

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, April 27, 1955. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Szymczak, Acting Chairman
Mr. Vardaman
Mr. Mills
Mr. Robertson
Mr. Shepardson

Mr. Sherman, Assistant Secretary
Mr. Thurston, Assistant to the Board
Mr. Vest, General Counsel

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

Memorandum dated April 20, 1955, from Mr. Bethea, Director, Division of Administrative Services, recommending that the effective date of Marjorie B. Beattie's appointment as Associate Manager, Cafeteria, in that Division, be changed from June 1, 1955, to May 23, 1955, with the understanding that all other terms and conditions of employment, as approved by the Board on March 31, 1955, would remain unchanged.

Approved unanimously.

Memoranda from appropriate individuals recommending that the resignations of the following employees be accepted as indicated:

<u>Name and title</u>	<u>Division</u>	<u>Effective date</u>
Jeanette L. Miller, Clerk-Stenographer	Research and Statistics	April 15, 1955
Gloria M. Humphries, Clerk-Typist	Bank Operations	April 16, 1955

Approved unanimously.

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

In accordance with the request contained in your letter of April 15, 1955, the Board approves the reappointment of Benedict Rafanello as an assistant examiner and the appointments of Martin F. Byrne, William D. Kendrick and George B. Rodda as examiners for the Federal Reserve Bank of New York.

The reappointment of Benedict Rafanello and the appointment of George B. Rodda have been approved effective April 14, 1955. Please advise as to the salary rates and the dates upon which the appointments of Messrs. Byrne and Kendrick are made effective.

The Board also approves the designation of Edward W. Warde as a special assistant examiner for the Federal Reserve Bank of New York effective April 14, 1955.

It is noted that Mr. Kendrick is indebted to The Syracuse Savings Bank, Syracuse, New York, and the County Bank and Trust Company, Paterson, New Jersey; Mr. Rodda to the Dime Savings Bank of Brooklyn, Brooklyn, New York, and the Industrial Bank of Commerce, New York, New York; and Mr. Warde to the Suburban Trust Company, Westfield, New Jersey, all nonmember banks. It is assumed that they will not be authorized to participate in any examinations of the banks to which they are indebted.

Approved unanimously.

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

In accordance with the request contained in your letter of April 18, 1955, the Board approves the appointment of W. George Rickel as an examiner for the Federal Reserve Bank of Chicago. Please advise as to the date upon which the appointment is made effective.

Approved unanimously.

Letter to Mr. Latham, Vice President, Federal Reserve Bank of Boston, reading as follows:

This will acknowledge receipt of your letter of April 18, 1955, advising that the Brattleboro Trust Company,

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Brattleboro, Vermont, plans to move its main office from 122 Main Street to 215 Main Street.

We concur in your opinion that the proposed change in location of the bank does not require the formal consent of the Board of Governors.

Approved unanimously.

Letter to Mr. Hill, Vice President, Federal Reserve Bank of Philadelphia, reading as follows:

Reference is made to your letter of April 18, 1955, regarding the request of the Equitable Security Trust Company, Wilmington, Delaware, for an extension of 60 days within which to establish a branch in the Newark Shopping Center, Newark, Delaware.

After consideration of all the information available, the Board concurs in your recommendation and extends to August 8, 1955, the time within which the Equitable Security Trust Company, Wilmington, Delaware, may establish the branch in the aforementioned Newark Shopping Center, Newark, Delaware, as originally approved in the Board's letter of November 8, 1954. Please advise the Bank accordingly.

Approved unanimously.

Letter to the Board of Directors, Wilmington Trust Company, Wilmington, Delaware, reading as follows:

Pursuant to your request submitted through the Federal Reserve Bank of Philadelphia, the Board of Governors hereby gives its written consent under the provisions of Section 18(c) of the Federal Deposit Insurance Act to the merger of The Delaware City National Bank, Delaware City, Delaware, with and into the Wilmington Trust Company, Wilmington, Delaware, and approves the establishment by the latter bank of a branch in Delaware City, Delaware, provided the merger is carried out substantially in accordance with the agreement of merger dated March 17, 1955, and that the transaction, as well as establishment of the branch, is effected within six months from the date of this letter.

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

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Letter to the Board of Directors, Georgia Railroad Bank & Trust Company, Augusta, Georgia, reading as follows:

Pursuant to your request submitted through the Federal Reserve Bank of Atlanta, the Board of Governors of the Federal Reserve System approves the establishment of a branch by the Georgia Railroad Bank & Trust Company, Augusta, Georgia, in a shopping center known as Daniel Village located between Wrightsboro Road and Central Avenue, west of Highland Avenue, Augusta, Georgia, provided the branch is established within six months from the date of this letter and the necessary permit is obtained from the appropriate State authorities prior to the date of its establishment.

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

Letter to the Board of Directors, Farmers Trust Company, Franklin, Indiana, reading as follows:

Pursuant to your request submitted through the Federal Reserve Bank of Chicago, the Board of Governors approves the establishment of a branch by Farmers Trust Company, Franklin, Indiana, at the southeast corner of the intersection of U. S. Highway #31 and Whiteland Road, Whiteland, Indiana, provided (a) common capital is increased from \$100,000 to not less than \$150,000, and (b) the branch is established within six months of the date of approval.

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

Letter to The First National Bank in Golden, Golden, Colorado, 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 executor, administrator, and guardian of estates, the exercise of all such rights to be subject to the provisions of the Federal Reserve Act

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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 in Golden is now authorized to exercise will be forwarded to you in due course.

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

Letter to the Board of Directors, Bank of Utah, Ogden, Utah,
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.

Following consideration of the information submitted, the Board of Governors of the Federal Reserve System grants permission to the Bank of Utah to exercise the fiduciary powers now or hereafter authorized under the terms of its charter and the laws of the State of Utah.

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

Letter to Mr. Earhart, President, Federal Reserve Bank of San Francisco, reading as follows:

This refers to your letter of April 7, 1955, transmitting a letter from the Bank of America, N.T. & S.A., dated April 5, 1955, commenting upon the proposed amendment to section 10(c) of Regulation F with respect to the collective investment of the funds of pension and similar trusts, and suggesting an addition to that amendment.

It appears that Bank of America has misunderstood the purpose and effect of the proposed amendment. The Bank is under the impression that the collective investment to be permitted will constitute a common trust fund which is entitled to income tax exemption under section 584 of the Internal Revenue Code of 1954. This is not the case. Section 584 confers income tax exemption upon a common trust fund which (among other requirements) is maintained by a bank "in conformity with the rules and regulations of the Board of

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Governors of the Federal Reserve System pertaining to the collective investment of trust funds by national banks." The rules and regulations of the Board, for the purposes of section 584, are contained only in section 17 of the Board's Regulation F. The proposed amendment of section 10(c) of Regulation F will simply permit collective investment in a prescribed class of cases, but it will not have the effect of giving such a collective investment fund the status of an exempt "common trust fund" under section 584 of the Internal Revenue Code.

In view of the foregoing, the tax problem under section 584, which is described in Bank of America's letter, will not arise, since that section will not be applicable in any event. Of course, the Board is not in a position to express authoritative opinions on tax questions, and any national bank wishing to avail itself of the permission to invest trust funds collectively without complying with the provisions of section 17 will have to satisfy itself as to the tax status of such commingled fund and the effect thereon, if any, in the event a participating trust ceases to be qualified for income tax exemption under sections 401 and 501-504 of the 1954 Internal Revenue Code.

Needless to say, any uncertainty or ambiguity in the Board's regulations should be avoided; therefore, in view of the misunderstanding referred to above, the language of the proposed amendment to section 10(c) will be carefully reconsidered before the amendment is adopted. Perhaps a positive statement might be added to the effect that the collective investment permitted by section 10(c) is not under the Board's "rules and regulations * * * pertaining to the collective investment of trust funds" for the purposes of section 584, and that such "rules and regulations" are contained solely in section 17 of Regulation F.

It will be appreciated if you will explain this matter to the Bank of America and express our appreciation for their consideration of the proposed amendment.

Approved unanimously.

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

There have been forwarded to you today under separate cover copies of form F. R. 107b to be used by State

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member banks in submitting their reports of earnings and dividends for the six months ending June 30, 1955. The form is the same as the one used in submitting reports for the calendar year 1954 except that footnote to Section D has been changed to refer to the current Internal Revenue Code. The previous reference was to Sec. 23(k)1 of the 1939 code.

The Board's letter of December 16, 1947 (S-1005, F.R.L.S. #3649) requested that preliminary tabulations of member bank reports of earnings and dividends be made for national and State member banks separately. Since only limited use has been made of the separate tabulations of national and State member bank data, that portion of the letter is hereby amended and totals for all member banks in each reserve classification will be sufficient hereafter.

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

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 March 18, 1955, enclosing photostatic copies of an application to organize a national bank at Lake City, Iowa, 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 an examiner for the Federal Reserve Bank of Chicago and covering the factors usually considered in connection with such proposals indicates that the proposed capital structure of the bank may be somewhat weak if the volume of loans anticipated by the proponents is achieved. It appears that the bank might be able to operate profitably after the second year due to rather low operating expenses and that the directors are highly regarded and probably would operate the bank in a satisfactory manner. However, it is reported that the capabilities of the proposed managing officer are unsatisfactory and that the need for additional banking facilities in this small community is not apparent.

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After reviewing the information available, the Board of Governors does not feel justified in recommending approval of the application.

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.

Governor Vardaman stated that while he would go along with whatever action the other members of the Board took in connection with the proposed organization of a national bank, he was opposed to a supervisory agency saying whether individuals should risk their capital in organizing a bank under these circumstances, so long as there was no risk of loss to depositors in the bank.

Governor Robertson stated in his comments on the application that in addition to the factors mentioned by Governor Vardaman there was the question of the effect that an additional bank in a small town such as Lake City would have on the existing bank, in view of the indication that there was not sufficient additional business to support the proposed bank without drawing from the existing institution. Considering all the circumstances, he felt this was a case in which the organization of an additional bank should not be approved.

After further discussion,
the proposed letter was approved
unanimously in the form set forth
above.

There was presented a request from Mr. Leonard, Director, Division of Bank Operations, for authority to travel to New York, New York, on May 2 and 3, 1955, to attend a meeting of the Special Committee on Emergency Operations.

Approved unanimously.

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There were presented telegrams to the Presidents of all Federal Reserve Banks stating that the Board has established under authority of the fourth paragraph of section 16 of the Federal Reserve Act the rate of (see column 1 below) per cent per annum interest for the preceding three calendar months on \$ (see column 2 below) daily average of outstanding Federal Reserve notes of the Reserve Bank in excess of gold certificates pledged with the Federal Reserve Agent as collateral security; and that an interest payment of \$ (see column 3 below) should be credited to the Treasurer's General Account on April 28, 1955.

	(1)	(2)	(3)
Boston	1.0082	\$1,005,438,413	\$2,499,492.35
New York	1.7668	3,331,519,831	14,513,743.33
Philadelphia	1.1834	1,080,223,489	3,152,062.55
Cleveland	1.2163	1,453,495,183	4,359,171.43
Richmond	.9401	1,219,868,949	2,827,723.07
Atlanta	1.0781	915,816,934	2,434,542.50
Chicago	1.4983	2,731,146,149	10,090,051.09
St. Louis	.8789	852,590,682	1,847,692.48
Minneapolis	1.0466	440,373,115	1,136,452.20
Kansas City	1.1691	768,070,784	2,214,127.12
Dallas	1.5427	485,583,389	1,847,119.30
San Francisco	1.8638	1,280,502,567	5,884,768.81

Approved unanimously.

Governor Robertson stated that a letter dated April 25, 1955, had been received by Chairman Martin from Mr. Hardin H. Hawes, Vice President of the Harris Trust and Savings Bank, Chicago, Illinois, urging that the Board take action to favor the proposal that commercial banks be authorized to underwrite revenue bonds. Governor Robertson stated that he had requested the staff to prepare a summary memorandum relating to the

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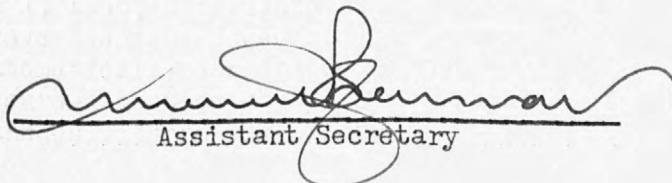
proposal as it had been presented to the Board and its staff by commercial banks and investment bankers, and that it would be his suggestion that the Board consider the material in the near future with a view to determining whether it would wish to take any position in connection with the proposal prior to the time it might receive a request from a committee of Congress for its views, and if it did wish to take a position, what that position would be.

Governor Vardaman said that he firmly opposed giving commercial banks authority to underwrite securities of this nature and that in the event the question came up for discussion while he was away, he would favor either taking no position with respect to the proposal prior to receipt of a formal request from a committee of Congress for the views of the Board, or taking a position indicating that the Board was opposed to such authority.

It was understood that further consideration would be given to the matter after the staff memorandum referred to by Governor Robertson had been completed and circulated among the members of the Board.

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

The meeting then adjourned.


Assistant Secretary