

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, May 11, 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. Shepardson

Mr. Carpenter, Secretary  
 Mr. Sherman, Assistant Secretary  
 Mr. Kenyon, Assistant Secretary  
 Mr. Riefler, Assistant to the Chairman  
 Mr. Thomas, Economic Adviser to the Board  
 Mr. Vest, General Counsel  
 Mr. Young, Director, Division of Research and Statistics  
 Mr. Horbett, Assistant Director, Division of Bank Operations  
 Mr. Sprecher, Assistant Director, Division of Personnel Administration  
 Mr. Solomon, Assistant General Counsel  
 Mr. Hackley, Assistant General Counsel  
 Mr. Cherry, Legislative Counsel  
 Mr. Shay, Assistant Counsel

Reference was made to a memorandum dated May 4, 1955, from the Division of Personnel Administration, which had been circulated to the members of the Board, recommending the appointment of the following persons, with titles as indicated below, and with basic salary in each instance at the rate of \$2,950 per annum, effective as of the dates on which they enter upon the performance of their duties:

<u>Name</u>	<u>Title</u>
Stella M. Cornell	Clerk-Stenographer
Loretta S. Hallman	Clerk-Stenographer
Joann R. Jones	Clerk-Typist
Delores L. Matera	Clerk-Stenographer
Eleanor A. Murto	Clerk-Stenographer
Madeleine S. Verdonck	Clerk-Stenographer
Grace E. Warren	Clerk-Stenographer

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It was recommended that these individuals not be assigned to any particular position at this time as they would not be able to report for duty until after graduation from high school; and, if positions were not available at the time they reported for duty, that the salaries be absorbed by the Division of Personnel Administration until such time as assignments were made.

Approved unanimously.

The following letters to Mr. Wiltse, Vice President, Federal Reserve Bank of New York, which had been circulated to the members of the Board, were presented for consideration:

Reference is made to your letter dated April 11, 1955, with respect to the informal advice received from Mr. Bayard Pope, Chairman of the Executive Committee of Marine Midland Corporation, to the effect that Marine Midland Corporation proposes to acquire the controlling stock of the Auburn Trust Company, Auburn, New York.

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, if such application is filed.

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A letter is going forward to you today with reference to the proposal of the Marine Midland Corporation to acquire the controlling stock of the Auburn Trust Company, Auburn, New York, and the Board has received advice of a similar proposal with respect to The Jamaica National Bank of New York.

In recent months the Board has considered a number of proposals resulting in further expansion of the holdings of the Marine Midland Corporation and there is no indication of intention on the part of the Corporation to limit the

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scope and aggressiveness of its expansive activity. In the circumstances, it would seem desirable to obtain as definite information as may be possible with regard to probable and contemplated further expansion on the part of the Corporation although it is realized that further acquisitions will depend in a measure upon the development of opportunities. It will be appreciated, therefore, if you will make inquiry along the line suggested and advise the Board of your findings.

In the course of a discussion of the foregoing letters during which Governor Balderston joined the meeting, after opening the biennial meeting of the Conference of General Auditors of the Federal Reserve Banks, Governor Robertson stated that the second letter had been prepared at his suggestion because he considered it desirable to obtain information with regard to the plans of Marine Midland Corporation for further acquisitions of banks in view of the number of acquisitions in recent years and current proposals. Such information, he said, would furnish the basis for any discussion which the Board might wish to have with representatives of the corporation. Governor Robertson also mentioned that several years ago the Federal Reserve Bank of New York made a survey of Marine Midland Corporation's activities at the request of the Board, but that the data accumulated at that time were in need of revision due to interim developments.

Governor Vardaman stated that he had reservations concerning the procedure contemplated by the letter because he did not think it was essential to request information from Marine Midland Corporation concerning its future plans, he doubted the advisability of requesting any private organization to report on its contemplated activities, and he could not recall any other case where a concern had been asked to advise the Board of its plans. It seemed preferable to him to consider each proposed bank

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acquisition on its merits at the time the proposal came before the Board. He also questioned whether it was advisable for the Board to obtain information regarding Marine Midland Corporation's plans for the future from the standpoint that a failure on the part of the Board to offer objection on the basis of the information submitted might be taken as a commitment of approval. Governor Vardaman concluded by saying that, having expressed his reservations, he would not object to the sending of the letter if the other members of the Board felt that it should be sent.

Following further discussion, during which it was pointed out that in the past Marine Midland Corporation representatives had discussed the corporation's plans with members of the Board voluntarily, the letters to Vice President Wiltse were approved unanimously.

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

Letter to the Board of Directors, The Union Bank of Commerce Company, Cleveland, Ohio, reading as follows:

Pursuant to your request submitted through the Federal Reserve Bank of Cleveland, the Board of Governors hereby gives its written consent, under the provisions of Section 18(c) of the Federal Deposit Insurance Act, to the absorption of The American Savings Bank Company, Cleveland, Ohio, by The Union Bank of Commerce Company and approves the establishment by the latter bank of a branch at 828 Huron Road, Cleveland, Ohio, provided (a) the absorption of The American Savings Bank Company is effected substantially in accordance with the agreement between the parties dated April 1, 1955; (b) formal approval of the absorption and the establishment of the branch is obtained from the appropriate State authorities; and (c) the absorption and establishment of the branch are effected by June 30, 1955.

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It is understood that the fixed assets to be acquired from The American Savings Bank Company are not to be placed upon the books of The Union Bank of Commerce Company.

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

Letter to the Board of Directors, County Bank of Santa Cruz, Santa Cruz, 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:

3. Within six months from the date of admission to membership, such bank shall dispose of any loans secured in whole or in part by its own stock or obtain the substitution of other adequate security.

The letter also contained the following paragraph:

The Board of Governors also approves the retention and operation by County Bank of Santa Cruz of existing branches located at 1237 Soquel Avenue, Santa Cruz, and in the towns of Felton and Soquel, all in California.

Approved unanimously, together  
with a letter to Mr. Earhart, President,  
Federal Reserve Bank of San  
Francisco, reading as follows:

The Board of Governors of the Federal Reserve System approves the application of County Bank of Santa Cruz, Santa Cruz, California, for membership in the Federal Reserve System, subject to the conditions prescribed in the enclosed letter, which you are requested to forward to the board of directors of the institution. Two copies of such letter are also enclosed, one of which is for your files and the other of which you are requested to forward to the Superintendent of Banks for the State of California, for his information.

It is assumed that you will follow to a satisfactory conclusion the matter of the bank's bringing into conformity with the provisions of law and the Board's regulations the reporting of outside borrowings of executive officers and the nonconforming savings accounts mentioned in the report of examination for membership.

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Letter to the Board of Directors, American Trust Company, San Francisco, 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 American Trust Company on California Avenue at a point between Harvard and Hanover Streets, Palo Alto, California, provided (a) the Superintendent of Banks for the State of California gives his permission to establishing the branch at the new location, and (b) the branch is established within one year from the date of this letter. This approval supersedes the Board's approval on April 22, 1955, of your establishing a branch on California Avenue between Cornell and Princeton Streets, Palo Alto, California.

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

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 March 24, 1955, enclosing photostatic copies of an application to organize a national bank at Beaver Falls, Pennsylvania, 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 Cleveland discloses generally favorable findings with respect to the factors usually considered in connection with such proposals. The Board of Governors, therefore, recommends 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.

Approved unanimously.

There was presented a request from Mr. Sprecher, Assistant Director, Division of Personnel Administration, for authority to travel to Atlanta,

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Georgia, during the period May 18-20, 1955, to attend, as associate member, a meeting of the Retirement Committee, Retirement System of the Federal Reserve Banks.

Approved unanimously.

On April 21, 1955, the Board met with representatives of the Sullivan State Bank, Sullivan, Indiana, who presented reasons for opposing an application made by the organizers of the proposed "Farmers State Bank of Sullivan", Sullivan, Indiana, for membership in the Federal Reserve System. Prior to that meeting, there had been circulated to the members of the Board various documents relating to the membership application, including a memorandum dated April 15, 1955, from the Division of Examinations which recommended that the application be approved subject to the usual conditions of membership and a special condition that the bank have a paid-in capital of \$75,000, surplus of \$50,000, and other capital funds of not less than \$25,000 at the time of admission to membership. Subsequently, there had been circulated to the members of the Board a memorandum dated April 22, 1955, from Mr. Sloan, Director, Division of Examinations, which stated that the spokesmen for Sullivan State Bank had not presented any information which would cause the Division of Examinations to alter its favorable recommendation.

In a discussion of the matter, Governor Robertson said that, as he saw it, the situation was typical of a community where a single bank had operated and grown for a number of years without competition and, wanting to

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grow further, opposed all efforts to organize a competitive institution. While acknowledging that an application for a new bank should not be approved if the community in question did not appear to be capable of supporting more than one bank, he felt that banking competition should be fostered wherever feasible as a safeguard in the public interest. In reviewing reasons for approving the membership application of the proposed new bank in Sullivan, he said that the opposition of the Federal Deposit Insurance Corporation had been removed, that the proposed capital structure would be adequate, that the organizers were of good reputation, that a substantial number of persons residing in Sullivan evidently patronize out-of-town banks, and that the town of Sullivan admittedly is a trading center for the area, this being in fact the reason given by the representatives of Sullivan State Bank for the large number of checks drawn on banks outside the community. He went on to say that while the town and the county have not experienced growth in population, there is evidently much more money in the community today than eight or ten years ago. With regard to the poor banking record of the county, he felt that the situation was now entirely different, not only because of the larger amount of money in the community but because of the availability of deposit insurance and similar protective factors. After bringing out that opposition to the proposed new bank seemed to center around the question of the need for additional banking facilities, Governor Robertson said that he favored approval of the application, it being his conclusion that the community would be able to sustain competition.



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Chairman Martin stated that his study of the case led to a different conclusion. He said that if the Board was going to review bank applications on any basis other than general principles, it would seem necessary to take into consideration the factors concerning which one had personal knowledge. On the basis of his familiarity with conditions in Sullivan County and in the town of Sullivan, his analysis of the balance sheet of Sullivan State Bank, and the banking record and economic history of the territory, he found it difficult to believe that additional banking facilities were needed. He also felt that there was something to be said for giving protection to parties who had carried on in the banking business through bad times, and he added that the economy of the area was not yet showing any substantial improvement. Therefore, in spite of his agreement with the general principle that banking competition should be encouraged wherever possible, he was not able to persuade himself that the need for a bank in Sullivan was such as to warrant approval of the membership application.

Governor Mills said that on various occasions during his banking experience he had had misgivings concerning the introduction of banking competition into a community, but that his fears of overbanking had never been realized. In the light of that experience and on the basis of his study of the application in question, he favored approval of the application.

Governor Vardaman stated that he was familiar with Sullivan County and felt that there was sufficient business available to warrant another

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banking institution of modest size. He also commented that approval of the application would be in line with his general approach to the problem of new bank charters and that if the bank were established, its operations would be subject to scrutiny by the bank supervisory authorities.

Governor Szymczak said that he was not familiar with Sullivan County but that, based on the file concerning the application and the representations made by spokesmen for the Sullivan State Bank, the picture seemed to be one of a group feeling that it had done a great deal for the community and that others should not be permitted to enter the territory. In view of this situation, along with other factors, it was his opinion that the application of the Farmers State Bank should be approved.

Governor Balderston indicated that he was influenced in his thinking on the matter by the declining population, mining and economy of Sullivan County, leaving the area dependent mostly on agriculture. He also pointed out that according to the facts presented, any person who wished to do business with a bank other than Sullivan State Bank could reach such an institution within a matter of minutes. After calling attention to the poor record of banking in Sullivan County, he said it was his conclusion that the Board should deny the application on the grounds that the business and economic situation did not justify the establishment of an additional bank.

Governor Shepardson stated that he had been studying applications for bank charters which had come to the attention of the Board recently

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in an effort to determine a pattern which would indicate the general approach that should be followed, but that so far he had reached no firm conclusions. He said that in general he was inclined toward the idea of encouraging competition and that the economic situation in Sullivan County might not be so bad as the population trend would indicate since the increased dependence upon agriculture might have had the result of producing larger total income in spite of the decline in population. On the other hand, he recalled that recently the Board recommended unfavorably on an application for a national bank in a growing community, and he commented that such action would appear rather inconsistent with favorable consideration in the case of a new bank in Sullivan County, which has been a static or deteriorating community.

Following further discussion, approval was given to a letter to the organizers of Farmers State Bank of Sullivan, Sullivan, Indiana, reading as follows, Governors Szymczak, Vardaman, Mills, and Robertson voting "aye", Chairman Martin and Governor Balderston voting "no", and Governor Shepardson not voting:

The Board of Governors of the Federal Reserve System approves the application made on behalf of the Farmers State Bank of Sullivan, Sullivan, Indiana, for stock in the Federal Reserve Bank of St. Louis, effective if and when the bank is authorized to commence business by the appropriate State authorities, subject to the numbered conditions hereinafter set forth:

1. Such bank at all times shall conduct its business and exercise its powers with due regard to the safety of its depositors, and, except with the permission of the Board of Governors of the Federal Reserve System, such bank shall not cause

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- or permit any change to be made in the general character of its business or in the scope of the corporate powers exercised by it at the time of admission to membership.
2. The net capital and surplus funds of such bank shall be adequate in relation to the character and condition of its assets and to its deposit liabilities and other corporate responsibilities.
  3. At the time of admission to membership such bank shall have paid-in capital stock of \$75,000, surplus of \$50,000, and other capital funds of not less than \$25,000.

In connection with the foregoing conditions of membership, particular attention is called to the provisions of the Board's Regulation H, as amended effective September 1, 1952, regarding membership of State banking institutions in the Federal Reserve System, with especial reference to Section 7 thereof. A copy of the regulation is enclosed.

If at any time a change in or amendment to the Bank's charter is made, the bank should advise the Federal Reserve Bank, furnishing copies of any documents involved, in order that it may be determined whether such change affects in any way the bank's status as a member of the Federal Reserve System.

Acceptance of the conditions of membership contained in this letter should be evidenced by a resolution adopted by the board of directors after the bank's Certificate of Incorporation is issued by the Secretary of State. The board of directors should also adopt, at the same time, a resolution ratifying the action which has been taken in the bank's behalf in making application for membership in the Federal Reserve System. A certified copy of each resolution, together with advice of compliance with the condition to be complied with prior to admission to membership, should be transmitted to the Federal Reserve Bank. Arrangements will thereupon be made to accept payment for an appropriate amount of Federal Reserve Bank stock, to accept the deposit of the required reserve balance, and to issue the appropriate amount of Federal Reserve Bank stock to the bank.

The time within which admission to membership in the Federal Reserve System in the manner described may be accomplished is limited to 30 days from the date of this letter, unless the bank applies to the Board and obtains an extension of time. When the Board is advised that all of the requirements have been complied with and that the appropriate amount of Federal Reserve Bank stock has been issued to the bank, the Board will forward to the bank a formal certificate of membership in the Federal Reserve System.

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The Board of Governors sincerely hopes that you will find membership in the System beneficial and your relations with the Reserve Bank pleasant. The officers of the Federal Reserve Bank will be glad to assist you in establishing your relationships with the Federal Reserve System and at any time to discuss with representatives of your bank means for making the services of the System most useful to you.

In this connection, approval also was given by the same vote to a letter to Mr. Johns, President, Federal Reserve Bank of St. Louis, reading as follows:

The Board of Governors of the Federal Reserve System approves the application made on behalf of the Farmers State Bank of Sullivan, Sullivan, Indiana, for membership in the Federal Reserve System, effective if and when the bank is authorized to commence business by the appropriate State authorities, subject to the conditions prescribed in the enclosed letter, which you are requested to forward to the board of directors of the institution. Two copies of such letter are also enclosed, one of which is for your files and the other of which you are requested to forward to the Director, Department of Financial Institutions for the State of Indiana, for his information.

Before issuing stock in the Federal Reserve Bank of St. Louis to the new State institution, you are requested to satisfy yourself that a Certificate of Incorporation has been issued by the Secretary of State, that its capital stock of \$75,000 and surplus of \$50,000 has been paid in, and not less than \$25,000 of other capital funds provided as set forth in the plan submitted. At such time your Counsel should review all steps taken in the organization of the bank, and certified copies of all organization papers not previously submitted and resolutions adopted by the board of directors should be forwarded to the Board, together with a copy of Counsel's opinion.

Mr. Riefler left from the meeting during the foregoing discussion and at its conclusion Governor Balderston withdrew in order to testify concerning the financing of small business before the Senate Subcommittee on Small Business. Messrs. Young and Cherry also withdrew at this point.

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There had been sent to the members of the Board copies of a memorandum from Mr. Solomon dated May 10, 1955, concerning a request from the House Judiciary Committee for a report on H. R. 5948, introduced by Congressman Celler, which would broaden section 7 of the Clayton Act so as to prohibit the acquisition of assets by banks "where the effect of such acquisition may be substantially to lessen competition or to tend to create a monopoly". The memorandum noted that Congressman Celler had also introduced Bill H. R. 2115, which would amend section 18(c) of the Federal Deposit Insurance Act to require the approval of the appropriate bank supervisory agency in the case of a merger, consolidation, or assumption of liabilities regardless of whether there would be a reduction in aggregate capital or aggregate surplus; and that H. R. 2115 had been referred to the House Committee on Banking and Currency.

The memorandum referred to various ways in which specific questions in the general field of bank mergers and consolidations and similar transactions may come before the Federal bank supervisory agencies and discussed the effect of H. R. 5948. It was pointed out that if the bill were enacted in the form in which it was introduced, at least two problems would be involved: first, the absence of a requirement for approval prior to the acquisition of assets, and second, questions of conflicting jurisdiction posed by concentrating control over the acquisition of banking assets in the Board of Governors. In the circumstances, it was suggested that a bill along the lines of H. R. 2115 might constitute a preferable approach. The

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memorandum also commented on the jurisdiction of the Department of Justice in connection with bank mergers and presented reasons which might be given for and against legislation which would transfer responsibility for enforcement of the antitrust aspects of bank mergers to that Department.

At the request of the Board, Mr. Solomon made an explanatory statement in which he pointed out, among other things, that the principal effect of H. R. 5948 would be to broaden section 7 of the Clayton Act so to apply to acquisitions of assets by banks as well as to acquisitions of stock, which are now covered; that although the Board of Governors, as such, was not mentioned in the bill, the Board apparently would become the administering agency by virtue of the extension of the current language of the Clayton Act which gives the Board jurisdiction to enforce the provisions of section 7 relating to banks; that it would appear more effective to provide for approval of acquisitions of assets before the transaction was consummated; and that failure to require prior approval would put the Board in a position where it might be called upon to review the actions of the other Federal bank supervisory agencies. For these reasons, he said, advance approval by one of the supervisory agencies, according to the classification of the resulting bank in a merger or consolidation, might be preferable. This would suggest the alternative possibility of transferring to the Department of Justice responsibility for the antitrust aspects of bank mergers, a course as to which various arguments for and against could be given. Another alternative would be to authorize the bank supervisory

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agencies, on a permissive or mandatory basis, to request the views of the Department of Justice on cases coming before them.

Mr. Vest recalled that in the 1940's, the Board recommended to the Congress an amendment to section 7 of the Clayton Act, the effect of which would have been somewhat along the lines of H. R. 2115. Consequently, he said, it would not be inconsistent with the earlier position should the Board express itself in favor of a bill which would require that all bank mergers and consolidations come before the appropriate supervisory agency for approval. He brought out that the problems of administering the law regarding bank mergers and consolidations, voting permits, and bank branches, insofar as antitrust questions are concerned, are difficult administratively, it being very difficult on many occasions to say whether or not there may be a substantial lessening of competition or a tendency toward monopoly. Accordingly, he raised the question whether considerations of that kind should be within the province of the Department of Justice rather than the bank supervisory agencies. As he saw it, there was something to be said for a law which would place the administration of section 7 of the Clayton Act exclusively under the Department of Justice, but at the same time he realized there were numerous objections to such a procedure. Referring to the current responsibilities of the Board under the statutes, he said that, although the responsibilities to consider the anti-trust aspects of various transactions were not specific, it appeared from decisions of the Supreme Court that the Board had the right to take those



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aspects under consideration in matters coming before it. One possibility, Mr. Vest said, would be to continue to let the bank supervisory agencies consider all aspects of proposed bank mergers and consolidations insofar as they related to bank supervisory problems, but to provide for the approval, or views, of the Attorney General in certain limited types of cases.

There followed an exploratory discussion of the matter, during which Governor Robertson expressed the view that the purpose of H. R. 5948, namely, to extend the coverage of section 7 of the Clayton Act to include acquisitions of assets as well as acquisitions of stock, was sound in principle. However, for administrative reasons, he felt that the Board should not support the bill without amendments which would provide for transfer of responsibility for the enforcement of section 7, as it relates to banking, to the Department of Justice; for dispersal of the approval of proposed transactions among the three Federal bank supervisory agencies; and for a mechanism whereby the views of the Department of Justice relating to the antitrust aspects of a transaction could be obtained before the transaction was consummated.

Following further discussion, Chairman Martin suggested that, to facilitate consideration of the matter, the staff be requested to draft a letter to the House Judiciary Committee along the lines proposed by Governor Robertson.

This suggestion was approved unanimously.

Mr. Horbett then withdrew from the meeting.

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Pursuant to action of the Board on March 23, 1955, there was published in the Federal Register on March 26 a notice of proposed amendments to Regulation D, Reserves of Member Banks, and Regulation Q, Payment of Interest on Deposits, which, in certain circumstances, would permit a deposit to be classified as a savings deposit although not evidenced by a pass book. The notice specified that all comments should be received not later than April 25.

Prior to this meeting, there had been circulated to the members of the Board a memorandum from the staff dated May 3, 1955, summarizing the comments received and recommending that amendments, in the form attached to the memorandum, be adopted effective May 16, 1955. The memorandum also stated that the Federal Deposit Insurance Corporation had adopted an amendment to its regulations identical to the draft amendments to Regulations D and Q, effective May 16, 1955.

At the request of the Board, Mr. Hackley commented on the suggestions which were received following publication of the proposed amendments in the Federal Register. He stated that, in the opinion of the staff, the suggestions for changes either lacked merit or could be covered by interpretations of the regulations. He also said that the Federal Deposit Insurance Corporation had made the comparable amendment to its regulations effective as of May 16 in the hope that the amendments to the Board's regulations could be made effective on the same date, or at approximately the same time.

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Mr. Carpenter stated that although no comments other than tentative observations were received from the American Bankers Association, as such, a representative of the Association forwarded to the Board a copy of a letter dated April 27, 1955, from Mr. Harold E. Randall, Vice President and Comptroller of The First National Bank of Boston, Boston, Massachusetts, urging that the amendments be liberalized so as to permit withdrawals not only by the depositor but by a payee designated by the depositor. It was the view of the Board's staff, Mr. Carpenter said, that such a provision would be inadvisable since it would be in the direction of turning savings accounts into checking accounts.

In a discussion which followed, Governor Mills said that although he favored the proposed amendments to Regulations D and Q, it was his opinion that the Board should proceed cautiously in liberalizing its regulations having to do with the operation of savings accounts. In that connection, he indicated concern that the amendments now to be made effective would tend to cheapen the principle of a savings account being a chosen form of investment by bank depositors. He was apprehensive that the new procedure, in substituting merely card forms indicating changes in the balance of a savings account, would detract from the symbol of investment that has always been represented by a savings pass book, with the result that the fundamental principle of a bank as an investment medium for savings might suffer.

At the conclusion of the discussion, unanimous approval was given to amendments to Regulations

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D and Q in the form set forth in the following telegram to the Presidents of all Federal Reserve Banks, which was also approved:

The Board today adopted identical amendments to section 1(e) of Regulation D and section 1(e) of Regulation Q, effective May 16, 1955. The purpose of the amendments is to permit deposits to be classified as "savings deposits," in certain circumstances and subject to certain limitations, although the deposit is not evidenced by a pass book. However, a pass book continues to be necessary for all savings deposits that do not comply with the amendments. There follows the text of the amendments to Regulation D, which are identical with the amendments to Regulation Q:

Effective May 16, 1955, Regulation D is amended in the following respects:

1. By adding at the end of section 1(e) the following new undesignated paragraph and footnote reference:

The term "savings deposit" also means a deposit evidenced by a written receipt or agreement although not by a pass book, consisting of funds of the kind described above in this section 1(e) and in respect to which deposit the depositor is required, or may at any time be required, by the bank to give notice in writing of an intended withdrawal not less than 30 days before such withdrawal is made, and withdrawals are permitted only through payment to the depositor himself but not to any other person whether or not acting for the depositor.<sup>5a/</sup>

2. By adding the following new footnote to section 1(e):

<sup>5a/</sup> Payment may be made to the depositor over the counter, through the mails or otherwise.

Please arrange for the printing of the amendments to each regulation and for such distribution as you may believe desirable. Notice of these amendments will be published in the Federal Register in the usual course, but no press release is being issued.

In this connection, unanimous approval also was given to the publication of notices in the Federal Register containing the following paragraph:

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The amendments set forth herein were the subject of a notice of proposed rule-making published in the Federal Register (20 F.R. 1853), and were adopted by the Board after consideration of all the relevant matter, including the data, views and arguments received from interested persons. The deferred effective date described in section 4 of the Administrative Procedure Act is not followed in connection with these amendments for the reasons and good cause found as stated in the Board's Rules of Procedure (12 C.F.R. 262.2(e)), and especially because in connection with these permissive amendments such procedure is unnecessary as it would not aid the persons affected and would serve no other useful purpose.

Messrs. Hackley and Shay then withdrew from the meeting.

Reference was made to a memorandum dated May 3, 1955, from Governor Mills and Mr. Solomon, which had been circulated to the members of the Board, submitting for consideration a draft of letter to Mr. Bryan, as Chairman of the Executive Committee, Retirement System of the Federal Reserve Banks, reading as follows:

Governor Mills has brought to the attention of the Board your letter of April 19, 1955 enclosing a copy of the recommendations from the Advisory Panel regarding the proposed fundamental study of the Retirement System of the Federal Reserve Banks.

It is noted that the recommendation of the Panel, which is also understood to be the recommendation of the Executive Committee of the Retirement System, is that Industrial Relations Counselors, Inc., of New York City, would be the most suitable organization to conduct the proposed study. This seems reasonable to the Board in the circumstances, and it would be agreeable to the Board for the Executive Committee of the Retirement System to communicate with Industrial Relations Counselors, Inc., through the Advisory Panel or otherwise, and develop a plan of procedure, together with terms of the probable cost of making the study. It is understood that the results of the negotiations and the related recommendations of the Executive Committee would then be submitted to the Conference of Presidents and the Board of Governors for approval before further steps would be taken.

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Following explanatory comments by Governor Mills, the letter was approved unanimously, with the understanding that a copy would be sent to Mr. Young, Chairman of the Conference of Presidents of the Federal Reserve Banks.

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

All of the members of the staff then withdrew and the Board went into executive session.

The Secretary subsequently was advised that during the executive session the Board considered plans for a conference of bank economists with Federal Reserve and Treasury staff personnel on June 1 and 2, 1955, as outlined in a memorandum dated May 11, 1955, from Mr. Thomas, Economic Adviser to the Board; and that the Board approved those plans, including a luncheon in the Board's dining rooms on one of the two days at which the bank economists and members of the Treasury staff would be guests of the Board.

The meeting then adjourned.

Secretary's Note: Advice having been received from Mr. Russell E. Shearer, Assistant to the Chairman of the Federal Deposit Insurance Corporation, and Mr. L. A. Jennings, Deputy Comptroller of the Currency, that they had no suggestions regarding the following proposed letter to Mr. Bill Kirchner, Assistant Secretary of the Independent Bankers Association, Sauk Centre, Minnesota, which was approved at the meeting of the Board on April 28, 1955, the letter was sent to Mr. Kirchner today:

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This refers to our letter dated January 20, 1955, in which you were advised that information as to the number of banking units purchased, the number of new banks organized, and the number of new branches established by holding companies was being compiled for the ten-year period 1944-1953, inclusive.

Enclosed are three tables showing this information for 27 holding companies which it is believed are engaged in "group banking" of the type for which your Committee of Future of Bank Ownership desires the information. Eighteen of the 27 holding companies are under regulation under the existing "holding company affiliate" statutes. For the nine groups not under such regulation, the information contained in the enclosed tables is believed to be reasonably accurate, but may not be entirely so because of the lack of adequate sources of information. We have nevertheless included these nine groups in order to make the data as helpful as possible to your Committee. It is requested, however, that the material enclosed not be published.

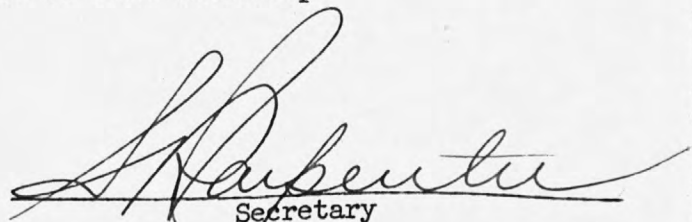
The tables include data for only those bank holding company groups which are presently under regulation under the "holding company affiliate" statutes or presently control several banks under a 50 per cent measure of control. Those which were in existence during the period but which are no longer holding company affiliates or no longer have a 50 per cent interest in several banks have been excluded from the data. Likewise, Bank of America N.T. & S.A., San Francisco, California, is not included in the data.

Banking facilities in or near military installations have not been included in the data relating to branches.

The table "Summary of Changes in Banks and Branches 1944-1953, Inclusive," presents the over-all changes in banks and branches for the ten-year period in summary form, with an added column showing the net expansion in the number of offices through purchases and sales of banks and branches.

The other tables are presented by years for the ten-year period, segregating the various changes in banks and branches. This manner of presentation was used to enable you to compare the statistics for the 27 groups with Tables 101 contained in annual reports of the Federal Deposit Insurance Corporation.

It is hoped that the enclosed material will be of assistance to your Committee of Future of Bank Ownership.

  
Secretary