

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

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

Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Kenyon, Assistant Secretary
Mr. Thurston, Assistant to the Board
Mr. Thomas, Economic Adviser to the Board
Mr. Young, Director, Division of Research and Statistics
Mr. Solomon, Assistant General Counsel
Mr. Koch, Assistant Director, Division of Research and Statistics
Mr. Molony, Special Assistant to the Board

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:

Memoranda from appropriate individuals concerned recommending personnel actions with respect to members of the Board's staff as follows:

Appointment, effective upon the
date of assuming duties

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>
Joan I. Darby, Clerk	Research and Statistics	\$3,030

Salary increase

J. Robert Surguy, Printing Clerk, Division of Administrative Services, from \$4,545 to \$4,705 per annum, effective March 13, 1955.

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Transfer

Mildred D. Spano, Stenographer, Division of Administrative Services, to the position of Clerk-Stenographer in the Division of International Finance, with an increase in basic salary from \$3,415 to \$3,535 per annum, effective the date of assuming her new duties.

Transfer and appointment

Elizabeth A. Kropog, Secretary, Division of Examinations. Transfer to the field examining staff in that Division, effective March 17, 1955, and appointment as Special Assistant Federal Reserve Examiner for a period of approximately one year, also effective March 17, 1955, with no change in basic annual salary of \$3,535, with official headquarters in Washington, D. C., with the understanding that Miss Kropog would be granted the special travel allowance and other privileges granted with respect to Special Assistant Federal Reserve Examiners by the Board's action of August 2, 1951, and with the further understanding that at the termination of her assignment with the field examining staff, Miss Kropog would return to her position as Secretary in the Division of Examinations.

Approved unanimously.

Letter to the Board of Directors, Lewis County Trust Company, Lowville, New York, reading as follows:

Pursuant to your request submitted through the Federal Reserve Bank of New York, the Board of Governors of the Federal Reserve System approves the establishment of a branch in the vicinity of the intersection of Main Street with New York Highway Route 12, in the village of Port Leyden, New York, by the Lewis County Trust Company, Lowville, New York, provided (a) the proposed merger with The Port Leyden National Bank is effected substantially in accordance with the plan of merger dated January 19, 1955; (b) the branch is established prior to July 1, 1955; and (c) establishment of the branch is formally approved by the appropriate State authorities.

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

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Letter to Mr. Pondrom, Vice President, Federal Reserve Bank of Dallas, reading as follows:

Reference is made to your letter of February 23, 1955, submitting the request of Texas Bank & Trust Company of Dallas, Dallas, Texas, for the Board's approval of an additional investment in bank premises. As recommended by you, the Board of Governors hereby approves an additional investment of approximately \$1,254,000 in bank premises by the above bank, provided that upon completion of the construction program the investment in bank premises appearing on the bank's records will not exceed \$1,750,000 and the amounts in excess of the book value necessary to complete the program are obtained by means of a loan on which the bank will not be directly liable.

Approved unanimously.

Letter to the Board of Directors, Antelope Valley Bank, Lancaster, California, approving, subject to conditions of membership numbered 1 and 2 contained in the Board's Regulation H, the bank's application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of San Francisco.

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

Letter to the Board of Directors, Bank of Northridge, Los Angeles (Northridge), California, approving, subject to conditions of membership numbered 1 and 2 contained in the Board's Regulation H and the following special condition, the bank's application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of San Francisco, effective if and when the bank is authorized to commence business by the appropriate State authorities:

3. At the time of admission to membership, such bank shall have a paid-up and unimpaired capital stock of not less than \$200,000 and other capital funds of not less than \$100,000.

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

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There had been sent to the members of the Board copies of a press release issued by the Bureau of the Budget on March 4, 1955, which stated that the Director of the Bureau was requesting all Government agencies to review each of the reports of the Commission on Organization of the Executive Branch of the Government (the Hoover Commission) within thirty days after its release. The press statement also referred to a bulletin addressed to the heads of executive departments and establishments in which the Director of the Budget Bureau said that it was the desire of the President that each agency make such a review and submit its views to the President through the Budget Bureau. Each agency statement was to indicate the extent to which the Commission's recommendations could be put into effect and the manner of carrying them out.

Mr. Carpenter said that if agreeable to the Board the Commission's reports, when received, would be sent to the division or divisions of the Board having the principal interest in them so that statements might be drafted for the Board's consideration regarding any of the Commission's recommendations which might affect the Board or in which the Board might be interested for other reasons.

The suggested procedure was approved.

Governor Robertson said that a formal request had been received from the Clerk of the House Banking and Currency Committee for specific amendments to the Spence bank holding company bill (H. R. 2674) which

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would give effect to the views set forth in the Board's letter of February 17, 1955. He said that such amendments had been prepared, that they had been discussed with representatives of the Office of the Comptroller of the Currency, and that they were now ready for transmission to the Clerk of the House Banking and Currency Committee after it had been ascertained that the Comptroller of the Currency was in tentative agreement with them. In this connection Governor Robertson discussed four points on which the amendments would differ somewhat from the views stated in the Board's letter. He said that these changes had been made in order to reach agreement with the Comptroller of the Currency, that he considered them of no serious consequence, and that the amendments, in the form in which it was proposed to transmit them, were in no way inconsistent with Chairman Martin's recent testimony or his own testimony before the House Banking and Currency Committee.

It was agreed unanimously that following receipt of word from the Comptroller of the Currency, the amendments would be sent to the House Banking and Currency Committee.

Secretary's Note: Pursuant to this action, the following letter was sent to Mr. William J. Hallahan, Clerk of the House Banking and Currency Committee, on March 11, 1955:

In response to your official request, there are enclosed suggested specific amendments, separately numbered, to the bill H. R. 2674, to regulate bank holding companies, which would have the effect of carrying out the views of the Board of Governors with respect to this matter. There is also enclosed a copy of the bill H. R. 2674, indicating by textual changes the various respects in which the bill would be changed by the proposed amendments.

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These proposed amendments have been furnished to the Office of the Comptroller of the Currency which has expressed its tentative approval of them. However, it would like an additional day or two for further study before expressing a firm position. We are sure that that Office will be glad to give you the benefit of its views on these amendments by Tuesday of next week.

Mr. Thurston referred to a memorandum sent to the Board by Mr. Young under date of March 9, 1955, transmitting a summary of the preliminary findings of the 1955 Survey of Consumer Finances. He said that if agreeable to the Board the summary would be released to the press today for publication on Monday, March 14. He also said that it was planned to include the summary in the March issue of the Federal Reserve Bulletin.

No objection was interposed to the release of the summary.

In accordance with the understanding at yesterday's meeting there had been sent to the members of the Board copies of a revised draft of testimony to be given by Chairman Martin before the Senate Banking and Currency Committee on March 14, 1955, concerning credit and stock market developments. The revised draft was reviewed and several additional suggestions were made for further changes in it.

At the conclusion of the discussion, it was understood that the draft would be revised to take into account the suggestions that had been made and that the new draft would be submitted to the members of the Board so that they might have an opportunity to send any further comments to Mr. Thurston.

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

The meeting then recessed and reconvened in the Board Room at 3:30 p.m. at which time Chairman Martin and Governors Szymczak, Mills, and Robertson were present. Messrs. Carpenter and Kenyon also were present along with Messrs. Sloan, Director, and Nelson, Assistant Director, Division of Examinations.

Pursuant to the understanding at the meeting of the Board yesterday, Messrs. Earle C. Clements, Senator from Kentucky, Noel Rush, President of the Lincoln Bank and Trust Company, Louisville, Kentucky, and Thomas A. Ballantine, a director of that bank, were present to discuss the Lincoln Bank and Trust Company's request for permission to open a branch on Shelbyville Road on March 14, 1955, rather than on a date not prior to June 1, 1955, as stipulated in the Board's letter to the bank dated August 6, 1954.

In an introductory statement Senator Clements said that the building had been constructed, that the branch quarters had been equipped and were ready to be opened, that the bank was anxious to begin operations at the branch, that it was difficult to explain to the public why a branch that was ready to serve the area could not be opened, and that a branch of the Bank of Louisville, an insured nonmember bank, had been operating in temporary quarters in that area since mid-October 1954, thus providing that bank a reasonable time to solidify its position.

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At the request of Chairman Martin, Mr. Sloan then reviewed the circumstances surrounding the Board's decision to approve the Shelbyville Road branch of Lincoln Bank and Trust Company on the condition that the branch not be opened until June 1, 1955. In his statement Mr. Sloan pointed out, among other things, that the application of the Bank of Louisville had received prior approval from the State banking authorities, that there was a substantial question as to whether two branches could operate profitably in the area until the neighborhood had experienced further growth, and that the Board decided that the smaller institution, whose application had been approved first by the State authorities, should be given an opportunity to get established. He also referred to the co-operation among the Federal bank supervisory agencies in situations of that kind with a view to preventing overbanked conditions.

Mr. Rush made a statement in which he said that the Lincoln Bank and Trust Company had never before had a full explanation of the reasons underlying the Board's action, that it was not the intention of the bank to do otherwise than to abide by the condition established, but that the bank had to lease space or lose it and had no control over the time when the building would be ready for occupancy. He said that the building was completed and turned over to the bank on the first of March and that in anticipation of that fact he wrote to the Federal Reserve Bank of St. Louis under date of February 16 asking that the Board reconsider the matter and allow the bank to open on March 14, which would be nearly five months after the Bank of Louisville opened its branch. Mr. Rush also said that in

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his opinion the Shelbyville Road area, which had grown considerably, now could support two branches. Senator Clements added to this statement by saying that the area had grown rapidly and that greater growth was in prospect.

Mr. Ballantine also commented on the features of the area where the branch would be situated and went on to say that, granting the reasonableness of the Board's condition regarding the branch of the Lincoln Bank and Trust Company, it was his opinion that the condition had now been complied with substantially, particularly since the Bank of Louisville branch was opened very quickly after being authorized. He felt that the Board would not want to take a position which would injure a member bank and said that the building was completed, that customers of Lincoln Bank and Trust Company had to go to a downtown office, and that it was not so much a matter of new business as one of service to present customers.

Mr. Rush stated that if the building had not been ready for occupancy until the first of June, he would never have raised the question, but with the building available it was a source of embarrassment to the bank to have inquiries from the public as to why the branch was not opened. Mr. Rush also referred to the membership of his bank in the Federal Reserve System and to his service as a director of the Louisville Branch of the Federal Reserve Bank of St. Louis, and said that the Board might wish to consider whether a nonmember institution should be given preference over a member bank to the extent which would be involved in refusing to let the branch open until the first of June.

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There followed some discussion of the operations of the Bank of Louisville at its Shelbyville Road branch, from which it appeared that the branch opened in temporary quarters about the middle of October, that the new branch building would be opened shortly, and that Messrs. Rush and Ballantine were inclined to minimize the handicap involved in operating the branch in temporary quarters. It was their contention, moreover, that despite any such handicap the Bank of Louisville branch had been in operation for such a period of time that already there had been substantial compliance with the condition imposed upon the Lincoln Bank and Trust Company.

Mr. Rush then commented to the effect that his bank was somewhat reluctant to bring this relatively trivial matter before the Board and that it was regrettable that the Board, with its many major responsibilities, should have to devote time to considering such matters as the establishment of branches. Chairman Martin responded that since the Board did have this responsibility under the law, it attempted to discharge its duty to the best of its ability, that in this case the Board gave the matter very careful consideration, that it considered the condition imposed to be a reasonable solution, and that it would be difficult for the Board to change its previous decision.

Governor Robertson said that contrary to the impression which might have been obtained, the Board never thought in terms of giving the Bank of Louisville branch a specific period of six months to establish

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itself before the competing branch was opened, but rather that the Board, which worked in close cooperation with the other Federal bank supervisory agencies in the handling of branch applications, set the date of June 1, 1955, for the opening of the Lincoln Bank and Trust Company branch in the exercise of its own judgment, believing that such a condition would give the Bank of Louisville branch adequate time to build up its business. He emphasized that the condition had not been urged upon the Board by the Federal Deposit Insurance Corporation and that the Board did not have in mind any specific date on which the Bank of Louisville would open its branch for business in temporary quarters or otherwise.

Mr. Rush then inquired what his bank should say in response to questions which might be raised by customers and by the general public, to which Governor Robertson responded that in his opinion the bank could make a simple public announcement stating that it had authority from the Board of Governors of the Federal Reserve System to open the branch on June 1, 1955.

Senator Clements concluded the discussion by expressing the view that the conditions which had developed appeared to justify some review of the matter and that he, Mr. Rush, and Mr. Ballantine felt that there was no compelling reason for keeping the Lincoln Bank and Trust Company branch idle for three months, thus depriving the public of the use of the branch facilities during that time.

Messrs. Clements, Rush, and Ballantine then left the room and the

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matter was discussed further by the Board in the light of all the circumstances involved since the matter first came before the Board, including the fact that the Board had just denied the application of another Louisville bank (Citizens Fidelity Bank and Trust Company) to establish a branch in the same area.

At the conclusion of the discussion, it was agreed unanimously that the conditions on which the Lincoln Bank and Trust Company was authorized to establish its Shelbyville Road branch should not be changed and that a letter to that effect should be sent to the bank.

Secretary's Note: Pursuant to this action, the following letter was sent to Mr. Rush on March 15, 1955:

Reference is made to your letter of February 16, 1955, to President Johns of the Federal Reserve Bank of St. Louis, appealing for relief from the limitation contained in the Board's approval of the establishment of a branch on Shelbyville Road, east of Hubbard's Lane by the Lincoln Bank and Trust Company, which provided that it not be established prior to June 1, 1955.

Following the meeting with you, Senator Clements, and Mr. Ballantine, the Board reviewed the whole matter including the information contained in your letter and the comments made during the meeting. While the Board understands the situation in which your bank finds itself, it cannot escape the conclusion that there has been no fundamental change in the conditions giving rise to the decision that your branch should not be opened before June 1 and that, for the reasons which were stated at the meeting, the conditions under which the Board's approval were given should not be changed.

In arriving at this conclusion, the Board is not unsympathetic with your problem, but it believes that the difficulty grows out of the arrangement which was made with the

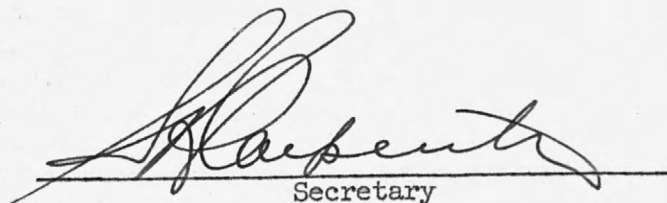
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owner of the building in which the branch is to be located and not out of the limitation imposed by the Board.

A copy of this letter is being sent to the Federal Reserve Bank of St. Louis so that it will be informed.

The meeting then adjourned.



Secretary