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Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, April 8, 1955. The Board met in the Board Room at 9:45 a.m.

PRESENT: Mr. Martin, Chairman  
Mr. Balderston, Vice Chairman  
Mr. Szymczak  
Mr. Vardaman  
Mr. Mills  
Mr. Robertson  
Mr. Shepardson

Mr. Carpenter, Secretary  
Mr. Sherman, Assistant Secretary  
Mr. Kenyon, Assistant Secretary  
Mr. Vest, General Counsel

There had been circulated to the members of the Board a memorandum dated March 31, 1955, from Mr. Thomas, Economic Adviser to the Board, in which Mr. Thomas stated that the President of the District of Columbia Bankers Association had invited him to attend, as a guest, the Association's annual meeting to be held in Hot Springs, Virginia, June 8-11, 1955, and to deliver an address.

Chairman Martin raised the question whether the Board should pay the expenses incident to a trip of this kind or whether, in some circumstances, the organization inviting the staff member should be permitted to assume the expenses. After pointing out that in the past a number of different procedures had been followed, he expressed the view that as a matter of general policy it would be preferable for the Board to pay the expenses.

The other members of the Board concurred in the position that it was appropriate for the Board to pay the expenses when a member of its

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staff attended any meeting for the purpose of making an address or otherwise participating in the program in his capacity as a representative of the Board. It was brought out in this connection that if Mr. Thomas were to accept the invitation, his expenses would not be completely covered by payment of a per diem at the rate prescribed in the Board's travel regulations. It was the consensus that unusual situations, particularly those involving trips to places where it was known that accommodations were available only at high rates, might justify the Board in allowing actual necessary travel expenses.

At the conclusion of the discussion, Mr. Thomas was authorized to accept the invitation to address the annual meeting of the District of Columbia Bankers Association, if he so desired, with the understanding that his actual necessary travel expenses would be paid by the Board in accordance with the Board's travel regulations.

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 April 5, 1955, from Chairman Martin recommending that Elsie M. Westman be designated as Secretary to Governor Shepardson, with no change in her present basic salary of \$5,800 per annum, effective the date she assumes her new duties.

Approved unanimously.

Memoranda dated April 5, 1955, from Mr. Johnson, Controller, and Director, Division of Personnel Administration, recommending increases in the basic annual salaries of the following employees in the Office of the Controller, effective April 10, 1955:

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| <u>Name and title</u>                                   | <u>Basic annual salary</u> |           |
|---|----------------------------|-----------|
|   | <u>From</u>                | <u>To</u> |
| Sampson H. Bass,<br>Chief, Fiscal Section               | \$8,040                    | \$8,360   |
| Wayne A. Pollard,<br>Assistant Chief,<br>Fiscal Section | 6,940                      | 7,240     |

Approved unanimously.

Letter to Mr. George A. Guerdan, Vice President and Cashier, The First National City Bank of New York, New York, New York, reading as follows:

This refers to your letter of March 14, 1955, enclosing a photostatic copy of a letter dated March 2, 1955, from Fiscal Assistant Secretary E. F. Bartelt to Vice President Floyd G. Blair of your bank, both relating to the request of the Treasury Department that your bank furnish mobile banking facilities in Japan as an adjunct to the military banking facility which your bank is now operating at Camp Zama. It is understood that this mobile unit will spend 3 days a week at Yokohama Engineer Depot and 2 days each week at Camp Fuchinobe.

The Board of Governors will interpose no objection to The First National City Bank of New York furnishing the mobile banking facilities as described above which, on the basis of the services proposed to be rendered, will not be considered as a branch by the Board.

It will be appreciated if you will advise the Board of Governors in writing, through the Federal Reserve Bank of New York, as to the date that the mobile banking facilities are placed in operation.

Following a comment by Governor Robertson, in response to a question by Governor Mills, that in his opinion the establishment of the mobile banking facilities in question would not pose the same problems as the operation of mobile banking facilities by a national bank in Puerto Rico because this would be a service for military bases specifically requested by

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the Treasury Department as an adjunct to an existing military banking facility, the letter was approved unanimously, for transmittal through the Federal Reserve Bank of New York.

Letter to Mr. Wiltse, Vice President, Federal Reserve Bank of New York, reading as follows:

This refers to your letter dated March 4, 1955, with respect to the informal advice received from Mr. Bayard Pope, Chairman of the board of directors of Marine Midland Corporation, to the effect that the corporation contemplates the acquisition of The Farmers National Bank and Trust Company of Rome, Rome, New York, by an exchange of five shares of Marine Midland Corporation's stock for each share of The Farmers National Bank and Trust Company of Rome.

You stated in your letter that the Marine Midland Corporation has informed you that it is in process of filing with you an application for a voting permit and has asked for a preliminary expression of the Board's views with respect to this application.

On the basis of preliminary information, the Board of Governors has no objection at this time to the transaction. However, its final action with respect thereto will be based on a review of the terms of the formal agreement and factors to be considered in connection with the voting permit application.

Following a reference to the fact that the preliminary expression of the Board's views had been requested in compliance with the Board's request of Marine Midland Corporation in December 1951 that it be advised well in advance of any acquisition of stock of additional banking institutions so that there might be an opportunity to consider the matter fully before the transaction was consummated, the letter was approved unanimously.

Letter to Mr. Quackenbush, Manager, Bank Examinations Department, Federal Reserve Bank of New York, reading as follows:

Reference is made to your letter of March 29, 1955, concerning the proposed relocation by Colonial Trust Company,

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New York, New York, of its Madison Avenue branch from 79 Madison Avenue (northwest corner of Madison Avenue and 28th Street), New York City, to 149 Madison Avenue (southeast corner of Madison Avenue and 32nd Street), a distance of four blocks.

It is noted that the volume of business obtained by the branch from the area south of 28th Street consists mainly of small checking accounts maintained by employees of two large insurance companies; that the branch's principal business comes from customers located north of 28th Street and the proposed new location would be more conveniently located to these customers; and that there would be little, if any, change in the type of business done by the branch at the new location. Moreover, the present location and the proposed location of the branch are both in highly competitive areas. It appears, therefore, that the change would constitute a mere relocation of an existing branch without affecting the nature of its business or customers served and, accordingly, we concur in your view that the approval of the Board of Governors is unnecessary.

Approved unanimously.

Memorandum dated April 4, 1955, from Mr. Kelleher, Assistant Director, Division of Administrative Services, commenting on an attached letter dated March 10, 1955, from Mr. Edmund F. Mansure, Administrator, General Services Administration, to Chairman Martin which requested a review of an enclosed draft of regulations of General Services Administration pertaining to the establishment and operation of interagency motor pools and systems pursuant to the provisions of Public Law 766, 83d Congress. Mr. Mansure's letter also requested advice of concurrence in the draft of regulations or recommendations for changes or improvements therein by April 20, 1955. For various reasons, including the question of the applicability to the Board of the provisions of Public Law 766, as stated in Chairman Martin's letter of November 15, 1954, to Mr. Mansure, and in the light of conversations which Mr. Kelleher had had subsequently with representatives of General Services Administration, the memorandum stated that after consultation with the Legal Division, it was the conclusion of the staff that a reply to the letter of March 10, 1955, would serve no useful purpose.

There was unanimous agreement with the position taken in Mr. Kelleher's memorandum.

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Letter to Mr. John B. Hanson, Director, Motor Equipment Division, Federal Supply Service, General Services Administration, Washington, D. C., reading as follows:

In response to the informal telephone request from Mrs. Schildroth of your office, asking for information to be furnished to Congressman Gross of Iowa, this is to advise that the Board has a pool of chauffeur driven automobiles for use by members of the Board and appropriate members of the staff. These cars and chauffeurs are not assigned to any specific official. There are five vehicles including one station wagon in the pool, and six chauffeurs, one of whom serves as dispatcher and relief chauffeur.

Approved unanimously.

There were presented telegrams to the Federal Reserve Banks of New York, Philadelphia, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, Kansas City, and Dallas approving the establishment without change by the Federal Reserve Bank of St. Louis on April 4, by the Federal Reserve Bank of Kansas City on April 6, and by the Federal Reserve Banks of New York, Philadelphia, Cleveland, Richmond, Atlanta, Chicago, Minneapolis, and Dallas on April 7, 1955, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Mr. Vest then withdrew from the meeting and Messrs. Sloan, Director, and Nelson, Assistant Director, Division of Examinations, entered the room.

Pursuant to the understanding at the meeting on March 29, 1955, Mr. Lee P. Miller, President of the Citizens Fidelity Bank and Trust Company, Louisville, Kentucky, joined the meeting at this point to state reasons why he felt that the Board should reconsider the position taken

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in its letter of February 25, 1955, denying the bank's application for permission to establish a branch in the Shelbyville Road Shopping Center, to be located on U. S. Highway No. 60 about 1.4 miles east of the downtown section of St. Matthews, Kentucky.

After expressing appreciation of the difficulties confronting the bank supervisory agencies in considering branch applications, Mr. Miller summarized the laws of the State of Kentucky relating to branch banking, expressed his conviction as to the soundness of those laws, and reviewed the part played by his institution in obtaining their enactment. He then told of the surveys which Citizens Fidelity had made to determine where it would like to establish branches and, with respect to the Shelbyville Road Shopping Center, said that it would house approximately 30 businesses, that an estimated 40,000 persons would shop there each week, and that persons in the adjoining areas had accounts with Citizens Fidelity totaling over \$2.1 million, of which about 40 per cent were serviced by the existing St. Matthews branch. The neighborhood, he said, was one characterized by a high income level. Mr. Miller also described conditions at the St. Matthews branch, which he said was about 1.8 miles from the shopping center, stating that although the recent purchase of a parking lot near the branch and the installation of two drive-in tellers' windows on the lot would relieve congestion somewhat, the St. Matthews area was becoming about as crowded as downtown Louisville. He asserted that traffic conditions were causing business concerns to move to outlying shopping areas and suggested that

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in the course of time the Shelbyville Road Shopping Center branch might become the principal office of his bank in that general area (rather than the St. Matthews branch) because of this movement of business concerns and the availability of parking facilities.

Mr. Miller said that the program of Citizens Fidelity contemplated a total of nine branches, including the one in the Shelbyville Road Shopping Center. After commenting on the bank's general condition, including its capital structure, he went on to say that in formulating the branch program, Citizens Fidelity considered that such a program should be protective to the institution and should operate in such a way as to provide convenience to the bank's customers. In response to a question by Governor Vardaman, Mr. Miller said it was his view that each branch should pay its own way, that to do so each branch should have a minimum of \$1.5 million in deposits, and that at present there was no branch of his bank which was not profitable.

With respect to the location of the proposed branch in relation to the St. Matthews branch and in relation to two branches of other banking institutions in the shopping center area, including one now open and one to be opened later this year, Mr. Miller said that the branches of Citizens Fidelity and the Lincoln Bank and Trust Company would be competing for the same type of customers, but that the Bank of Louisville operated in a somewhat different field and that there might be some question as to the extent to which the type of customers living in the Shelbyville Road area would



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patronize that institution. Nevertheless, he felt that the Bank of Louisville branch could develop and maintain a satisfactory volume of business in competition with the two other institutions. In conclusion, Mr. Miller referred again to the size of the shopping center, stated that Citizens Fidelity had been active in financing the center and the surrounding area, and said that in his opinion the shopping center deserved some banking facilities. In fact, he said, several business concerns had contracted to take space in the shopping center in anticipation of the establishment of a branch by the Citizens Fidelity Bank and Trust Company and the convenience and safety that would be afforded by the branch.

Following a statement by Chairman Martin that the Board would give further consideration to the matter and that the bank would be advised of the Board's conclusion, Mr. Miller withdrew from the meeting along with Messrs. Sloan and Nelson.

At this point Mr. Vest rejoined the meeting and Messrs. Riefler, Assistant to the Chairman, and Thomas, Economic Adviser to the Board, entered the room. The following members of the staff of the Division of Research and Statistics also entered the room:

Mr. Young, Director  
Mr. Garfield, Adviser on Economic  
Research  
Mr. Williams, Assistant Director  
Mr. Koch, Assistant Director  
Mr. Eckert, Chief, Banking Section  
Mr. Gehman, Chief, Business Conditions  
Section  
Mr. Miller, Chief, Government Finance  
Section

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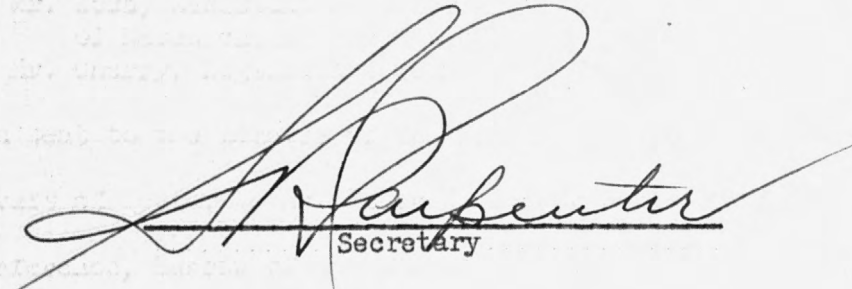
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Mr. Weiner, Chief, National Income,  
Moneyflows, and Labor Section  
Mr. Simpson, Acting Chief, Business  
Finance and Capital Markets Section  
Mr. Tynan Smith, Economist  
Mr. Trueblood, Economist  
Mr. Wernick, Economist  
Mr. Wood, Economist

Pursuant to the understanding at the meeting on April 6, 1955,  
the representatives of the Division of Research and Statistics presented  
a review of economic developments.

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

The meeting then adjourned.

  
Secretary