

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, August 16, 1954. The Board met in the Board Room at 10:35 a.m.

PRESENT: Mr. Szymczak, Acting Chairman  
Mr. Vardaman  
Mr. Mills

Mr. Carpenter, Secretary  
Mr. Kenyon, Assistant Secretary  
Mr. Thurston, Assistant to the Board  
Mr. Riefler, Assistant to the Chairman  
Mr. Leonard, Director, Division of  
Bank Operations  
Mr. Vest, General Counsel  
Mr. Sprecher, Assistant Director,  
Division of Personnel Administration

Reference was made to two letters dated August 12, 1954, from Mr. Young, President of the Federal Reserve Bank of Chicago, relating to the Chicago head office building program. In these letters, which were received at the Board's offices during the afternoon of Friday, August 13, President Young advised that options had been obtained on two of the three pieces of property to the west of the Chicago head office building and in the same block. The options provided for the purchase at \$562,000 of the 180 West Jackson Street property, which had been appraised by an independent appraiser at \$500,000, and for the purchase at a price of \$1,800,000 of the United States Fidelity and Guaranty property, appraised at \$1,600,000. According to President Young, it was the best judgment of the Chicago Board of Directors that the Bank should proceed with the exercise of the options, the directors feeling that the differences between the option prices and the appraisals were not at all

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compelling "as appraisals of this kind are based pretty much on a return to the commercial investor." President Young also advised that copies of the options were being forwarded to the Board under separate cover.

The options had been obtained pursuant to the understanding contained in the Board's letter of January 4, 1954, to President Young, which stated that the Board concurred in the desirability of exploring thoroughly the possibility of acquiring the other properties in the block in which the Reserve Bank is located; that, if the United States Fidelity and Guaranty property could be acquired along with either of the other two properties, it was the Board's view that the space problem would be solved; that to the extent necessary the Board granted its authority for the exploration; but that the Board could not give its authority to act until after it was aware of the exact facts. This letter also referred to the question of decentralization through the establishment of facilities or additional branches in the Seventh Federal Reserve District and requested the Chicago Bank to submit a detailed study with respect to the establishment of additional offices. In this connection, the Board expressed the feeling that the question of decentralization should be considered along with the question of space requirements at the head office.

In another letter to President Young dated April 2, 1954, which was sent following submission of a decentralization survey by

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the Bank, the Board advised that the authorization contained in its January 4 letter was still in effect, that the authorization permitted the taking of options at reasonable figures on the properties under consideration without prior approval of the Board, but that the exercise of such options would require prior approval in accordance with the established procedure of many years.

At the request of the Board, Mr. Leonard discussed the contents of President Young's letters and the steps leading up to the taking of the options. In response to a question by Governor Vardaman, he read a portion from one of Mr. Young's letters which referred to the decentralization survey submitted by the Chicago Bank to the Board under date of March 11, 1954, and which indicated that, as stated in the survey, the Chicago directors felt that the question of additional branches involved so many important aspects which could not be resolved except over some period of time that the matter should be explored further, but that immediate relief for space requirements was most urgent and should be met now regardless of any future branch expansion program.

Governor Vardaman stated that he would object to the proposed exercise of the options because the Bank had not complied with the request of the Board to consider seriously the establishment of branches in Indianapolis, Indiana, and Des Moines, Iowa, and a possible facility or branch in Milwaukee, Wisconsin. It appeared to him, he said, that the proposed purchase of additional properties in Chicago was just

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another step toward what he considered an unsound expansion of the Chicago building, planned in complete disregard of normal banking requirements in the Seventh District. Until the directors at Chicago showed some disposition at least to consider the establishment of branches as requested by the Board, he felt the Board of Governors would be making a mistake to allow the proposed expansion.

Governor Vardaman added that he would join with the other members of the Board in voting to authorize the Chicago Bank to exercise the options only with the understanding that the Bank would give serious consideration to the establishment of branches as stated above. He agreed that additional space was needed in Chicago, but it was his feeling that such space might be obtained through the use of rented quarters until such time as the Board of Governors and the Chicago Board of Directors reached full agreement regarding the establishment of additional offices and also regarding the question of a possible new location for the head office quarters.

Governor Mills noted that the taking of options as reported by President Young seemed to follow the authority given by the Board in its letters of January 4 and April 2, 1954, and it was his opinion that the options were at figures which might be considered reasonable. While he expressed disappointment that the Bank had not moved on the branch problem, Governor Mills said that he would be prepared to vote in favor of authorizing the Bank to exercise the options. He suggested



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in this connection that the availability within the near future of a full Board might well provide an occasion for the Board to press for the establishment of additional branches. Governor Mills also referred to the recognized need for additional space at the head office and noted that if the options were not exercised it might not be possible to acquire the properties in question at as favorable prices in the future.

In response to a question, Mr. Leonard stated that information was not available from President Young's letters as to how long the options would remain in effect and that the copies of the options which President Young had indicated were being forwarded under separate cover had not yet arrived.

Governor Vardaman then made a further statement in which he said that he did not object to the taking of the options and that he considered the prices acceptable. Therefore, he felt that the only remaining thing to be sought by the Board was a declaration on the part of the Board of Directors as to the Bank's intention to establish additional branches. Because of his feeling in the matter, he said, he would raise the question of the absence of a quorum and furthermore would urge postponement of the whole matter when a quorum was present until the question of what was to be done on the branch question had been settled.

Governor Szymczak recalled that as the result of a request made at the meeting on August 3, 1954, he talked informally with President

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Young with a view to ascertaining the status of proposals for establishing branches and acquiring additional real estate in Chicago, and that, as he informed the Board on August 4, President Young told him that the branch matter was under constant study and discussion with the directors of the Chicago Bank but that he could not indicate when a decision might be reached. Governor Szymczak added that at his request President Young agreed to arrange a meeting of the directors when Governor Szymczak was in Chicago towards the end of August so that the question might be discussed. However, Governor Szymczak said, he did not know at this time whether he would be able to make the contemplated trip to Chicago. He also said that according to President Young the Chicago Bank felt that the consideration of additional branches raised serious questions of district territories which would have to be taken into account.

Governor Szymczak then stated that in his opinion the Chicago space problem could be divided into two parts; that is, the establishment of additional branches and the enlargement of facilities at the head office. In all the circumstances, he favored exercising the options and then arranging a meeting of the Board of Governors and the Chicago Board of Directors to expedite further consideration of the branch question.

After further discussion, Governor Vardaman noted the absence of a quorum and stated that he would therefore oppose any action by the Board at this time. Accordingly, it was understood that Mr. Leonard

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would call President Young on the telephone, that he would advise him that Governor Vardaman was opposed to the purchase of the properties without consideration of the branch question, and to any action by the Board in the absence of a quorum of the Board, and that he would ascertain from President Young how long the options on the two properties would run.

Referring to discussions at recent meetings of the Board concerning Bill H.R. 9366, known as the Social Security Act Amendments of 1954, Governor Mills stated that the bill had now passed the Senate and gone to conference, with section 114 included, and that the names of the Senators who were to serve on the Conference Committee had been announced. He said that the Presidents of the Federal Reserve Banks, to whom advice regarding section 114 had been sent in letters of August 10 and August 13, 1954, were advised of developments over the week end and that steps were being taken by the appropriate Reserve Banks to have directors contact the conferees from the Senate and describe the problem to them. In addition, Governor Mills said, communications were sent to the Senate conferees over his signature outlining the effect of section 114 on the Retirement System of the Federal Reserve Banks, and copies of the letter to the Senators were being sent to the Reserve Bank Presidents for their information.

Governor Mills said he assumed that when the names of the conferees from the House of Representatives were announced it would be desirable to send similar communications to them, and the other members of the Board present agreed that this should be done.

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Governor Mills also reported having received advice from the Office of the Comptroller of the Currency that Treasury officials, who were interested in the bill from the standpoint of the applicability of section 114 to the retirement systems of national banks, were instituting appropriate action to bring the matter to the attention of the Congressional conferees. In view of the representations which were being made, Governor Mills thought it likely that Senator Williams, realizing the sweeping effects of the provision which he had sponsored, might withdraw section 114 during the course of the conference regarding the bill.

In response to inquiries by Governor Vardaman, Governor Mills then discussed the recommendations which had been submitted to the Congress by the Committee on Retirement Policy for Federal Personnel (the Kaplan committee), the recommendations of that committee having a bearing on the Board plan of the Retirement System of the Federal Reserve Banks, and the relationship of the committee's recommendations to section 114 of H.R. 9366. He noted that the Kaplan committee's recommendations no doubt would be considered at the next session of the Congress and would provide a background against which Senator Williams or others might move to correct the abuses which Senator Williams had noted in sponsoring section 114.

Messrs. Leonard and Sprecher then withdrew from the meeting.

Mr. Riefler, who had been designated at the meeting on August 4, 1954, as the representative of the Board to serve in an advisory



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capacity on the National Voluntary Mortgage Credit Extension Committee, created by the Housing Act of 1954, reported on an organizational meeting which he attended last Friday, August 13. In the course of his comments, Mr. Riefler said that the question whether the regional subcommittees would meet in some cases at the Federal Reserve Banks came up only briefly, Mr. Cole, Housing and Home Finance Administrator, stating that he had been in touch with Chairman Martin and that the question had not been finally resolved. Mr. Riefler said he did not comment on the point and that the matter was not pressed. He also stated that much of the meeting was devoted to discussing a statement of policy objectives, and that when the statement was in final form he would send a copy to each member of the Board.

The meeting then adjourned. During the day the following additional actions were taken by the Board with Governors Szymczak, Vardaman, and Mills present:

Telegram to the Presidents of all Federal Reserve Banks reading as follows:

Board contemplates making a fall call for condition reports on State member banks. You may so advise State banking departments for their confidential information. Understand Comptroller's Office will advise State banking departments of selected call date in usual manner before call is announced.

Approved unanimously.

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Letter to the Board of Directors, Boonton Trust Company,  
Boonton, New Jersey, 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 the Boonton Trust Company, at 421 West Main Street, Boonton, New Jersey, 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 Mr. Slade, Vice President, Federal Reserve Bank of  
San Francisco, reading as follows:

Reference is made to your letter of August 10, 1954, and enclosures with respect to the application of the Bank of Las Vegas, Las Vegas, Nevada, to continue to occupy the quarters at Maryland Parkway and East Charleston Boulevard as a branch after the bank moves to permanent quarters in downtown Las Vegas.

According to the information submitted, the Superintendent of Banks for the State of Nevada has denied the application of the bank to operate the branch. The Board, therefore, will take no action on the proposal and it is suggested that you advise the bank to that effect.

Approved unanimously.

Letter for the signature of Governor Szymczak, as Acting  
Chairman, to the Honorable Homer E. Capehart, United States Senate  
Washington, D. C., reading as follows:

In the absence of Chairman Martin, I should like to reply to your letter of August 11, 1954, regarding the application of the Bank of Las Vegas, Las Vegas, Nevada, to establish a branch in North Las Vegas.

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The Bank of Las Vegas is a newly-organized institution which opened for business in temporary quarters on January 18, 1954. An application of this bank to establish a branch in North Las Vegas was considered by the Board on June 10, 1954, but favorable action was not taken due primarily to the fact that the bank had not had time to demonstrate that it could prosper in the proposed permanent location which was some distance from the temporary quarters. The application was reconsidered by the Board on July 9, 1954, but the circumstances did not appear to justify a different conclusion. The bank was advised, however, that the Board's action would not preclude the filing of another application for the branch at a later date. When the bank has become firmly established, I am sure the Board will be glad to consider another application in the light of conditions existing at that time, if the bank wishes to reapply for the branch.

Approved unanimously, with the understanding that a copy would be sent to the Federal Reserve Bank of San Francisco.

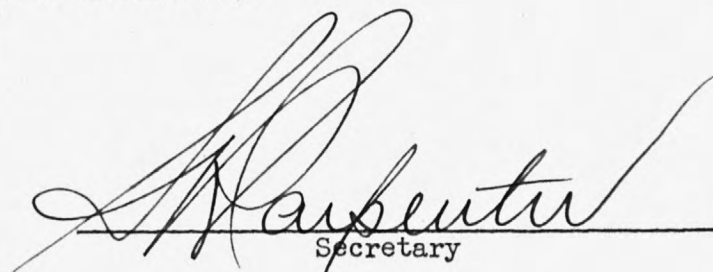
Letter to The Honorable H. E. Cook, Chairman, Federal Deposit

Insurance Corporation, Washington, D. C., reading as follows:

Reference is made to your letter of August 9, 1954, concerning the application of the Dime Trust and Savings Bank, Fort Wayne, Indiana, for continuance of deposit insurance after withdrawal from membership in the Federal Reserve System.

No corrective programs have been urged upon the bank or agreed to by it which, in the opinion of the Board of Governors, it would be considered desirable to incorporate as conditions to the continuance of deposit insurance.

Approved unanimously.

  
Secretary