

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, May 19, 1955. The Board met in the Board Room at 9:30 a.m.

PRESENT: Mr. Martin, Chairman  
Mr. Balderston, Vice Chairman  
Mr. Szymczak  
Mr. Mills  
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. Solomon, Assistant General Counsel  
Mr. Hackley, Assistant General Counsel  
Mr. Cherry, Legislative Counsel  
Mr. Shay, Assistant Counsel

In accordance with the understanding at the meeting of the Board yesterday, Mr. Hackley had prepared a memorandum under date of May 19, 1955, submitting a revised draft of letter to the Chairman of the House Committee on the Judiciary regarding Bill H. R. 5948, relating to the regulation of bank mergers and consolidations. This draft constituted a combination of portions of the two alternative drafts which were considered at yesterday's meeting. Mr. Hackley's memorandum, copies of which had been sent to the members of the Board, also discussed reasons for and against recommending legislation which would provide that if a merger or consolidation were approved by the appropriate bank supervisory agency, no proceedings could thereafter be instituted under the Clayton Act with respect to the

5/19/55

-2-

particular transaction. It was pointed out that a provision of that sort might be deemed to be in accordance with the present policy and theory of the Clayton Act, under the terms of which certain transactions which have received the approval of designated agencies cannot later be questioned under the provisions of the Act; also, that such a provision would permit a balancing of monopolistic factors with other factors of a strictly banking nature, such as the soundness of the banks involved and the needs of the community, and that it would give assurance to the interested banks that a merger or consolidation approved by the appropriate bank supervisory agency would not subsequently be questioned under the Clayton Act (although the Attorney General would still have authority to bring proceedings under the Sherman Act if the situation should reach the point where an actual monopoly existed). On the other hand, it was brought out that such a provision might be regarded as tying the hands of the Department of Justice unduly, that it would in effect remove bank mergers and consolidations from the coverage of the Clayton Act, and that it might tend to diminish chances for the enactment of legislation.

There ensued a discussion of various alternatives which might be followed in reporting to the House Committee, including the possibility of a reply which would take the position that legislation such as provided in H. R. 5948 was not an appropriate way of meeting the problem to which the bill was directed. A reply of that nature, it was suggested, might propose that the jurisdiction of the Board under the

5/19/55

-3-

Clayton Act be transferred to the Department of Justice, that the bank supervisory agencies be required to take into consideration the extent to which any proposed merger or consolidation would lessen competition or tend to create a monopoly, and that the responsibilities of such agencies be dealt with in a separate statute along the lines of H. R. 2115, referred to the House Banking and Currency Committee, which would amend section 18(c) of the Federal Deposit Insurance Act. The advantages and disadvantages of such an approach were considered and it was the consensus of the Board that a reply along the lines of the draft now before the Board would be preferable.

Several changes in the current draft were then suggested, including a revision for the purpose of differentiating more clearly between the prosecuting and adjudicating functions under the antitrust laws and the administrative function of granting approval in particular cases in the exercise of bank supervisory authority. Another change suggested would make it clear that at present the bank supervisory agencies in considering bank mergers and consolidations subject to section 18(c) of the Federal Deposit Insurance Act, take into account, along with other factors, the competitive effect of the proposed transaction.

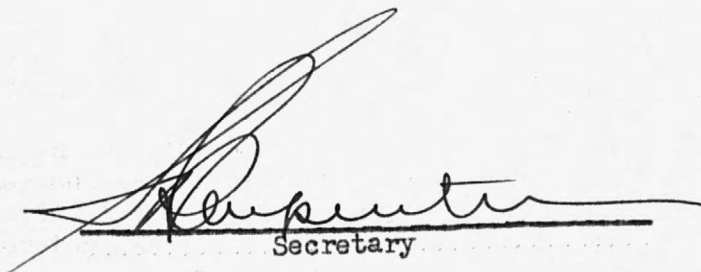
At the conclusion of the discussion, it was understood that a new draft reflecting these changes would be prepared for consideration at the meeting of the Board tomorrow.

5/19/55

-4-

Minutes of actions taken by the Board of Governors of the Federal Reserve System on May 18, 1955, were approved unanimously.

The meeting then adjourned.



Secretary