report of examination of Bank of America, New York made as of December 4, 1953 by examiners for the Board of Governors.

The Board has noted that the estimated losses have been eliminated and that the miscellaneous recommendations and suggestions made by the examiner on page 16 of the report have had or are having attention. However, it is not clear to what extent each recommendation and suggestion has been adopted, and, accordingly, it will be appreciated if you will advise what action is contemplated with respect to each recommendation or suggestion which has not already been carried out.

Large Lines of Credit.- The Board shares the views of the examiner, as expressed on page 2 of the report, that your Bank should not state to clients that it will extend lines of credit in excess of its legal limits, even though participation agreements with the parent institution have been made to cover any amounts in excess of the Bank's legal limits. The Board feels that the credit lines granted should not exceed the amounts which may be legally lent and that, if participations are to be handled through the parent institution for accommodations in excess of such limits, these facts should be made known to your clients.

Deposit Accounts.- Although your Bank's reply indicated that you do not concur with the views of the examiner that there are numerous accounts where questions may be raised as to possible violations of Section XIV of Regulation K, you did not submit information in

7/19/54

-5-

response to the Board's request that you "forward with respect to each account so listed such information as you may care to submit as to why you feel such account may be regarded as conforming to the provisions of Section XIV of Regulation K . . ."

With respect to the matter of deposit accounts, the Board's letter of April 23, 1954 stated:

"Without undertaking to rule definitively at this time on what deposits are appropriate or inappropriate for an Edge Bank to receive and maintain for domestic clients, it seems clear that Edge Banks may not conduct a general deposit business in the United States and, except for such deposits as are incidental to the conduct of its loan and discount, foreign collection, foreign exchange, and remittance operations, an Edge Bank should refrain from such deposit activities. Upon the conclusion of loan and discount, collection, exchange, and remittance operations for a client, any deposit balance remaining should be withdrawn or transferred to other institutions within a reasonable time. With this thought in mind, it would seem difficult to justify the maintenance of a deposit account for a client for whom lines of credit have been established if, in fact, no loan accommodations are outstanding, unless such deposits are in the nature of margin accounts or collateral to such credit operations. Accordingly, the Board of Governors would also appreciate receiving from you a statement as to your general policy with respect to the receipt of deposits from domestic clients, and the payment of checks drawn thereagainst, and the procedure you plan to establish to assure that deposit and withdrawal activities will be operated within the scope of such institutional policy and the requirements of Regulation K."

Your Bank's letter stated that, with respect to any matters wherein the examiner and your Bank have expressed differing opinions, you would welcome the opportunity for further discussion at the convenience of the Board. The Board believes, however, that the facts which it requested in the portions of its letter quoted above have an important bearing on this matter, and that it would be desirable to have a concise written statement of those facts as a basis

7/19/54

-6-

for any further discussion of the subject. It would be appreciated if you could provide this information at your early convenience.

Handling Italian Bonds and Coupons.- It would be helpful to the Board in reaching a conclusion regarding this matter if you would indicate in what respect, if any, you believe this activity differs from the proposed activities for the Republic of Costa Rica.

Collateral Held for Bank of America NT&SA.- It is difficult to see any justification for your Bank holding Treasury Bills (deposited in safekeeping by the Italian Technical Delegation, Washington, D. C.) for account of Bank of America NT&SA as collateral for an indemnity agreement executed by the national bank in favor of American Surety Company of New York in connection with litigation involving the Delegation. The only justification stated for this activity is the statement contained in Mr. Smith's letter that "This transaction was initiated by the Italian Technical Delegation, an Agency of the Italian Government and an important customer." In the circumstances, and on the basis of the facts presented to it, the Board is unable to conclude that the transaction is in any way incidental to your Corporation's international or foreign business.

Non-Conforming Loans.- Your comments regarding the four loans listed by the examiner as "Non-Conforming Loans" have been noted. However, on the basis of the information presented, the Board is inclined to the view developed in the examination report that the transactions described are domestic in character and do not conform to the requirements of the law and regulation.

After having had an opportunity to review the additional information to be submitted by you in response to the foregoing requests, the Board will be pleased to have representatives of the Board meet with your officers for the purpose of discussing any questions which you may desire to submit for consideration.

Approved unanimously, with  
copies to the Federal Reserve  
Banks of New York and San Francisco.

7/19/54

-7-

Letter to The Honorable, The Attorney General, Washington, D. C.,  
reading as follows:

Re: Public Loan Trust Company of Malden,  
dba Public Loan Company of Malden,  
Verdun H. Williams and Domenic  
Florentino. Ref. WO:FJK:boh 146-17-70

Reference is made to Mr. Olney's letter of July 13, 1954, regarding the above matter, in which he points out that one of the defendants has pleaded guilty and has been fined \$250, but that the other defendant, Verdun H. Williams, has not been located. Since the facilities of the Federal Bureau of Investigation are not available for locating him and since Mr. Berge of the Federal Reserve Bank of Boston has advised that that Bank has no facilities for tracing the whereabouts of Mr. Williams, Mr. Olney suggests that the Board of Governors take the necessary steps to locate Mr. Williams so that the matter may be brought to a conclusion.

The Board of Governors likewise has no facilities for tracing the whereabouts of Mr. Williams, and is therefore not in a position to follow Mr. Olney's suggestion.

Approved unanimously.

Letter to Mr. Roger W. Jones, Assistant Director, Legislative  
Reference, Bureau of the Budget, Washington, D. C., reading as follows:

This is in response to your communication of July 15, 1954, enclosing a facsimile of the enrolled enactment of S. 1276, a bill "To amend the Bankhead-Jones Farm Tenant Act, as amended, so as to provide for a variable interest rate, second mortgage security for loans under title I, and for other purposes" and requesting the comments of the Board.

The bill would authorize a maximum interest rate on direct loans by Farmers Home Administration of five percent instead of four percent as provided by existing law and, in the case of insured loans, a base rate of not in excess of four percent instead of three percent as presently provided. Farmers Home Administration would also be permitted to make direct loans on the security of second mortgages where the combined value of the first and second mortgages does not exceed the certified value of the farm. Among

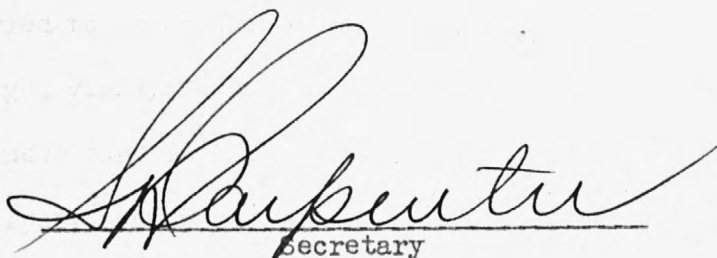
7/19/54

-8-

other provisions of the bill are those relating to sale of property acquired by foreclosure and the protection by Farmers Home Administration of its investment and its security by making advances or by purchasing at foreclosure sale.

The Board was not requested to report on this bill while it was under consideration by the Congress and a thorough study has not been made of its provisions. For this reason and because the subject matter of the proposal is not directly related to its responsibilities, the Board is not in position to comment regarding the merits of the legislation.

Approved unanimously.

  
Secretary