

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, September 17, 1954. The Board met in the Board Room at 10:00 a.m.

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

Mr. Carpenter, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Leonard, Director, Division of
Bank Operations
Mr. Vest, General Counsel
Mr. Young, Director, Division of
Research and Statistics
Mr. Sloan, Director, Division of
Examinations
Mr. Williams, Assistant Director,
Division of Research and Statistics

Reference was made to a letter dated September 15, 1954, from Mr. Irons, President of the Federal Reserve Bank of Dallas, discussing proposals regarding the acquisition of an appropriate site for a new branch bank building in Houston and regarding expansion of the head office building which had been considered by the Board of Directors of the Dallas Bank at its meeting on September 9, 1954. Mr. Irons requested an opportunity to discuss these matters with appropriate members of the Board and its staff while he was in Washington during the week of September 20.

It was suggested that inasmuch as Governor Robertson recently visited Dallas and Houston and was familiar with the head office and branch building situation, advice be sent to President Irons that Governor Robertson and Mr. Leonard would meet with him at some mutually

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convenient time while he was in Washington.

This suggestion was approved unanimously, with the understanding that any of the other members of the Board who wished to do so would join in the discussion with President Irons.

Mr. Leonard then withdrew from the meeting.

Reference next was made to a memorandum from Mr. Young dated August 20, 1954, which stated that the staff of the Division of Research and Statistics had completed a comprehensive progress report on the flow of funds in the United States from 1939 to 1953, that minor revisions in the text and tables were being made, and that the entire study would be ready for publication this month. The memorandum, which had been circulated to the members of the Board prior to consideration at a meeting, estimated that with a printing of 5,000 copies, the number believed to be justified, the printing and binding of the report, with a paper cover, would cost approximately \$12,000. It was pointed out that a price of \$2.50 per copy would recoup the full cost but that in the interest of encouraging the understanding and development of the techniques employed in the study, the Board might wish to consider a free distribution, or distribution at a nominal price. The memorandum recommended that the Board authorize the making of an appropriate contract with a commercial printer for the publication of the study and that the Board also authorize such overage in the printing and binding account of the 1954 budget of the Division of Research and Statistics as might be necessary to cover the cost

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of publication. The overage was estimated at \$8,000.

Following a brief discussion, the recommendations contained in Mr. Young's memorandum were approved unanimously, with the understanding, however, that a decision on the question of what charge, if any, should be made for the publication would be reached after discussion when a full Board was available.

Messrs. Young and Williams then withdrew from the meeting.

Prior to this meeting there had been circulated to the members of the Board a draft of 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 July 15, 1954, enclosing photostatic copies of an application to organize a national bank at Vero Beach, Florida, and requesting a recommendation as to whether or not the application should be approved.

On the basis of information contained in a report of investigation of the application made by a representative of the Federal Reserve Bank of Atlanta, the proposed capital structure of the bank, its future earnings prospects, and character of management would be satisfactory. It is indicated, however, that the need for additional banking facilities in the area is not apparent at this time and that this application is somewhat premature. While it is recognized that this is a borderline case, 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.

The matter was brought up for discussion at this meeting because the recommendation contained in the letter differed from the unfavorable

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recommendation proposed by the Federal Reserve Bank of Atlanta.

Following a discussion, the letter was approved unanimously in the form set forth above.

At this point Mr. Chase, Assistant General Counsel, entered the room.

Prior to this meeting, there had been circulated to the members of the Board a draft of letter to Mr. Robert E. Freer, Attorney, 1025 Connecticut Avenue, Washington, D. C., prepared in further reference to Mr. Freer's letter of August 16, 1954, in which he urged, on behalf of Mr. S. D. Hunter of Shreveport, Louisiana, that the Board of Governors institute proceedings looking toward the issuance of a formal complaint under section 7 of the Clayton Act against the Commercial National Bank in Shreveport, Shreveport, Louisiana, in view of the pending consolidation of that bank with the Continental-American Bank & Trust Company, Shreveport, in which Commercial National owns the majority of the capital stock. The Board had made an interim reply stating that the matter was under study, and the proposed letter took the position that on the basis of its examination of the facts and in the light of the applicable statutory provisions and pertinent decisions of the courts, the Board had concluded that it would not be warranted in complying with the request at this time. The situation was analyzed in a memorandum from Mr. Chase dated September 13, 1954, and in a memorandum from Mr. Thompson, Federal Reserve Examiner in the Division of Examinations, dated August 20, 1954, both of which memoranda had been circulated to the members of the Board

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along with the draft of letter to Mr. Freer.

Governor Vardaman, who had requested that the matter be considered at a meeting, said that although he agreed with the position stated in the proposed letter to Mr. Freer, it was his feeling that anything of this nature merited full discussion. He also stated that he had noted the absence from the file of any reference to the Federal Reserve Bank of Dallas and he suggested the desirability of obtaining the views of the Dallas Bank.

Following a summary of the matter by Mr. Vest, based on the memorandum prepared by Messrs. Chase and Thompson, Governor Robertson reviewed the history of the case going back to the time when he was Deputy Comptroller of the Currency.

Following further discussion, it was agreed that before action was taken on the proposed letter to Mr. Freer, the matter should be referred to the Federal Reserve Bank of Dallas with a statement that the Board would appreciate receiving, as promptly as possible, any comments which the Reserve Bank might care to make regarding the proposed reply.

Chairman Martin said that a group of approximately 45 persons identified with the Investment Bankers Association was to meet in Washington in October, that the Treasury Department was arranging a presentation and luncheon for the group on the morning of October 13, and that the group also would like to come to the Board for a presentation on the economic situation. He went on to say that Mr. Young, Director of

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the Division of Research and Statistics, had indicated that if the Board desired, the staff would be able to arrange a suitable program for the group in Room 1202 on the afternoon of October 13.

It was agreed unanimously that a program of the nature mentioned by Chairman Martin should be arranged for the group on the afternoon of October 13.

Chairman Martin reported having received telephone calls from Iowa Congressmen who had heard from constituents that the Board was considering the establishment of a Federal Reserve Bank branch in Des Moines, Iowa. Chairman Martin said he told the inquirers that no definite proposal was before the Board but that if such a proposal did come before the Board, they and their constituents would be given an opportunity to make representations before any decision was made.

Governor Robertson noted that the Conference of Presidents of the Federal Reserve Banks was arranging to have Mr. Arthur S. Flemming, Director of the Office of Defense Mobilization, address the Conference on the afternoon of September 22, 1954, regarding plans being made by the Government for use in the event of a war emergency. It was Governor Robertson's thought that it might be well to have the members of the Board join with the Presidents at that time, if agreeable to the Presidents' Conference, and after a brief discussion it was understood that Governor Robertson would take the matter up with the Chairman of the Conference.

There were presented telegrams to the Federal Reserve Banks of Boston, New York, Philadelphia, and St. Louis stating that the Board

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approves the establishment without change by the Federal Reserve Banks of Boston and St. Louis on September 13, and by the Federal Reserve Banks of New York and Philadelphia on September 16, 1954, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Messrs. Vest, Sloan, and Chase then withdrew from the meeting while Mr. Leonard and Mr. Persina, Consulting Architect to the Board, entered the room. The following representatives of the Federal Reserve Bank of St. Louis also entered the room at this point:

Mr. Alexander, Chairman
 Mr. McBride, Director, Louisville Branch
 Mr. Johns, President
 Mr. Deming, First Vice President
 Mr. Weigel, Vice President and Secretary
 Mr. Longstreet, Vice President
 Messrs. Schwarz and Van Hoefen, of the
 architectural firm of Russell, Mullgardt,
 Schwarz, Van Hoefen

This meeting with the representatives of the Federal Reserve Bank of St. Louis had been arranged pursuant to the understanding at the meeting of the Board on August 10, 1954, when the Board reviewed preliminary plans and specifications for the new Louisville Branch building which had been submitted by the St. Louis Bank in the light of certain questions as to design, size, and cost which had been raised by Mr. Persina and the Board's staff. These matters were reviewed again at the meeting of the Board yesterday.

President Johns stated that the Board of Directors of the Louisville Branch was being represented by Mr. McBride inasmuch as the pressure of

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business made it impossible for Mr. Broadbent, Chairman of the Board of the Branch, to come to Washington at this time.

President Johns then made a statement in which he said that upon reconsideration the Reserve Bank had decided not to use aluminum fins on the exterior of the building, as had been contemplated, and that in substitution therefor the use of stone was now proposed. He also reported that the exterior of the building at the first floor front had been redesigned to reduce the expanse of glass. A new sketch was exhibited showing the changes in design which had been made.

President Johns then discussed in some detail the present and projected need for space at the branch, the reasons for suggesting plans that would permit the later addition of a fourth floor, if necessary, and the reasons for proposing to provide an area for automobile parking under the sidewalk under a license from the city authorities. With regard to the use of materials in the construction of the building, he stated that the detail specifications would be opened up to permit the possibility of alternate materials of satisfactory quality but less costly than some of those listed in the outline specifications, and that it was planned to use limestone facing.

Following statements regarding the size and design of the building by Messrs. Schwarz and Van Hoefen, there was a general discussion during which attention was drawn particularly to security features. The suggestion was made that as a security precaution it might be possible to set back the building several feet from the property line on the Liberty Street

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side and raise the sill level of the first floor windows without losing an undue amount of working space or detracting from the appearance of the structure.

At the conclusion of the discussion, Chairman Martin stated that the Board appreciated the opportunity to meet with the representatives of the St. Louis Bank and that the Bank would be advised of the results of the Board's further consideration of the matter as soon as possible.

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

Minutes of actions taken by the Board of Governors of the Federal Reserve System on September 16, 1954, were approved unanimously.

Memoranda from appropriate individuals recommending appointments as follows:

<u>Name and title</u>	<u>Division</u>	<u>Type of appointment</u>	<u>Basic annual salary</u>
Mary C. Jamieson, File Clerk	Office of the Secretary	Temporary (six months)	\$2,950
Robert C. Griffin, Assistant Federal Reserve Examiner	Examinations <u>1/</u>	Temporary indefinite	3,410

1/ Official headquarters: Washington, D. C.

Approved unanimously.

Letter to Mr. Latham, Vice President, Federal Reserve Bank of Boston, reading as follows:

In view of the circumstances outlined in your letter of September 13, 1954, and the Reserve Bank's favorable

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recommendation, the Board of Governors extends until March 23, 1955, the time within which Quincy Trust Company, Quincy, Massachusetts, may establish an in-town branch at 13-19 Cottage Avenue.

Approved unanimously.

Letter to Mr. Woolley, Vice President, Federal Reserve Bank of Kansas City, reading as follows:

Reference is made to your letter of September 1, relating to The Live Stock National Bank of Omaha, Omaha, Nebraska, which went into voluntary liquidation effective August 20, 1954, with a sale of its assets to The Omaha National Bank, Omaha, Nebraska. It is further understood that the shareholders of The Live Stock National Bank have voted to surrender the trust powers held by the bank in regard to which you inquire concerning actions which may be required by applicable provisions of the Board's Regulation F.

As you have observed, the provisions of section 15 of Regulation F do not provide for issuance by the Board of a certificate with respect to the relinquishment of trust powers in cases where a national bank previously exercising such powers is placed in voluntary liquidation. However, a national bank located in the State of Nebraska is required by statute to pledge securities with the Department of Banking as a guarantee for any obligations incurred while acting in fiduciary capacities. This statute contains a further provision to the effect that the securities so deposited may be released only upon furnishing to the Department of Banking a certificate issued by the Board of Governors of the Federal Reserve System that such bank is no longer authorized to exercise the trust powers granted to it and has been relieved of all duties and obligations as fiduciary.

As such a certificate would appear to be necessary in the subject case to obtain release of the securities now pledged with the Department of Banking, procedures as outlined under section 16 applicable to national banks desiring to surrender their right to exercise trust powers should be followed. Consequently, if you will obtain from the national bank a properly certified copy of the resolution adopted by its shareholders on August 18, 1954, with respect to the desire to surrender trust powers and the permit previously issued by the Board with respect to such powers granted the subject bank on January 12, 1945, and

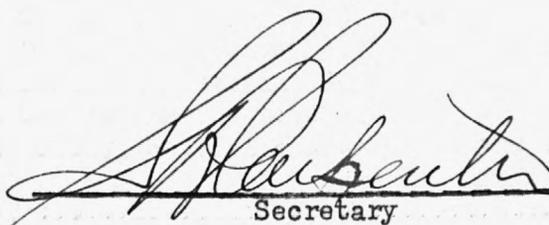
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forward the documents to the Board, the Office of the Comptroller of the Currency will be requested to make an investigation of the trust department of The Live Stock National Bank of Omaha in accordance with the provisions of subparagraph (c), section 16, as a prerequisite to the issuance by the Board of a formal certificate terminating the right of this bank to exercise fiduciary powers.

It is noted that the liquidating agent is in process of winding up the affairs of the trust department of this bank; it is obviously desirable that all required actions to this end be completed as soon as possible and in advance of the contemplated investigation by the Office of the Comptroller of the Currency.

Approved unanimously.



Secretary