

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, March 8, 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. Carpenter, Secretary  
 Mr. Sherman, Assistant Secretary  
 Mr. Kenyon, Assistant Secretary  
 Mr. Thurston, Assistant to the Board  
 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

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. McCreedy, Secretary, Federal Reserve Bank of Philadelphia, reading as follows:

The Board of Governors approves the appointments of Messrs. Albert G. Frost, George E. Lallou, B. F. Mechling, Harry L. Miller, and Daniel H. Schultz as members of the Industrial Advisory Committee for the Third Federal Reserve District to serve for terms of one year each beginning March 1, 1955, in accordance with the action taken by the Board of Directors as reported in your letter of February 24, 1955.

Approved unanimously.

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Letter to the Board of Directors, Boonton Trust Company, Boonton, New Jersey, reading as follows:

On August 16, 1954, the Board of Governors approved the establishment of a branch at 421 West Main Street, Boonton, New Jersey, by the Boonton Trust Company.

In accordance with the proposal submitted through the Federal Reserve Bank of New York, the Board of Governors now approves the establishment of that branch at Hawkins Place, Dels Village, Boonton, New Jersey, rather than at 421 West Main Street, Boonton, New Jersey, provided the branch is established within one year from August 16, 1954.

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

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

This refers to your letter of February 21, regarding the penalty of \$29.60 incurred by the Richmond County Bank, Rockingham, North Carolina, on a deficiency of 6 per cent in its required reserves for the semi-monthly period ended January 15, 1955.

In view of the fact that the subject bank on January 11 made a formal request for withdrawal from membership, and in order not to endanger the good relationship that exists between the Richmond County Bank and your Bank, the Board authorizes your Bank to waive assessment of the penalty in this case.

Approved unanimously.

Letter to Mr. Diercks, Vice President, Federal Reserve Bank of Chicago, reading as follows:

Reference is made to your letter of February 24, 1955, submitting request of the Citizens Commercial & Savings Bank, Flint, Michigan, for an extension of time in which to establish a branch at the southeast corner of Court Street and Dort Highway, Flint, Michigan.

In view of the circumstances outlined in your letter and your favorable recommendation, the Board of Governors extends until August 29, 1955, the time within which establishment of the branch, which was approved in the Board's letter of November 1, 1954, may be accomplished.

Approved unanimously.

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Letter to the Board of Directors, The Scott County State Bank, Scottsburg, Indiana, 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 Scott County State Bank to act as trustee under an indenture securing an issue of \$585,000 first mortgage bonds of the Scottsburg-Vienna Township School Building Corporation, Scottsburg, Indiana.

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 Indiana. 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 St. Louis.

Letter to the Board of Directors, Farmers & Merchants Bank of Lodi, California, Lodi, California, reading as follows:

Pursuant to your request submitted through the Federal Reserve Bank of San Francisco, the Board of Governors approves the establishment of a branch by the Farmers & Merchants Bank of Lodi, California, in a shopping center known as Parkway Estates, located in an unincorporated area of Sacramento County, in the vicinity of Florin Road and Franklin Boulevard, provided the branch is established within six months from the date of this letter.

Approved unanimously, for  
transmittal through 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 February 24, 1955, concerning the application of The Medaryville State Bank,

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Medaryville, 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, would be considered desirable to incorporate as conditions to the continuance of deposit insurance.

Approved unanimously.

Drafts of telegrams to Mr. Leach, President of the Federal Reserve Bank of Richmond, reading as follows, which had been circulated to the members of the Board prior to this meeting along with memoranda from Mr. Leonard and other pertinent papers, were presented for consideration:

Board will interpose no objection to your Bank's calling for bids for the addition to and alterations of the Baltimore Branch building on the basis of the final plans and specifications referred to in your letter of December 9, 1954.

In accordance with customary procedure, a summary report of the bids should be forwarded to Board together with recommendation of Bank as to acceptance.

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Reurlet February 23 re building program for Charlotte Branch, Board approves acceptance of low bid of \$1,174,000 for general contract and of \$77,329 for elevators, as recommended by the Boards of Directors. Board authorizes expenditure of approximately \$1,400,000, for the program which includes allowance of 5 per cent, or \$66,666, for contingencies as recommended by the directors.

In response to questions, Mr. Leonard stated that steps had been taken by the Richmond Reserve Bank to assure participation by the respective branch boards of directors in responsibility for the branch building

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programs and that the architects chosen were situated in the respective branch cities.

Thereupon the telegrams to Mr. Leach were approved unanimously.

Governor Robertson recalled that at the joint meeting of the Board with the Presidents of the Federal Reserve Banks last week he stated that certain information had come to his attention which indicated that the commercial banks and investment bankers might have taken steps leading toward a reconciliation of their differences concerning the possible authorization of commercial banks to underwrite and distribute revenue bonds or other municipal securities which are not general obligations of States or municipalities. He said that subsequently he received a telephone call from a commercial banker who told him that no settlement of the matter was envisaged at this time. Governor Robertson then referred to the letter sent under date of February 3, 1955, to the Presidents of the Federal Reserve Banks transmitting briefs which had been submitted by the commercial banks and by the investment bankers and requesting the Reserve Banks' comments, and said that as soon as possible after the Banks' replies had been received the problem would be submitted to the Board for further consideration.

Mr. Leonard then withdrew from the meeting.

Governor Robertson stated that the Executive Committee of the National Association of Supervisors of State Banks was to meet in Washington April 5, 6, and 7 and that the Committee would like to visit the Board's

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offices at that time. He suggested that an invitation be extended to the group to come to the Board's offices on Wednesday, April 6, for luncheon and either a visual economic presentation or an informal discussion with members of the Board, according to the preference of the Executive Committee.

This suggestion was approved unanimously.

There was presented a request from Mr. Young, Director of the Division of Research and Statistics, for authority to go to New York, New York, on March 9, 1955, to attend a meeting of the Committee for Economic Development concerning a statement on taxation and fiscal policy.

Approved unanimously.

At this point, Mr. Molony, Special Assistant to the Board, entered the room.

Under date of March 4, 1955, there had been sent to the members of the Board copies of a draft of testimony on credit and stock market developments to be given by Chairman Martin before the Senate Banking and Currency Committee on Monday, March 14. This draft had been revised and copies of the revised draft were sent to the members of the Board on March 7.

The March 7 draft was reviewed and a number of suggestions were made for revisions. At the conclusion of the discussion, Chairman Martin suggested that another draft be prepared in the light of the comments made at this meeting and that copies of the new draft be sent to the members

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of the Board with a view to further discussion at another meeting.

This suggestion was approved unanimously.

Messrs. Thurston, Riefler, Young, Solomon, and Molony then withdrew from the meeting and Mr. Hexter, Assistant General Counsel, entered the room.

Governor Robertson referred to the discussion at the meeting on February 9, 1955, regarding the proposed merger of The Chase National Bank of the City of New York with Bank of the Manhattan Company, also of New York City, and to the letter which was sent to the Federal Reserve Bank of New York requesting certain additional information, including any statement which the participants in the proposed merger might wish to submit with respect to the nature and extent of affirmative benefits. He said that a letter had been received from the New York Reserve Bank transmitting a letter from Bank of the Manhattan Company, but that the bank's statement regarding affirmative benefits was relatively brief and did not add much to the information already available. In the circumstances, including the proposed time schedule under which the merger would be consummated, he raised the question whether the New York Reserve Bank should be asked to request the submission of a further statement giving a more adequate presentation of the affirmative reasons for the merger.

The matter was discussed and, although there was general agreement that the statement as submitted did not add materially to the affirmative case for the proposed transaction, it was suggested that the participating

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banks already had submitted a great deal of data and that it might be difficult for them to add to that information substantially. It was also suggested that in acting upon the matter the Board would not necessarily have to make its decision so much on the basis of advantages resulting from the transaction as on the basis that there did not appear to be reasons for withholding its approval.

Mr. Vest then stated that the question might be raised at some point as to whether parties opposing the transaction had been given an opportunity to make their views known, and that if the Board so desired, it would be possible to place in the Federal Register a notice that request for the Board's approval of branches of the continuing institution had been received, so that any interested persons might submit statements. In response to an inquiry, he said that if this were done it probably would be desirable to provide about 30 days for receipt of any comments before the Board acted. Mr. Vest also suggested that inasmuch as Chairman Martin had advised the Attorney General of receipt of the application for approval of branches of the continuing institution and the Board was aware of the fact that members of the Attorney General's office were looking into aspects of the proposed merger, it would seem desirable for the Board to notify the Attorney General informally before taking any action with respect to the matter.

With respect to placing a notice in the Federal Register, it was noted that this would be an unusual procedure and might raise the question



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whether the same procedure should be followed in all similar cases coming before the Board. With respect to communicating with the Attorney General, there was general agreement that although the Board's decision would, of course, not be predicated necessarily upon the findings of that office relative to the proposed transaction, it would seem desirable to communicate with that office before the Board took action on the matter.

Governor Robertson reported having had an informal discussion with Mr. H. Douglas Davis, President of The Plainfield Trust Company, Plainfield, New Jersey, regarding the proposal of that institution to acquire the business of The State Trust Company, a member bank also located in Plainfield. The take-over of The State Trust Company would leave this city of approximately 50,000 population with a national bank which is owned by The Plainfield Trust Company and no competing institutions other than a savings bank and the branch of a bank located in Westfield, New Jersey. The proposal had been discussed informally by Mr. Davis with the Federal Reserve Bank of New York and that Bank had written two letters to the Board. In one of the letters reference was made to the fact that the Comptroller of the Currency recently authorized a national bank situated in a near-by community to absorb the only other bank located in the same city, thus raising a question as to the views of the Federal bank supervisory agencies with respect to approval of mergers or consolidations which would eliminate or substantially reduce competition in the community affected.

Governor Robertson said he told Mr. Davis that while he did not

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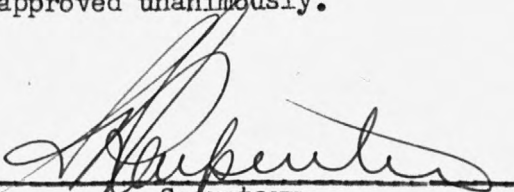
know what the attitude of the Board might be, he felt that the Board might oppose acquisition of The State Trust Company as being in the direction of a substantial lessening of competition in the area and in view of the Board's general attitude toward the maintaining of competition as a safeguard in the public interest. Governor Robertson went on to say that he gained the impression from Mr. Davis that the proposal would be dropped and that a formal application would not be submitted.

During a discussion which followed, other members of the Board indicated that from his description of the situation they would be inclined to support his position. However, it was noted that it is difficult to establish policies having general applicability since each case coming before the Board may present unique elements. It was then suggested that since no formal application had been filed in the Plainfield case, a reply be made to the letters from the Federal Reserve Bank of New York to the effect that the Board would not wish to express a general opinion and would want to await receipt of the application and review all of the circumstances before expressing its views.

This suggestion was approved unanimously, and it was understood that an appropriate letter to the Federal Reserve Bank of New York would be drafted.

Minutes of actions taken by the Board of Governors of the Federal Reserve System on March 7, 1955, were approved unanimously.

The meeting then adjourned.

  
Secretary