

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, June 28, 1955. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
 Mr. Balderston, Vice Chairman
 Mr. Vardaman
 Mr. Mills
 Mr. Robertson
 Mr. Shepardson

Mr. Carpenter, Secretary
 Mr. Sherman, Assistant Secretary
 Mr. Thurston, Assistant to the Board
 Mr. Vest, General Counsel
 Mr. Sloan, Director, Division of Examinations
 Mr. Johnson, Controller, and 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:

Letter to the Board of Directors, Second Bank-State Street Trust Company, Boston, Massachusetts, reading as follows:

Pursuant to your request submitted through the Federal Reserve Bank of Boston, the Board of Governors approves the establishment of a branch by the Second Bank-State Street Trust Company, Boston, Massachusetts, at 711 Boylston Street in Boston, provided the branch is established within six months from the date of this letter.

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

Telegram to Mr. Crane, Federal Reserve Agent, Federal Reserve Bank of New York, authorizing him to issue a limited voting permit, under the provisions of section 5114 of the Revised Statutes of the United

6/28/55

-2-

States, to Marine Midland Corporation, Jersey City, New Jersey, entitling such organization to vote the stock which it owns or controls of The Jamaica National Bank of New York, New York, New York, at any time prior to October 1, 1955, to authorize the merger of such bank into The Marine Midland Trust Company of New York, and for such other purposes as may be necessary in connection therewith. The telegram also advised Mr. Crane that the permit should not be issued until he was notified by Marine Midland Corporation that it had acquired a controlling interest in The Jamaica National Bank of New York, and that, meanwhile, he could assure Marine Midland Corporation that a limited voting permit would be issued upon receipt of such notification.

Approved unanimously.

Letter to the Board of Directors, Bankers Trust Company, New York, New York, reading as follows:

The Board of Governors approves the establishment of a branch by Bankers Trust Company, New York, New York, at 138-02 Queens Boulevard, Jamaica, New York, provided the branch is established within one year from the date of this letter.

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

Letter to the Board of Directors, Long Island Trust Company, Garden City, New York, reading as follows:

Pursuant to your request submitted through the Federal Reserve Bank of New York, the Board of Governors approves the establishment of a branch by the Long Island Trust Company, Garden City, New York, on the east side of Covert Avenue, approximately 130 feet north of Chester Avenue in the Incorporated Village of Stewart Manor, Nassau County, New York, provided the branch is established within one year from the date of this letter.

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

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

Reference is made to your letter of June 16, 1955, submitting the request of The Bank of Albion, Albion, Michigan,

6/28/55

-3-

for an extension of six months in which to accomplish admission to membership in the Federal Reserve System, due to the fact that the Commissioner of Banking of the State of Michigan will not issue a certificate of authority to commence business until the bank building is completed and ready for occupancy, which it is estimated will take approximately four months.

In view of the circumstances set forth in your letter, the Board of Governors further extends to December 27, 1955, the time within which admission of The Bank of Albion, Albion, Michigan, to membership in the Federal Reserve System, in the manner set forth in the Board's letter of January 25, 1955, may be accomplished.

Reference is made to your letter of June 14, 1955, submitting the request of City Bank, Detroit, Michigan, for an extension of time in which to establish a branch in the vicinity of Gratiot Avenue and Eight Mile Road in Detroit, Michigan.

In view of the circumstances outlined in your letter and your favorable recommendation, the Board of Governors extends until August 1, 1955, the time within which establishment of the branch, which was approved in the Board's letter of September 24, 1954, may be accomplished.

Approved unanimously.

Telegram to Mr. Millard, Vice President, Federal Reserve Bank of San Francisco, reading as follows:

Board of Governors extends to July 1, 1955, time within which First State Bank of Salina, Salina, Utah, may establish branch in Panguitch, Utah.

Approved unanimously.

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

As recommended in your letter of June 17, 1955, the Board of Governors extends to December 30, 1955, the time within which the Farmers and Merchants Bank of Lodi, Lodi,

6/28/55

-4-

California, may establish a branch at the northeast corner of Lodi Avenue and Church Street in Lodi.

Please notify the bank of this extension.

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 March 17, 1955, enclosing photostatic copies of an application to organize a national bank at Roosevelt Road and Kedzie Avenue in Chicago, 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. It is indicated that the organizers have agreed to increase the initial capital structure of the bank from \$600,000 to \$750,000. The Board of Governors 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. Vest, General Counsel, for authority to travel to Boston, Massachusetts, July 24-30, 1955, to attend a meeting of the Legal Subcommittee on Emergency Operations.

Approved unanimously.

There was presented a draft of letter to The Bank of Tokyo of California, San Francisco, California, approving establishment of a branch by that bank at Gardena, California, the letter having been circulated among the members of the Board before this meeting.

6/28/55

-5-

Governor Vardaman inquired whether establishment of this branch by The Bank of Tokyo had been cleared with the Department of State, indicating that in his opinion it would be desirable for such clearance to be obtained in connection with the establishment of a domestic branch by any foreign bank.

It was understood that a letter would be sent to the Department of State inquiring whether that Department knew of any reason why a branch should not be established at Gardena, California, by The Bank of Tokyo, and that the matter would be presented to the Board at a later date for further consideration.

Before this meeting there had been sent to the members of the Board a memorandum prepared in the Legal Division under date of June 23, 1955, recommending that a permit to commence business be issued to American Overseas Finance Corporation, the Edge Corporation organized by Chase Manhattan Bank, pursuant to the Board's approval on June 3, 1955, of the Articles of Association and Organization Certificate for the Corporation. The memorandum stated that, by letter of June 20, 1955, American Overseas Finance Corporation had made the necessary certification to the Board regarding the requirements as to citizenship of its directors, the ownership or control of a majority of its shares by United States citizens, and the payment for its stock. The memorandum also noted that four banks other than Chase Manhattan Bank (Chemical Corn Exchange of New York, First National Bank of Boston, Mellon National Bank of Pittsburgh, and National Bank of Detroit) are participating in the new Edge Corporation.

6/28/55

-6-

There was unanimous agreement that a permit authorizing American Overseas Finance Corporation to commence business should be issued in accordance with the recommendation contained in the memorandum from the Legal Division.

There had been sent to the members of the Board a memorandum from the Division of Personnel Administration dated June 17, 1955, recommending that merit increases in the basic salaries of members of the Board's staff, as shown below, be approved effective July 3, 1955.

Mr. Johnson stated that the recommendations for merit salary increases were well distributed throughout the staff and, in his opinion, each Division had reviewed the work of employees in the Division carefully for the purpose of considering whether a merit increase should be recommended at this particular time.

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
	<u>Board Members' Section</u>		
Athens J. Messick, Stenographer		\$3,785	\$3,910
Virginia J. Ogilvie, Secretary		4,330	4,580
	<u>Office of the Secretary</u>		
Sudelle Rice, File Clerk		3,030	3,110
Zoe Gratsias, Minutes Clerk		3,255	3,335
Ruth W. Franta, Supervisor, Bank and Miscellaneous Records		4,170	4,295
Hannah W. Nielsen, Records Clerk		3,415	3,495

6/28/55

-7-

Merit increases, effective July 3, 1955 (continued)

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Office of the Secretary</u>			
Cornelia A. Bates, Supervisor, Non- current Records and Records Disposal		\$4,295	\$4,420
<u>Legal Division</u>			
Eleanor E. Omohundro, Clerk-Stenographer		4,035	4,160
<u>Research and Statistics</u>			
Arthur L. Broida, Economist		8,360	8,560
Stanley Sigel, Economist		8,360	8,560
Lorman C. Trueblood, Economist		9,600	9,800
Saul B. Klamann, Economist		7,240	7,440
Maurice H. Schwartz, Economist		7,040	7,240
Alvern H. Sutherland, Chief Librarian		7,640	7,840
Peter M. Keir, Economist		6,340	6,540
Edward R. Fry, Economist		4,455	4,580
Dorothy A. Culbertson, Clerk		3,495	3,575
Reba C. Driver, Clerk		3,575	3,655
Louise P. Root, Clerk		3,110	3,190
<u>International Finance</u>			
Frederick R. Dahl, Economist		5,185	5,310

6/28/55

-8-

Merit increases, effective July 3, 1955 (continued)

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>International Finance</u>			
Catherine B. Davian, Clerk-Stenographer		\$3,255	\$3,335
Pearl G. Farrington, Clerk		3,785	3,910
Nancy J. Smith, Statistical Assistant		4,455	4,580
<u>Examinations</u>			
Karl P. Wendt, Federal Reserve Examiner		5,940	6,140
E. W. Lowe, Assistant Federal Reserve Examiner		4,205	4,330
<u>Bank Operations</u>			
Oliver H. Jones, Technical Assistant		6,140	6,340
Mary M. Durkan, Technical Assistant		6,340	6,540
Barbara B. Hart, Clerk		3,495	3,575
<u>Personnel Administration</u>			
June E. Ayers, Administrative Assistant		6,740	6,940
John B. Bazuin, Personnel Technician		5,185	5,310
<u>Administrative Services</u>			
Davis H. Wilson, Chief, Machine Tabu- lation and Telegraph Section		6,740	6,940

6/28/55

-9-

Merit increases, effective July 3, 1955 (continued)

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Administrative Services</u>			
Elizabeth L. Carmichael, Chief, Publications Section		\$6,340	\$6,540
John H. Battle, Laborer		2,952	3,032
Ruth M. Flowers, Charwoman		2,560	2,630
<u>Office of the Controller</u>			
John Kakalec, Accountant		5,310	5,435

Approved unanimously.

Reference was made to a letter addressed to Governor Balderston by Mr. Decker, Deputy Chairman of the Board of Directors of the Federal Reserve Bank of Richmond, under date of June 20, 1955, submitting the names of several individuals who might be considered by the Board for appointment as director of the Baltimore Branch of that Bank, to succeed Mr. Taylor, for the remainder of the term ending December 31, 1955.

Governor Balderston stated that among the names suggested was Mr. Lewis P. Seiler, President, Stewart & Co. (a department store), Baltimore, Maryland, and that he would recommend his appointment.

It was agreed unanimously that, if it were ascertained in the usual manner that Mr. Seiler would accept, he should be appointed as a director of the Baltimore Branch of the Federal Reserve Bank of Richmond for the unexpired portion of the term ending December 31, 1955.

6/28/55

-10-

Governor Robertson stated that at the present time Chase Manhattan Bank holds about six per cent of the outstanding stock of County Trust Company, White Plains, New York, such stock having been acquired by Bank of Manhattan Company many years ago. He reviewed the circumstances under which this stock had been held by the bank prior to the merger of The Chase National Bank and Bank of the Manhattan Company, stating that there was no legal basis on which the Board could require the Chase Manhattan Bank to dispose of the shares of County Trust Company. Governor Robertson also stated that there were three other instances in which member banks in New York City also held small amounts of stock of other banks, and that in no case did the holding of such stock violate the law or a condition of membership. In the case of Chase Manhattan Bank, New York State Banking authorities had reviewed the matter and were not disposed to take any action to require that the bank dispose of the stock held in the County Trust Company. Governor Robertson went on to say that, while recognizing that there was no basis in law for requiring the four banks to dispose of the stock they held in other banks, he would recommend that the Board address a letter to each of the four institutions involved, stating that these holdings were not in violation of the law and that the Board had no legal authority for requiring them to dispose of such holdings, but that it would be in the public interest if they disposed of such shares. He went on to say that while this would be his recommendation, on the

6/28/55

-11-

grounds that he felt it was undesirable for one bank to hold stock in another bank, a different view was held by members of the Division of Examinations.

In response to Chairman Martin's inquiry, Mr. Sloan said that the four cases to which Governor Robertson referred covered banks only in the New York City area and that there were probably other banks in the United States that held small quantities of stock in other banks. It was Mr. Sloan's feeling that, while Section 5136 of the Revised Statutes now prohibited such purchases of stock by banks, it was not necessary or desirable to request the New York banks concerned to dispose of the minor amounts of shares which they had acquired legally many years ago and which they now held legally. If, however, the Board should decide to make a request of the New York banks, as proposed by Governor Robertson, Mr. Sloan felt that it should direct the Division of Examinations to review all member banks in the United States with a view to making a similar request of all member banks which were found to hold stock in other banks.

Mr. Vest stated that he had reviewed the matter only from the standpoint of the law and that in his opinion the Board had no legal authority to require the banks to dispose of the stock referred to. It thus became a matter of policy whether it wished to suggest or request that the banks dispose of such stock.

The other members of the Board present felt that since the Board did not have authority to require the divestment, it should not make the

6/28/55

-12-

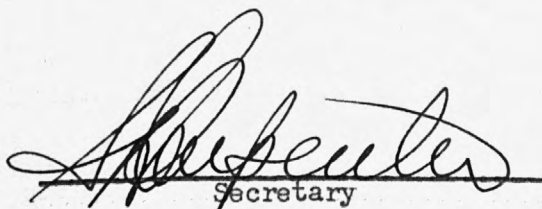
proposed request. Chairman Martin suggested that under the circumstances the Board take no action on the matter at this time.

There was agreement with
Chairman Martin's suggestion.

Governor Robertson stated that in accordance with the discussion at the meeting of the Board on June 27, 1955, he had sent to Senator Robertson today two drafts of holding company bills; draft "A" would carry out the Board's views as to the form of such legislation and draft "B" would amend Bill H. R. 6227, passed by the House of Representatives, in accordance with the suggested amendments which were sent to the House Banking and Currency Committee pursuant to the Board's action of March 10, 1955.

Minutes of actions taken by the Board of Governors of the Federal Reserve System on June 27, 1955, were approved unanimously.

The meeting then adjourned.


Secretary