Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, February 28, 1955. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Szymczak
Mr. Vardaman
Mr. Mills
Mr. Robertson
Mr. Balderston
Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Kenyon, Assistant Secretary
Mr. Leonard, Director, Division of Bank Operations
Mr. Vest, General Counsel
Mr. Solomon, Assistant General 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:

Letter to Mr. Hodgkinson, Chairman, Federal Reserve Bank of Boston, reading as follows:

The Board of Governors approves the appointments of Messrs. John L. Baxter, Wallace E. Campbell, Earl P. Stevenson, Fred C. Tanner, and Harold J. Walter as members of the Industrial Advisory Committee for the First Federal Reserve District to serve for terms of one year each beginning March 1, 1955, in accordance with the action taken by the Executive Committee of the Board of Directors as reported in your letter of February 15, 1955.

Approved unanimously.

Letter to Mr. Stetzelberger, Vice President, Federal Reserve Bank of Cleveland, reading as follows:
In accordance with the request contained in your letter of February 1, 1955, the Board approves the appointment of James K. Sanford as an assistant examiner for the Federal Reserve Bank of Cleveland. Please advise as to the date upon which the appointment is made effective and as to salary rate.

Approved unanimously.

Letter to the Chairmen of all Federal Reserve Banks reading as follows:

The Standing Committee of General Auditors of the Federal Reserve Banks, in consultation with the Board's Division of Examinations, has ascertained that May 11, 12, and 13, 1955, would be convenient dates for the regular biennial Conference of General Auditors, and the holding of such a conference at that time has been cleared with the Chairman of the Chairmen's Conference. Accordingly, a Conference of General Auditors will be held on those dates at the Board's offices in Washington.

In accordance with established practice, the Standing Committee of General Auditors plans to consider items for the agenda at a meeting to be held in the near future, and it is understood that Mr. C. F. Ehninger, Chairman of the Committee, will shortly request the General Auditors to submit their suggestions with respect to topics for the agenda. Copies of the agenda will be furnished you as far in advance of the conference as possible.

It is suggested that each Reserve Bank be represented at the conference by the General Auditor and his principal assistant.

It will be appreciated if you will inform the Board's Division of Examinations of the names of the representatives of your Bank who will attend the conference. If they would like to have us procure hotel accommodations in Washington for them, we would be pleased to do so if they will inform us of the time of their arrival. If the representatives have any preferences as to hotels we shall attempt to make arrangements accordingly.

Approved unanimously, with copies to the Presidents and General Auditors of all Federal Reserve Banks.
Letter to the Presidents of all Federal Reserve Banks reading as follows:

This refers to the Board's letter of January 7, 1954, which requested comments and suggestions on a draft of a questionnaire and collection plan for a proposed survey of common trust funds administered under subsection (c), Section 17, of Regulation F. A summary and analysis of the responses of the Federal Reserve Banks is enclosed. Several of the suggestions made are reflected in the enclosed revised draft of the questionnaire and instructions, which will be used if and when it is decided that such a survey should be established. Your further comments and suggestions will be appreciated.

The stub of the questionnaire has been revised by designating the classes in more commonly used terms, and the instructions in this respect appear quite simple. The few investments listed by name and class in the instructions are multi-line companies that are difficult to classify. If these are classified as indicated and the others according to common usage, it is felt that the results will be substantially correct.

Several plans were proposed by the Reserve Banks for collecting the data. One of the suggestions was that the Reserve Banks complete the questionnaire from the examination report, and supplement it as necessary by contacting the bank involved, or that examination procedures be changed so as to make the required data available. There are several reasons why this approach has not been considered practical, the most important of which is that the problem of incomparable periods would be increased. Another suggestion made by the Reserve Banks was to collect the data from the annual audit reports. The statement in the Board's letter of January 7, 1954, concerning the adequacy of audit reports for this purpose, was based on available member bank audit reports, without regard to Federal Reserve District, and it is quite possible that such an approach to the collection problem is practical in some districts but not in others. Accordingly, this will be left to the discretion of the Reserve Bank.

It was the intention of the Ad Hoc Committee on Trust and Pension Fund Statistics to include all Section 17(c) common trust funds regardless of the class of bank administering the fund: this is still the intention. However, in order to avoid complicating the statistics unnecessarily,
it seems inadvisable to obtain reports for funds that have not been in operation for a full twelve months.

In addition to your comments and suggestions, it will be appreciated if representative banks administering Section 17(c) common trust funds in your district are interviewed for the purpose of obtaining their viewpoint. As suggested by several Reserve Banks, it is intended that the aggregate figures, by significant size groups, be published annually. Thus, cooperation by respondents will yield information useful to them as well as the Federal Reserve System.

When the proposed survey is discussed with potential respondents, it should be pointed out that the questionnaire as it now stands calls for activity data for the fiscal year. As a result, comparisons will be difficult. For this reason, it is requested that respondents surveyed be asked to comment on the feasibility of their submitting the data for the 12-month period ending with the valuation date nearest the end of the year. Thus, a fund that is valued monthly would report as of December 31, and a fund valued quarterly would report as of the valuation date falling in the fourth calendar quarter. With the exception of the few funds that are valued on dates other than the end of the month, this would result in a maximum spread of two months among the individual reports, and the resulting tabulations would be more meaningful for comparison purposes from the respondent's viewpoint as well as ours. Therefore, the respondent may find such a change in the report period worth the expenditure of additional effort, if any is required. Pending your discussions with respondents, the questionnaire has not been changed to provide for all reports to end in the fourth calendar quarter, as there was no way to determine whether such a requirement would impose an additional burden on respondents.

If the consensus of respondents indicates that the use of the 12-month period ending in the fourth calendar quarter would be preferable to that preceding the annual audit report date and the questionnaire is so revised, use of the audit report for collecting the data will not be possible, except where the two dates coincide.

Approved unanimously.

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

There have been forwarded to you today under separate cover the indicated number of copies of the following forms,
a copy of each of which is attached, for use of State member banks and their affiliates in submitting reports as of the next call date:
Number of copies

Form F. R. 105 (Call No. 135), Report of condition of State member banks.
Form F. R. 105e (Revised May 1948), Publisher's copy of report of condition of State member banks.
Form F. R. 105e-1 (Revised May 1948), Publisher's copy of report of condition of State member banks.
Form F. R. 105e-2 (Revised February 1955), Publisher's copy supplement.
Form F. R. 220 (Revised March 1952), Report of affiliate or holding company affiliate.
Form F. R. 220a (Revised March 1952), Publisher's copy of report of affiliate or holding company affiliate.

All of the forms are the same as those used on December 31, 1954, except form F. R. 105e-2, which has been revised to include notes of Federal National Mortgage Association. It is understood that the same change is being made in the national bank call report forms.

Approved unanimously, with the understanding that the letter would be sent when the forms were printed.

Letters to Mr. Harris K. Weston, Dinsmore, Shohl, Sawyer & Dinsmore, 1218-1227 Union Central Building, Cincinnati, Ohio, reading as follows:

This refers to your letter of January 24, 1955, requesting a determination by the Board of Governors as to the status of Radio Voice of Springfield, Inc., as a holding company affiliate.

From the information supplied, the Board understands that the nature and purpose of the present activities of Radio Voice of Springfield, Inc. is the operation of a radio station in Springfield, Ohio; that Radio Voice of Springfield, Inc. owns 311 of the outstanding shares of capital stock of The Farmers and Merchants Bank, Williamsburg, Ohio, which is more than 50 per centum of the number of shares voted for the election of directors of the bank.
at the preceding election; and that Radio Voice of Springfield, Inc. does not, directly or indirectly, own or control any stock of, or manage or control, any other banking institution.

In view of these facts, the Board has determined that Radio Voice of Springfield, Inc. is not engaged, directly or indirectly, as a business, in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies, within the meaning of section 2(c) of the Banking Act of 1933, as amended; and, accordingly, Radio Voice of Springfield, Inc. is not deemed to be a holding company affiliate except for the purposes of section 23A of the Federal Reserve Act and does not need a voting permit from the Board of Governors in order to vote the bank stock which it owns.

If, however, the facts should at any time differ from those set out above to an extent which would indicate that Radio Voice of Springfield, Inc. might be deemed to be so engaged, this matter should again be submitted to the Board. The Board reserves the right to rescind this determination and make a further determination of this matter at any time on the basis of the then existing facts.

This refers to your letter of January 24, 1955, requesting a determination by the Board of Governors as to the status of Coney Island, Inc. as a holding company affiliate.

From the information supplied, the Board understands that the nature and purpose of the present activities of Coney Island, Inc. is the operation of an amusement park located on the Ohio River partly within the city limits of Cincinnati, Ohio; that Coney Island, Inc. owns 618,155 of the 700 outstanding shares of capital stock of The First National Bank of Batavia, Batavia, Ohio; and that Coney Island, Inc. does not, directly or indirectly, own or control any stock of, or manage or control, any other banking institution.

In view of these facts, the Board has determined that Coney Island, Inc. is not engaged, directly or indirectly, as a business, in holding the stock of, or managing or controlling, banks, banking associations, savings
banks, or trust companies, within the meaning of section 2(c) of the Banking Act of 1933, as amended; and, accordingly, Coney Island, Inc. is not deemed to be a holding company affiliate except for the purposes of section 23A of the Federal Reserve Act and does not need a voting permit from the Board of Governors in order to vote the bank stock which it owns.

If, however, the facts should at any time differ from those set out above to an extent which would indicate that Coney Island, Inc. might be deemed to be so engaged, this matter should again be submitted to the Board. The Board reserves the right to rescind this determination and make a further determination of this matter at any time on the basis of the then existing facts.

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

Letter to Mr. A. A. Magnotta, Chairman of Incorporators, The Bank of Albion, Albion, Michigan, reading as follows:

Reference is made to your letter of February 14, 1955, requesting an extension of ninety days in which to accomplish admission of The Bank of Albion to membership in the Federal Reserve System because of a delay in obtaining a charter from the Michigan State Banking Department.

In view of the circumstances set forth in your letter the Board of Governors extends to May 25, 1955, the time within which admission of The Bank of Albion to membership in the Federal Reserve System, in the manner described in the Board's letter of January 25, 1955, may be accomplished.

Approved unanimously, with a copy to the Federal Reserve Bank of Chicago.

Letter to the Board of Directors, Trenton State Bank, Trenton, Michigan, reading as follows:

On January 14, 1955, the Board of Governors approved the establishment of a branch at 8590 Macomb Street, Grosse Ile, Michigan, by the Trenton State Bank.
In accordance with the proposal submitted through the Federal Reserve Bank of Chicago, the Board of Governors now approves the establishment of that branch at 8464 Macomb Road, Grosse Ile, Michigan, rather than at 8590 Macomb Street, provided sufficient new common stock is sold to result in not less than $75,000 of new capital funds, and the branch is established within six months from January 14, 1955.

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

Letter to the Board of Directors, Forest City Bank & Trust Company, Forest City, Iowa, reading as follows:

This refers to your request for permission, under applicable provisions of your condition of membership numbered 1, to exercise statutory fiduciary powers, limited, however, to a specific appointment.

Following consideration of the information submitted, the Board of Governors of the Federal Reserve System grants permission to the Forest City Bank & Trust Company to act as trustee and paying agent of an issue of bonds in the total amount of $150,000 of the Waldorf Lutheran College Association, Forest City, Iowa.

It is noted that your bank does not at this time desire to exercise general fiduciary powers as authorized by the terms of its articles of incorporation and the laws of the State of Iowa. Permission, therefore, to act in the specific instance recited above is granted with the understanding that your bank will not accept additional fiduciary appointments without first obtaining the permission of this Board.

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

Letter to Mr. H. C. J. Olson, President, Fidelity Securities and Investment Company, Minneapolis, Minnesota, reading as follows:

This refers to your letter of December 27, 1954, requesting a determination by the Board of Governors as to the status of Fidelity Securities and Investment
Company as a holding company affiliate.

From the information supplied, the Board understands that the present activities of the Fidelity Securities and Investment Company consist of a general insurance business, real estate sales, owning and managing rental properties, and investments in two subsidiary nonbanking companies, the business of which is dealing in, owning, and developing real estate; that Fidelity Securities and Investment Company owns 855 of the outstanding shares of capital stock of the Fidelity State Bank, Minneapolis, Minnesota, which is more than 50 per centum of the number of shares voted for the election of directors of the bank at the preceding election; and that Fidelity Securities and Investment Company does not, directly or indirectly, own or control any stock of, or manage or control, any other banking institution.

In view of these facts, the Board has determined that Fidelity Securities and Investment Company is not engaged, directly or indirectly, as a business, in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies, within the meaning of section 2(c) of the Banking Act of 1933, as amended; and, accordingly, Fidelity Securities and Investment Company is not deemed to be a holding company affiliate except for the purposes of section 23A of the Federal Reserve Act and does not need a voting permit from the Board of Governors in order to vote the bank stock which it owns.

If, however, the facts should at any time differ from those set out above to an extent which would indicate that Fidelity Securities and Investment Company might be deemed to be so engaged, this matter should again be submitted to the Board. The Board reserves the right to rescind this determination and make a further determination of this matter at any time on the basis of the then existing facts.

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

Letter to the Comptroller of the Currency, Treasury Department, Washington, D. C., (Attention: Mr. L. A. Jennings, Deputy Comptroller of the Currency) reading as follows:
Reference is made to a letter from your office dated November 5, 1954, transmitting photostatic copies of an application to organize a national bank at Chicago, Illinois, and requesting a recommendation as to whether or not the application should be approved.

Information contained in a report of investigation of the application, made by a representative of the Federal Reserve Bank of Chicago, discloses generally satisfactory findings with respect to the factors usually considered in connection with such proposals, except as to the adequacy of the proposed capital structure and the management. It is indicated that the organizers have agreed to provide an additional $100,000 of capital funds, and with this adjustment the initial capital structure of the bank would appear to be reasonably adequate for its prospective needs. It is understood that the organizers are seeking the services of an experienced banker as the chief executive officer and, while this matter had not been resolved at the time of the investigation, our informant feels that definite assurances should be obtained that the executive management of the bank will be in strong hands. The Board of Governors has concluded that approval of the application should be recommended, provided arrangements are made for competent management satisfactory to your office.

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.

Memorandum from Mr. Carpenter dated February 15, 1955, recommending submission to the National Archives of a request for Congressional approval of the destruction of certain records at the Federal Reserve Banks relating to the Regulation X (Real Estate Credit) program which was in effect during the period 1950-1952.

Approved unanimously.

Consideration was given to the following draft of letter to Mr. Fulton, President of the Federal Reserve Bank of Cleveland, which had been circulated to the members of the Board prior to this meeting:
Reference is made to Mr. Breidenbach's letter of February 15, 1955 addressed to Mr. Vest regarding the question whether the Pittsburgh Branch of your Bank should execute a rider to the contract under which it receives its electric current from the Duquesne Light Company. The rider provides a lower rate for "public or parochial schools, or local, state or federal governments, or public agencies thereof."

In view of the many important governmental functions performed by the Reserve banks, on the basis of which they have frequently been recognized as agencies of the federal government by the courts, and in view of the fact that the savings resulting from the execution of the rider would tend to increase the net earnings of the Reserve Bank which would be payable into the Treasury, in harmony with the apparent purpose of the rider, the Board would offer no objection to the rider, if your Bank should decide to accept it.

During a discussion of the matter it was brought out, among other things, that acceptance of the rider would result in a refund to the Pittsburgh Branch of approximately $3,700 for the period from 1951 to date and in a future saving of about $1,000 per year; that neither the Federal Reserve Bank of Cleveland nor the branch had any part in initiating the matter, the branch having been approached by the Duquesne Light Company which advised that in the company's opinion the branch qualified for "school and governmental service" with the accompanying lower rate; that the legal department of the Duquesne Light Company had stated in writing that it saw no reason why the benefits of the rider should not be made available because the Federal Reserve Bank "has many of the attributes of a public agency of the Federal Government"; and that, according to the Duquesne Light Company and so far as could be determined by the Federal Reserve Bank, the term "public agency", as used without
definition in the rider, is not defined in any rule or regulation of the Pennsylvania Public Utility Commission or the Duquesne Light Company or in the Public Utility Code of the State of Pennsylvania.

In view of these and other facts pertinent to the matter, as set forth in Mr. Breidenbach's letter and its enclosures, the opinion was expressed that it would be difficult for the Board to object if the Federal Reserve Bank of Cleveland should conclude that it wished to accept the rider.

Thereupon, the letter to President Fulton was approved unanimously.

Consideration then was given to the following draft of letter to Mr. Leedy, President of the Federal Reserve Bank of Kansas City, which had been circulated to the members of the Board along with a memorandum from Mr. Leonard dated February 18, 1955, and other pertinent papers:

The Board authorizes the preparation of detailed plans and specifications for the proposed addition to, and alterations of, the Denver Branch building, on the basis of the preliminary plans referred to in your letter of December 23, 1954.

It is noted that the program includes a new vault, with 1,035 square feet, which would increase vault area to 2,221 square feet. While this is a substantial increase, it would leave vault area considerably below that included in new branch buildings planned in recent years, such areas ranging from approximately 2,900 square feet in the Jacksonville building to approximately 4,900 square feet in the Seattle building. It is suggested that this phase of the planning be reviewed to see if it might not be practicable to provide somewhat larger vault capacity, and that in the review consideration be given to planning for emergencies as well as for normal needs.
The outline specifications call for vault walls 32 inches thick with "steelcrete" protective reinforcement. The Board has taken the position in the past that with this type of construction walls 30 inches thick are adequate.

The estimated cost of "building proper" is approximately $103,000 more than the amount that had been tentatively allocated for the Denver Branch, which was the estimate of $497,973 previously given plus 10 per cent margin. The estimate of "building proper" costs of the Omaha Branch program was likewise in excess of the amount that had been tentatively allocated on the same basis, and the Board's letter of December 14, 1953 authorizing the preparation of detailed plans and specifications for that program contained the following comment:

"Of the $20 million authorization granted last year, approximately $550,000 had been tentatively earmarked for the Omaha program and $1,800,000 for the building programs of the three Branches in the Tenth District. Any excess of "building proper" costs for the Omaha program over $550,000 may well have to be taken out of the amounts tentatively earmarked for the Denver and Oklahoma City programs."

The comments as extended to include an excess of cost of the Denver program over the tentative allocation are still applicable.

The Board appreciates the thought and efforts the Directors and Officers of the Bank and Branch have been giving to the development of a suitable building program for the Denver Branch.

In response to questions by Governor Vardaman, Mr. Leonard stated that the architect employed by the Federal Reserve Bank of Kansas City in connection with the Denver Branch building program was located in Denver and that the preliminary plans had been approved by the Board of Directors of the Denver Branch as well as by the head office Board of Directors.
Thereupon, the letter to President Leedy was approved unanimously, with the understanding that certain technical observations by Mr. Persina, Consulting Architect to the Board, would be transmitted to the Reserve Bank in the usual way.

Minutes of actions taken by the Board of Governors of the Federal Reserve System on February 25, 1955, were approved unanimously.

The meeting then adjourned.