

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, May 12, 1955. The Board met in the Board Room at 9:30 a.m.

PRESENT: Mr. Martin, Chairman
 Mr. Szymczak
 Mr. Vardaman
 Mr. Robertson
 Mr. Shepardson

Mr. Carpenter, Secretary
 Mr. Sherman, Assistant Secretary
 Mr. Kenyon, Assistant Secretary
 Mr. Leonard, Director, Division of Bank Operations
 Mr. Sloan, Director, Division of Examinations
 Mr. Kelleher, Assistant Director, Division of Administrative Services
 Mr. Sprecher, Assistant Director, Division of Personnel Administration

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 May 3, 1955, from Mr. Young, Director, Division of Research and Statistics, recommending the appointment of Virginia C. Gunter as Clerk in that Division, with basic salary at the rate of \$3,030 per annum, effective as of the date on which she enters upon the performance of her duties.

Approved unanimously.

Memorandum dated April 29, 1955, from Mr. Young, Director, Division of Research and Statistics, recommending the reappointment of Dr. Ruth P. Mack, economist and member of the staff of the National Bureau of Economic Research, as a consultant during 1955, for work on the department store trade statistics studies being conducted by the System Subcommittee on Department Store Statistics, on a temporary contractual basis, with compensation at the rate of \$50 per day for each day worked

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for the Board, either in Washington or outside the city, plus a per diem in lieu of subsistence at the rate of \$15 for the amount of time spent in a travel status in connection with her assignment, and transportation expenses in accordance with the Board's travel regulations applicable to an assistant division director. It was recommended that, for purposes of travel, Dr. Mack's headquarters be either New York City or Thetford, Vermont, depending upon the particular point from which she travels in order to perform the consultant work proposed.

Approved unanimously.

Memorandum dated April 29, 1955, from Mr. Young, Director, Division of Research and Statistics, recommending the payment of an honorarium of \$50 to Professor Harry A. Lipson, University of Alabama, for consultation concerning the department store trade statistics studies being conducted by the System Subcommittee on Department Store Statistics, plus a per diem in lieu of subsistence at the rate of \$15 for the amount of time spent in a travel status, and transportation expenses in accordance with the Board's travel regulations applicable to an assistant division director, all in connection with a day's consultation in Atlanta, Georgia. It was recommended that, for purposes of travel, Professor Lipson's headquarters be Tuscaloosa, Alabama.

Approved unanimously.

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

Reference is made to your letter of May 3, 1955, regarding the request of Rhode Island Hospital Trust Company, Providence, Rhode Island, for an extension of six months within which to establish a branch at the corner of Park and Reservoir Avenues, Cranston, Rhode Island.

After consideration of all the information available, the Board concurs in your recommendation and extends to November 30, 1955, the time within which the Rhode Island Hospital Trust Company, Providence, Rhode Island, may establish the aforementioned branch, as originally approved in the Board's letter of November 30, 1954. Please advise the bank accordingly.

Approved unanimously.

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

Reference is made to your letter of May 4, 1955, regarding the request of The Easton Trust Company, Easton, Pennsylvania, for an extension of time within which to establish a

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branch at 25th Street at the intersection of Northampton and Broad Streets, Palmer Township, Northampton County, Pennsylvania.

After consideration of all the information available, the Board concurs in your recommendation and extends to August 27, 1955, the time within which The Easton Trust Company, Easton, Pennsylvania, may establish the aforementioned branch, as originally approved in the Board's letter of November 29, 1954. Please advise the bank accordingly.

Approved unanimously.

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 January 13, 1955, enclosing photostatic copies of an application to organize a national bank at Fisher, Illinois, 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, indicates generally satisfactory findings with respect to the factors usually considered in connection with such proposals, except the adequacy of the capital structure. It is indicated that a suggestion that the initial capital structure be increased to \$100,000 was favorably received by the organizers. The Board of Governors recommends approval of the application, provided arrangements are made for a capital structure satisfactory to your office.

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.

Letter to Mr. Roger W. Adams, Vice President, Palmer First National Bank and Trust Company of Sarasota, Sarasota, Florida, reading as follows:

This refers to your letter of May 5, 1955, concerning the application of this Board's Regulation U, a copy of which is enclosed.

The regulation does not apply to a loan by a bank unless (1) the loan is secured directly or indirectly by "any stock," and (2) the loan is for the purpose of purchasing

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or carrying "any stock registered" on a national securities exchange or a "redeemable security" of an open-end investment company. In this connection you are referred particularly to sections 1 and 3(b)(2) of the regulation.

While the situation of interest to you is outlined only very briefly in your letter, it appears that the loan which your bank proposes to make would be for the purpose of purchasing stock which is not registered (listed) on a national securities exchange. It does not appear that the stock referred to by you is a "redeemable security" of an open-end investment company. If these assumptions are correct, the loan would not be subject to the regulation even though you should take stock as collateral for the loan.

Should you have any further questions concerning the application of the regulation, it is suggested that you might find it more convenient to contact the Jacksonville Branch of the Federal Reserve Bank of Atlanta, which will be glad to assist you.

Approved unanimously, with
a copy to the Jacksonville Branch,
Federal Reserve Bank of Atlanta.

Reference was made to the following drafts of telegrams which had been circulated to the members of the Board prior to this meeting, along with explanatory memoranda from Mr. Leonard and other pertinent papers:

To Mr. Treiber, First Vice President, Federal Reserve Bank of New York

Board will interpose no objection to your Bank's calling for bids for construction of a new building for Buffalo Branch on basis of plans and specifications referred to in your letter of April 1.

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

It is observed that estimated costs are somewhat above earlier estimates and that the Bank hopes that through competitive bidding and use of certain alternate materials, costs may be brought down below present estimates.

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To Mr. Fulton, President, Federal Reserve Bank of Cleveland

Board will interpose no objection to your Bank's calling for bids for construction of the additions and alterations to the Pittsburgh Branch building on the basis of the plans and specifications and in accordance with the procedure recommended by the directors of the Bank as reported in your letter of April 15, 1955.

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

It is observed that estimated costs are somewhat higher than previous estimates. It is understood that the Bank hopes that through competitive bidding and the selection of certain alternates costs may be brought below present estimates.

With respect to the new Buffalo Branch building, Mr. Leonard stated that there did not appear to be any reason for further comments on the matter since the detailed plans and specifications were consistent with the preliminary plans previously submitted by the Reserve Bank. In the case of the additions and alterations to the Pittsburgh Branch building, he said that the detailed plans likewise were consistent with the preliminary plans. He commented that the present branch building is a somewhat awkward structure for operating purposes, that various proposals for providing additional space were discussed over a number of years, that the current proposal would result in a distinct improvement in the arrangement of the building from the standpoint of operations, and that Mr. Persina, Consulting Architect to the Board, was of the opinion that construction in accordance with the plans now submitted would provide a desirable building. In summary, Mr. Leonard felt that a decision having been made

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to proceed with additions and alterations to the present building, the arrangement now proposed was about the best that could be worked out.

Governor Vardaman stated that when the matter of providing additional space at the Pittsburgh Branch was first considered a number of years ago, he believed that it would be preferable to dispose of the present building and move to another site or to build a new building at the present site, and that he continued to feel that such a procedure would have afforded the best solution. He expressed willingness, however, to go along with the program now proposed on the basis that it was strongly recommended by the boards of directors of the Federal Reserve Bank of Cleveland and the Pittsburgh Branch.

At the conclusion of a further discussion, the telegrams to Messrs. Treiber and Fulton were approved unanimously.

Consideration then was given to the following draft of letter to Mr. Sproul, President of the Federal Reserve Bank of New York, which had been circulated to the members of the Board prior to this meeting:

The Board of Governors approves the payment of salaries to the following named officers of the Federal Reserve Bank of New York for the period May 1, 1955, through December 31, 1955, at the rates indicated, which are the rates fixed by the board of directors as reported in your letter of April 28, 1955:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
Angus A. MacInnes, Jr.	Assistant Vice President	\$15,500
Fred W. Piderit, Jr.	Manager, Bank Examinations Department	11,000
George C. Smith	Manager, Check Department	12,000

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It is noted from your letter that L. E. Quackenbush who had been assigned as Manager of the Bank Examinations Department was assigned as Manager of the Collection Department effective May 1, 1955.

Governor Robertson commented that although the transfer of Mr. Quackenbush to the Collection Department was understandable as a part of the Reserve Bank's executive training and development program, he was rather reluctant to see the action taken because of the good record made by Mr. Quackenbush in the field of bank examinations over a period of many years and the prospect of even greater usefulness in that area.

Thereupon, the letter to President Sproul was approved unanimously.

Reference was made to a draft of letter to the Board of Directors of the Quincy Trust Company, Quincy, Massachusetts, which would disapprove the bank's request to establish a branch at 106 Pleasant Street in that section of the Town of Weymouth known as South Weymouth, Massachusetts, because present banking facilities appeared adequate to meet the needs of the community and the establishment of the proposed branch might create an over-banked situation in the area. The proposed adverse action would support the unfavorable recommendation of the Federal Reserve Bank of Boston. However, the Board of Bank Incorporation of the Commonwealth of Massachusetts voted at its meeting on March 28, 1955, to consent to the establishment of the proposed branch. Included in the file on this matter was a memorandum dated May 2, 1955, from Mr. Hooff, Assistant Counsel, which stated that Mr. F. G. Awalt, a local attorney, had called him on the telephone and

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indicated that Quincy Trust Company would like an opportunity to present its case to the Board of Governors before a decision was reached regarding the establishment of the branch.

Governor Robertson stated that from a review of the file it was his opinion that the request should be approved, it appearing that the existing branch of a competing institution had had several years to establish itself, that the two branches would be a reasonable distance from each other, and that the population of South Weymouth was sufficient to warrant the establishment of another banking facility. He felt, however, that more information should be supplied before the Board reached a decision. For this reason, he suggested that the Board advise the Federal Reserve Bank of Boston of the possibility of favorable action with respect to the proposed branch and give the Reserve Bank an opportunity to present such additional information as it wished to offer in support of its recommendation.

The procedure suggested by Governor Robertson was approved unanimously, with the understanding that unfavorable action respecting the branch application would not be taken without giving the Quincy Trust Company an opportunity to present its views.

There had been sent to the members of the Board copies of a memorandum from Mr. Kelleher to Chairman Martin dated May 10, 1955, concerning a request made of the latter by a representative of the Metropolitan Police Department that an officer from the Department be given permission to visit

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the various offices in the Federal Reserve Building for the purpose of soliciting memberships in the Boys' Club of Metropolitan Police, D. C.

The matter was discussed and it was the unanimous view of the members of the Board that, although the cause was a worthy one, equitable treatment for other fund-raising organizations would not permit a deviation from the Board's general policy against permitting the solicitation of funds within the building. On the other hand, no objection was seen to the usual procedure of cooperating to the extent of placing containers in prominent places throughout the building for the purpose of receiving contributions.

Mr. Kelleher was requested to advise the Police Department representative of the Board's views, bringing out the reasons for the Board's decision and the fact that it had been arrived at after full consideration of the matter.

Messrs. Kelleher and Sprecher then withdrew from the meeting, and Messrs. Riefler, Assistant to the Chairman, Thomas, Economic Adviser to the Board, and Young, Director, Division of Research and Statistics, entered the room.

There had been sent to the members of the Board copies of a circular letter proposed to be sent by the Federal Reserve Bank of Boston to all commercial banks in the First Federal Reserve District. The letter would cite the recent increase in consumer debt and urge the banks to exercise caution in setting their terms on consumer loans.

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Chairman Martin stated that President Erickson had handed him a copy of the proposed circular letter, with the statement that the Board of Directors of the Boston Reserve Bank felt quite strongly that a letter of this kind should be sent, and that he told Mr. Erickson he would take the matter up with the other members of the Board of Governors. He went on to say that although he did not favor the distribution of such a letter, he was inclined to feel that the Board of Governors should interpose no objection in view of the position taken by the directors of the Boston Bank.

The matter was discussed, and it was the consensus of the Board that the distribution of a circular letter of this kind was not an effective or desirable procedure. It was also noted that there might be a tendency for such a practice to spread among the Federal Reserve Banks and that at some point a letter would be sent which would be the subject of criticism and require comment on the part of the Board. In spite of these views, and expressions to the effect that the Board should not send such a letter itself or approve such a letter proposed to be sent by a Reserve Bank, if such approval were necessary, it was recognized that the directors of the Boston Bank had strong feelings on the matter. For this reason, it was suggested that the Board of Governors go no further than to have Chairman Martin express the Board's reservations in discussing the proposed letter with President Erickson.

Mr. Young stated that there were one or two points in the proposed

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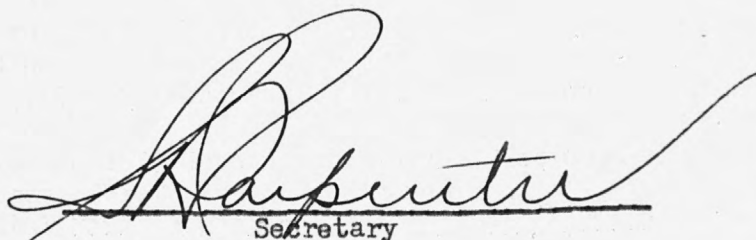
letter which it might be hard to defend factually and that it might be advisable to mention those points to Mr. Erickson.

At the conclusion of the discussion, it was agreed (1) that Chairman Martin would inform President Erickson that the Board had reservations concerning the advisability of distributing a letter of this kind, but would interpose no objection to issuance of the letter if that should be the decision of the directors, and (2) that Mr. Young would discuss with President Erickson the points in the letter which seemed to raise some question from the standpoint of accuracy.

Governor Robertson stated that recently he discussed with Mr. Young the terms on consumer loans made by commercial banks and suggested to Mr. Young that he prepare a letter to the Instalment Credit Commission of the American Bankers Association requesting, as a matter of information, data concerning current practices.

Minutes of actions taken by the Board of Governors of the Federal Reserve System on May 11, 1955, were approved unanimously.

The meeting then adjourned.


Secretary