

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, May 24, 1955. The Board met in the Board Room at 10:00 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. Thurston, Assistant to the Board
 Mr. Vest, General Counsel
 Mr. Young, Director, Division of Research and Statistics
 Mr. Johnson, Controller, and Director, Division of Personnel Administration
 Mr. Kelleher, Assistant Director, Division of Administrative Services
 Mr. Garfield, Adviser on Economic Research, Division of Research and Statistics
 Mr. Schwartz, Economist, Division of Research and Statistics
 Mr. Wilson, Chief, Machine Tabulation and Telegraph Section, Division of Administrative Services

Chairman Martin suggested that Mr. Fauver, Special Assistant to the Board, be authorized to accept nomination, which had been tendered him, as a member of the board of directors of the D. C. Chapter, American Red Cross, for the coming year.

This suggestion was approved unanimously.

Chairman Martin then presented for consideration a draft of letter for his signature to Mr. Harold W. Dodds, President, Princeton

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University, Princeton, New Jersey, reading as follows:

Thank you for your letter of May 13, 1955, concerning the Rockefeller Public Service Awards program.

In accordance with your request, I have designated Mr. Winfield W. Riefler to serve as point of contact on behalf of the Board of Governors with the staff of the Committee on Selection for these awards.

The Board of Governors will be pleased to participate in this program again this year and I can assure you of our desire to cooperate in every way that we can for another successful year in this undertaking.

Approved unanimously.

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:

Letter to Mr. Denmark, Vice President, Federal Reserve Bank of Atlanta, reading as follows:

In accordance with the request contained in your letter of May 12, 1955, the Board approves the reappointment of R. P. Wilson as an examiner for the Federal Reserve Bank of Atlanta. Please advise as to the date upon which the reappointment is made effective.

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 May 17, 1955, the Board approves the designation of John T. Stentz as a special assistant examiner for the Federal Reserve Bank of Chicago.

It is noted that Mr. Stentz is indebted to the Wheaton National Bank, Wheaton, Illinois, in the amount of \$1,000 secured by a mortgage on his home. It is assumed that he will not be authorized to participate in any examination of the national bank until his loan has been liquidated or otherwise eliminated.

Approved unanimously.

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

Reference is made to your letter of May 17, 1955, regarding the request of the Asbury Park and Ocean Grove Bank, Asbury Park, New Jersey, for an extension of time within which to establish a branch on the west side of Railroad Avenue, between Bangs Avenue and Summerfield Avenue, Asbury Park, New Jersey.

After consideration of the information available, the Board concurs in your recommendation and extends to June 18, 1955, the time within which the Asbury Park and Ocean Grove Bank may establish the above branch, as originally approved in the Board's letter of October 18, 1954.

Approved unanimously.

Letter to the Board of Directors, The County Trust Company, White Plains, New York, reading as follows:

Pursuant to your request submitted through the Federal Reserve Bank of New York, 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 Irvington National Bank and Trust Company, Irvington, New York, into The County Trust Company and approves the establishment by the latter bank of a branch at 47 Main Street, Irvington, New York, provided (a) the merger of the two banks is effected substantially in accordance with the agreement between the parties dated April 7, 1955; (b) formal approval of the merger is obtained from the appropriate State authorities; and (c) the merger and establishment of the branch are effected within six months from the date of this letter.

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

Letter to the Board of Directors, Lawrence Savings and Trust Company, New Castle, Pennsylvania, reading as follows:

Pursuant to your request submitted through the Federal Reserve Bank of Cleveland, the Board of Governors of the Federal Reserve System hereby gives its written consent under the provisions of Section 18(c) of the Federal Deposit

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Insurance Act to the absorption of The First National Bank of Volant, Volant, Pennsylvania, by Lawrence Savings and Trust Company, New Castle, Pennsylvania, and approves the establishment by the continuing bank of a branch at the present location of the national bank, provided (a) the absorption is carried out substantially in accordance with the agreement between the parties dated April 22, 1955, (b) formal approval of the State authorities is obtained, and (c) the absorption and establishment of the branch are effected within six months from the date of this letter.

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

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

Reference is made to your letter of May 13, 1955, in which you advise that the Metamora State Savings Bank, Metamora, Michigan, has requested that its application for permission to establish a branch at 5000 Main Street in the village of Dryden, Michigan, submitted to the Board in your letter of December 13, 1954, be withdrawn.

The bank's action in withdrawing the application for permission to establish the branch at Dryden has been duly noted in our files, and the files on that application have been closed. Please advise the bank by letter of this action.

Approved unanimously.

Pursuant to the understanding at the meeting on May 20, 1955, there was a further discussion of the reply which might be sent to the Bureau of the Budget regarding the Report on Personnel and Civil Service submitted by the Commission on Organization of the Executive Branch of the Government (the Hoover Commission).

At the request of the Board, Mr. Johnson reviewed the matter and stated reasons which led him to favor the alternative draft of letter to

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the Budget Bureau which would comment on certain recommendations of the Commission. In response to a question by Chairman Martin, Mr. Johnson expressed the opinion that it would not be advisable to comment on all of the recommendations because they were rather far-reaching and many of them were not applicable to the Board. For that reason, he said, the draft commented only on certain recommendations which were not applicable to specified Government agencies and departments. He felt that it would be better to submit a report along the lines of one of the shorter drafts which had been submitted than to offer views on all of the recommendations.

In a discussion which followed, it appeared that there was a division of opinion among the members of the Board, some favoring the longer draft and some favoring a shorter draft which would indicate that the Board was not commenting on the recommendations because they referred principally to departments and agencies whose employees were under civil service. Governor Robertson suggested that if any of the recommendations were to be commented upon, there were items which would seem to warrant mention in addition to those referred to in the draft submitted to the Board. It was his thought that views might be given concerning them, if the Board so desired, even though it was recognized that they were not applicable to the Board.

Following additional discussion, it was suggested that the drafts be referred to Mr. Thurston for preparation of a further draft in the light of the comments made at this meeting.

This suggestion was approved
unanimously.

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Mr. Carpenter referred to the action of the Board on May 18, 1955, pursuant to which the Chairman of the Federal Reserve Bank of St. Louis was requested to ascertain whether Mr. Houston Burford would accept, if tendered, appointment as a director of the Little Rock Branch. He said advice had been received that because of conflicting business responsibilities, Mr. Burford would be unable to accept the appointment.

Accordingly, consideration was given to other persons whose names were suggested for appointment to the Board of Directors of the Little Rock Branch in Mr. Thurston's memorandum of May 17, 1955.

Following a discussion, it was agreed unanimously to request the Chairman of the Federal Reserve Bank of St. Louis to ascertain whether Mr. Guy T. Cameron, President, Cameron Feed Mills, North Little Rock, Arkansas, would accept appointment, if tendered, as director of the Little Rock Branch for the unexpired portion of the term ending December 31, 1956; and, if he would accept, that the appointment should be made.

At the meeting on May 20, 1955, consideration was given to the further mechanization of the Board's computing and charting operations, and a committee consisting of Governors Mills, Balderston, and Shepardson was requested to review the matter with appropriate members of the staff and make recommendations as to the action which should be taken.

Governor Mills said that the committee met with members of the staff yesterday and now wished to recommend that the Board authorize the purchase of a charting machine at an estimated cost of \$13,600. He said that in making this recommendation the committee recognized that the extent of

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economies that might be achieved could not be determined at this time, or any conclusive statement made that the use of the machine would operate in that direction, because the operation was essentially an experiment. The committee felt, however, that in view of the workload that the machine apparently could handle, there was a strong possibility that its use would provide some element of saving. He went on to say that the committee was impressed by the fact that the charting machine had been in a real sense a product of the thinking of the Division of Research and Statistics, and that this fact reflected credit on the division. The location of the machine and the question of its supervision, Governor Mills said, posed certain problems, and the committee suggested that these matters be worked out by the Division of Research and Statistics, the Office of the Controller, and the Division of Administrative Services in a way which would provide optimum results.

Following supporting statements by Governors Balderston and Shepardson, the committee's recommendation was approved unanimously.

At this point Messrs. Sloan, Director, and Masters, Assistant Director, Division of Examinations, entered the room, and Messrs. Thurston, Young, Johnson, Kelleher, Garfield, Schwartz, and Wilson withdrew from the meeting.

At the meeting on May 18, 1955, there was a preliminary discussion of the application of The Riggs National Bank of Washington, D. C., for

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the ninth or general trust power provided in section 11(k) of the Federal Reserve Act. Subsequently, the file on the matter was circulated to the members of the Board and the question now received further consideration.

Included in the file which had been circulated were a memorandum dated May 16, 1955, from the Division of Examinations and a memorandum dated May 12, 1955, from Mr. Chase, Assistant General Counsel. The memorandum from the Division of Examinations recommended favorable action on the request of The Riggs National Bank from the point of view of the banking aspects involved, while Mr. Chase's memorandum dealt with the legal and policy questions involved in granting the ninth fiduciary power to national banks doing business in the District of Columbia. It was pointed out that approval of the application would require reversal of a ruling of the Board in 1919 which held that the word "State", as used in section 11(k), did not include the District of Columbia. This ruling made it possible for national banks in the District to obtain trust powers even though they did not have capital equal to that required by District of Columbia law for local banks exercising trust powers, but on the other hand made it impossible to grant to national banks the right to act "in any other fiduciary capacity in which State banks" may act. For reasons stated in Mr. Chase's memorandum, it was recommended that the 1919 ruling be reversed.

Following a discussion of the matter at this meeting, the recommendation contained in Mr. Chase's memorandum was approved unanimously, and unanimous approval then was given

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to the following letter to The Riggs National Bank of Washington, D. C., Washington, D. C., for transmittal through the Federal Reserve Bank of Richmond:

The Board of Governors of the Federal Reserve System has given consideration to your supplemental application for fiduciary powers, and, in addition to the authority heretofore granted to act as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, and committee of estates of lunatics, grants you authority to act, when not in contravention of State or local law, in any other fiduciary capacity in which State banks, trust companies, or other corporations which come into competition with national banks are permitted to act under the laws of the District of Columbia. The exercise of all such powers shall be subject to the provisions of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System.

A formal certificate indicating the fiduciary powers which The Riggs National Bank of Washington, D. C. is now authorized to exercise will be forwarded to you in due course.

Chairman Martin said that in accordance with the understanding at the meeting on April 11, 1955, he had had discussions with representatives of the New York Stock Exchange regarding an informal meeting with the Board for the purpose of discussing the effect of margin regulations on the techniques of stock trading, and that such a meeting had been arranged tentatively for June 7, 1955. He added that the composition of an appropriate delegation presented certain problems, that he deemed it advisable to restrict the meeting on June 7 to representatives of the New York Stock Exchange, and that he would suggest using this meeting as an experiment to determine whether further meetings, either with the same group or other groups, would be profitable.

The arrangement proposed by Chairman Martin was approved unanimously.

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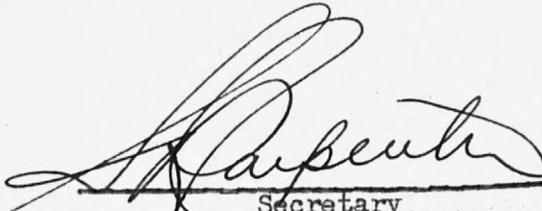
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Minutes of actions taken by the Board of Governors of the Federal Reserve System on May 20, 1955, were approved unanimously.

The meeting then adjourned.

Secretary's Note: Advice having been received that Mr. Philip I. Welk, President, Preston-Shaffer Milling Company, Walla Walla, Washington, would accept appointment as Class C director of the Federal Reserve Bank of San Francisco, the following telegram was sent to Mr. Welk yesterday pursuant to action taken by the Board on May 18, 1955:

Board of Governors of Federal Reserve System has appointed you Class C director of Federal Reserve Bank of San Francisco for unexpired portion of term ending December 31, 1957. Your acceptance by collect telegram would be appreciated. To qualify as Class C director, please submit your resignation as director Portland Branch.



Secretary