

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, February 10, 1955. The Board met in the Board Room at 10:00 a.m.

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

Mr. Carpenter, Secretary
 Mr. Sherman, Assistant Secretary
 Mr. Kenyon, Assistant Secretary
 Mr. Riefler, Assistant to the Chairman
 Mr. Thomas, Economic Adviser to the Board
 Mr. Leonard, Director, Division of Bank Operations
 Mr. Vest, General Counsel
 Mr. Young, Director, Division of Research and Statistics
 Mr. Solomon, Assistant General Counsel
 Mr. Koch, Assistant Director, Division of Research and Statistics
 Mr. Cherry, Legislative Counsel

The following matters, which had been circulated among the members of the Board, were presented for consideration and the action taken in each instance was as indicated:

Memorandum dated January 25, 1955, from Mr. Sloan, Director, Division of Examinations, recommending that the Board approve a change in the title of J. Earle McGeary from Federal Reserve Examiner to Senior Federal Reserve Examiner in that Division, with an increase in his basic annual salary from \$6,540 to \$7,040, effective February 13, 1955.

Approved unanimously.

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

After consideration of the facts set forth in your letter of January 27, 1955, the Board of Governors approves the

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payment of salary to Mr. Arthur W. Wadsworth, in an unclassified position, at a rate of \$5,538 per annum for the period September 1, 1954 through March 1, 1955.

Approved unanimously.

Letter to Mr. Hall, Federal Reserve Agent, Federal Reserve Bank of Kansas City, reading as follows:

In accordance with the request contained in your letter of January 27, 1955, the Board of Governors approves the appointment of Mr. Floyd J. Mathews as Assistant Federal Reserve Agent to succeed Mr. Paul V. Wysong, retired.

This approval is given with the understanding that Mr. Mathews will be retained on the Federal Reserve Agent's pay roll and will be solely responsible to him or, during a vacancy in the office of the Agent, to the Board of Governors for the proper performance of his duties. When not engaged in the performance of his duties as Assistant Federal Reserve Agent he may, with the approval of the Federal Reserve Agent, and the President, perform such work for the Bank as will not be inconsistent with his duties as Assistant Federal Reserve Agent.

The Board of Governors also approves the appointments of Mr. William E. Whitsitt and Mr. John N. Blair as Alternate Assistant Federal Reserve Agents.

This approval is given with the understanding that Messrs. Whitsitt and Blair will be placed upon the Federal Reserve Agent's pay roll and will be solely responsible to him or, during a vacancy in the office of the Agent, to the Assistant Federal Reserve Agent, and to the Board of Governors, for the proper performance of their duties. When not engaged in the performance of their duties as Alternate Assistant Federal Reserve Agents they may, with the approval of the Federal Reserve Agent or, during a vacancy in the office of the Federal Reserve Agent, of the Assistant Federal Reserve Agent, and the President, perform such work for the Bank as will not be inconsistent with their duties as Alternate Assistant Federal Reserve Agents.

It is noted from your letter that, because of a possible conflict in assignments resulting from the appointment of Mr. James C. Craig as an Assistant Cashier, it is your view that his designation as Alternate Assistant Federal Reserve Agent should be terminated. It is noted further that, accordingly, with the approval by the Board of Governors of

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the foregoing appointments, the roster of employees who will represent you at the Head Office as Federal Reserve Agent will consist of Mr. Mathews as Assistant Federal Reserve Agent, and Messrs. Self, Whitsitt, and Blair as Alternate Assistant Federal Reserve Agents.

Messrs. Mathews, Whitsitt, and Blair should execute the usual oath of office which should be forwarded to the Board of Governors, together with advice as to the effective dates of their appointments.

Approved unanimously.

Letter to The Watertown National Bank, Watertown, 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 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 Watertown 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 New York.

Letter to the First National Bank of Whiteville, Whiteville, North Carolina, 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,

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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 North Carolina, 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 First National Bank of Whiteville is now authorized to exercise will be forwarded to you in due course.

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

Letter to the Shawano National Bank, Shawano, 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 Shawano 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 The Fidelity State Bank, Austin, Texas, reading as follows:

The Board of Governors of the Federal Reserve System has given consideration to the application for permission to exercise fiduciary powers made by you on behalf of the City National Bank of Austin, Austin, Texas, the national bank

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into which The Fidelity State Bank, Austin, Texas, is to be converted, and grants such national bank authority, effective if and when it is authorized by the Comptroller of the Currency to commence business, 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 shall be subject to the provisions of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System.

After the conversion of The Fidelity State Bank into the City National Bank of Austin becomes effective and the Comptroller of the Currency authorizes the national bank to commence business, you are requested to have the board of directors of the national bank adopt a resolution ratifying your application for permission to exercise fiduciary powers, and a certified copy of the resolution so adopted should be forwarded to the Federal Reserve Bank of Dallas for transmittal to the Board for its records. When a copy of such resolution has been received by the Board, a formal certificate covering the national bank's authority to exercise trust powers will be forwarded.

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

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 January 13, 1955, enclosing photostatic copies of an application to convert the Central Savings Bank of Florida, Jacksonville, Florida, into a national banking association and requesting a recommendation as to whether or not the application should be approved.

Information contained in a report of investigation of the application, obtained from the Federal Reserve Bank of Atlanta, indicates that the financial history of the bank is satisfactory; that the proposed capital structure may be somewhat inadequate if the anticipated expansion in commercial

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business materializes; and that generally favorable conditions prevail with respect to future earnings, management, and need for the bank in the community. Assuming that a capital structure satisfactory to your office will be provided, the Board of Governors recommends approval of the application.

It is reported that in August, 1954, an insurance company owned more than 50 per cent of the bank's outstanding capital stock. As you know, if this situation were to exist when the bank became a member of the Federal Reserve System, the holding company would need a voting permit in order to vote such stock.

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.

Letter for the signature of the Chairman to the Honorable Ray M. Gidney, Comptroller of the Currency, Washington, D. C., reading as follows:

This refers to your letter of January 20, 1955, regarding H.R. 396, a bill "To permit the consolidation of District of Columbia banks and the conversion of national banks into and the consolidation of national banks with District of Columbia banks."

It is noted that the bill contains no definition of "District of Columbia bank", and it is not clear whether the bill is intended to apply to banks located and doing business in the District of Columbia but organized under the laws of a State. If the bill is intended to apply to a bank of this kind, there may be some question as to the effect the laws of the State under which the bank is organized may have upon the consolidation. It is assumed that these points would have consideration in any position that might be taken with regard to the merits of the legislation.

We note your view that the proposed legislation should include a provision which would require that, in connection with any such consolidation or conversion, the resulting bank must become a member of the Federal Reserve System. While the Board is tentatively inclined to question whether there is any necessary relationship between the fact of consolidation or conversion and a requirement of membership, it will, in accord with the suggestions contained in your letter, be very glad to discuss any and all aspects of the subject with you at any convenient time.

Approved unanimously.

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Reference was made to a memorandum from Mr. Leonard dated February 4, 1955, which had been circulated to the members of the Board, concerning the request of the Federal Reserve Bank of Atlanta for approval of an expenditure of \$119,900 to expand the capacity of, and correct conditions in, the air conditioning equipment at the Jacksonville Branch. This estimate was not inclusive of the cost of painting and redecorating incident to the work. Mr. Leonard's memorandum and the attached papers, including letters from Reserve Bank President Bryan, discussed the defects in the air conditioning system at the branch, the efforts made to correct them, the nature of the current proposal (which had been approved by the Bank's Board of Directors), the responsibilities of the architect, the engineering firm, the general contractor, and the subcontractor, and the reasons why it was the opinion of the Bank's Executive Committee that proceedings against any of those parties would be unavailing.

At the request of the Board, Mr. Leonard reviewed the situation in some detail, and at the conclusion of a discussion which followed, it was suggested that President Bryan be invited to meet with the Board at the time of the next meeting of the Conference of Federal Reserve Bank Presidents for an informal discussion of various aspects of the matter.

There was unanimous agreement with this suggestion.

Prior to this meeting there had been sent to the members of the Board for review copies of the following:

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1. Memorandum from Messrs. Young and Solomon dated February 8, 1955, submitting a staff paper dealing with the regulation of margin requirements which had been prepared for the use of the staff of the Senate Banking and Currency Committee in connection with the stock market hearings scheduled to be held by that Committee beginning on February 21, 1955.

2. Memorandum from Mr. Young dated February 8, 1955, submitting a staff paper on major stock price movements which had been prepared for the same purpose.

It was understood that a third paper dealing with credit in the securities market was in preparation.

In response to a question, Mr. Young stated that the papers, unidentified as to source, were to be among those used by the staff of the Banking and Currency Committee in compiling a factual document relating to the stock market which would serve as background material for the hearings. He said that a great deal of data also was being prepared by the staff of the Securities and Exchange Commission and that the Board's staff had agreed to produce the three papers mentioned above in order to cooperate with the staff of the Senate Committee to the fullest practicable extent.

The two available staff documents were reviewed and several suggestions were made for revisions in the interest of clarification. There was also a general discussion of the origin of the statutes vesting authority in the Board of Governors for the regulation of margin requirements, of actions taken by the Board in the discharge of this responsibility, and of technical features of the Board's pertinent regulations having to do with banks and with brokers and dealers, respectively.

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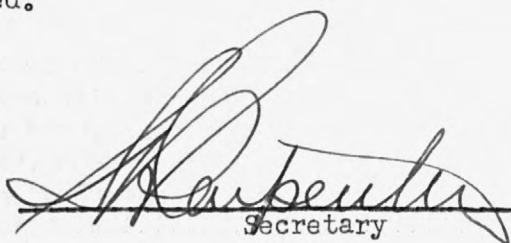
At the conclusion of the discussion, it was understood that the memoranda would be revised by the staff in the light of consideration of the questions raised during this meeting, and that the memoranda would be submitted informally as material prepared by the staff for use of the staff of the Senate Banking and Currency Committee, it being agreed that any views of the Board would be submitted if and when a representative of the Board was called upon to testify in connection with the investigation of stock market activity being conducted by the Senate Committee.

It was reported that Mr. Wayne, First Vice President of the Federal Reserve Bank of Richmond, would not be able to come to Washington on February 24, 1955, to conduct the "flannel-board" presentation at the meeting of new Federal Reserve Bank and branch directors, but that Mr. George W. McKinney, Jr., of the staff of the Reserve Bank, would be able to make the presentation if the Board so desired.

It was agreed that Mr. McKinney should be invited to make the presentation.

Minutes of actions taken by the Board of Governors of the Federal Reserve System on February 9, 1955, were approved unanimously.

The meeting then adjourned.


Secretary