

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, July 28, 1955. The Board met in the Board Room at 9:30 a.m.

PRESENT: Mr. Martin, Chairman
 Mr. Balderston, Vice Chairman
 Mr. Szymczak
 Mr. Vardaman
 Mr. Shepardson

Mr. Carpenter, Secretary
 Mr. Sherman, Assistant Secretary
 Mr. Kenyon, Assistant Secretary
 Mr. Riefler, Assistant to the Chairman
 Mr. Vest, General Counsel

The following members of the staff of the Division of Research and Statistics also were present:

Mr. Young, Director
 Mr. Eckert, Chief, Banking Section
 Mr. Gehman, Chief, Business Conditions Section
 Mr. Jones, Chief, Consumer Credit and Finances Section
 Mr. Miller, Chief, Government Finance Section
 Mr. Weiner, Chief, National Income, Money-flows, and Labor Section
 Mr. Allen, Economist
 Miss Stockwell, Economist
 Mr. Wernick, Economist
 Mr. Wood, Economist

The representatives of the Division of Research and Statistics presented a review of business and financial developments, following which they withdrew from the meeting. Mr. Riefler also withdrew at this point and Messrs. Leonard, Director, Division of Bank Operations, and Sloan, Director, Division of Examinations, entered the room.

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

Reference is made to your letter of July 19, 1955, regarding the request of the Norfolk County Trust Company, Brookline, Massachusetts, for an extension to September 15, 1955, of the time within which to establish a branch at the New England Industrial Center on Highland Avenue, Needham, Massachusetts.

After due consideration of all the information available, the Board concurs in your recommendation and extends to September 15, 1955, the time within which the Norfolk County Trust Company, Brookline, Massachusetts, may establish the branch at the aforementioned location in Needham, Massachusetts, as originally approved in the Board's letter of June 24, 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 July 20, 1955, regarding the request of the Dauphin Deposit Trust Company, Harrisburg, Pennsylvania, for an extension of 90 days from August 25, 1955, of the time within which to establish a branch in Swatara Township, Dauphin County, Pennsylvania, at a point along Highway 322-422, approximately one-half mile east of the city limits of Harrisburg, Pennsylvania.

After consideration of all the information available, the Board concurs in your recommendation and extends to November 23, 1955, the time within which the Dauphin Deposit Trust Company, Harrisburg, Pennsylvania, may establish the branch at the aforementioned location, as originally approved in the Board's letter dated August 25, 1954. Please advise the bank accordingly.

Approved unanimously.

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Letter to Mr. Hodge, General Counsel, Federal Reserve Bank of Chicago, reading as follows:

This refers to the question concerning the application of Regulation Q presented by the copy of a letter of July 12, 1955, to you from Mr. H. J. Stoddard, President, Michigan National Bank, Lansing, Michigan, which you forwarded under date of July 13, 1955, and with respect to which it is understood the views of the Board are desired. Mr. Stoddard's letter was occasioned by your letter to him of July 11, 1955, which concerned the announcement to Michigan school authorities of July 1, 1955, signed by Mr. W. J. Cook, Vice President, Michigan National Bank. Copies of the latter correspondence were forwarded by you previously.

The question is whether the proposed use by the national bank of the "Savings Deposit Receipt," a photostat of which was enclosed with Mr. Stoddard's letter, complies with the definition of "savings deposit" in section 1(e) of Regulation Q, as amended effective May 16, 1955.

The purpose of the May 16, 1955, amendment to section 1(e) of the regulation was to permit member banks, at their option, to classify deposits as "savings deposits," although not evidenced by a passbook. However, any such deposit must be evidenced by a written receipt or agreement, and the deposit must be one in respect to which 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. Furthermore, the amendment made no change in the classes of persons whose deposits may be classified as "savings deposits."

The "Savings Deposit Receipt" in question certifies that a certain sum has been deposited with the bank by a named depositor. It recites that payment of such amount "will be made to the named depositor" plus interest at 2 1/2 per cent per annum from date of the deposit, upon surrender of the receipt; that, upon request, interest will be paid and endorsed upon the receipt every six months; and that the bank shall have the option of redeeming the receipt at any time

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upon six months' written notice to the depositor. The receipt then states that "The bank reserves the right to require thirty days' prior notice in writing before paying this savings deposit receipt." Finally, the receipt states that it is "non-negotiable." It appears that the receipt constitutes the deposit contract between the bank and the named depositor.

In his July 12 reply to your letter of July 11, which discussed the bank's announcement of July 1 in the light of the requirements of the regulation and certain Board interpretations thereof, Mr. Stoddard explained that such announcement will be changed to include the words, "The bank reserves the right to require thirty days' prior notice in writing before paying this savings deposit receipt." He also explained that his bank intends to use the savings deposit receipt "only in connection with deposits of school districts and any other savings deposits that might qualify under Regulation Q."

In interpretations set forth in paragraphs 6351 and 6364 of the Federal Reserve Loose-Leaf Service, the Board has indicated that deposits of "school districts" may be classified as "savings deposits"; and, as noted above, Mr. Stoddard has related that any other use of the savings deposit receipts will be limited to deposits qualifying as "savings deposits" under the regulation.

In the circumstances as outlined above, including the specific limitation in the savings deposit receipt that "Payment will be made to the named depositor," the Board is of the view that a deposit represented by the receipt described may be classified as a "savings deposit" under Regulation Q.

Approved unanimously, with the understanding that the substance of the letter would be sent to all of the Federal Reserve Banks as a matter of information.

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

Reference is made to your letter of July 18, 1955, submitting the request of The Trust Company of New Jersey, Jersey City, New Jersey, for approval of a reduction of \$2,306,000 in its stated capital stock in accordance with a plan which provides for the following:

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1. Retirement of \$3,206,000 par value preferred stock held by the Reconstruction Finance Corporation (in liquidation) and others (which is retirable at \$14,090,370 and accrued dividends), for \$12,000,000.
2. Sale of \$900,000 par value of new common stock at \$2,520,000, the premium of \$1,620,000 to be credited to surplus.
3. Sale of \$5,500,000 of 5 per cent subordinated debentures due in 1975, to the Metropolitan Life Insurance Company of New York.

After considering all of the information available, the Board of Governors concurs in your recommendation and approves the reduction in capital of The Trust Company of New Jersey, Jersey City, New Jersey, provided the program of recapitalization is completed substantially in accordance with the plan outlined in your letter. It is noted that the Commissioner of Banking and Insurance has approved the plan.

It is understood that Counsel for the Reserve Bank will review and satisfy himself as to the legality of all steps taken to effect the recapitalization program.

Following comments by Mr. Sloan during which he compared the proposed program with the recapitalization program of the First Trust and Deposit Company, Syracuse, New York, which was approved by the Board on June 3, 1954, the letter was approved unanimously.

Telegrams to the Presidents of all Federal Reserve Banks stating that the Board has established under authority of the fourth paragraph of section 16 of the Federal Reserve Act the rate of (see column 1 hereafter) per cent per annum interest for the preceding three calendar months on \$ (see column 2) daily average of outstanding Federal Reserve notes of the Reserve Bank in excess of gold certificates pledged with the Federal Reserve Agent as collateral security; and that an interest payment of \$ (see column 3) should be credited to the Treasurer's General Account on July 28, 1955:

	(1)	(2)	(3)
Boston	1.0632	\$977,346,150	\$2,590,668.84
New York	1.8174	3,265,704,683	14,797,077.91

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	(1)	(2)	(3)
Philadelphia	1.2337	\$1,062,216,128	\$3,267,164.37
Cleveland	1.2807	1,421,460,077	4,538,690.87
Richmond	.9621	1,214,720,936	2,913,702.85
Atlanta	1.1903	859,794,867	2,551,524.89
Chicago	1.4601	2,856,369,901	10,397,898.58
St. Louis	.9163	848,433,170	1,938,223.49
Minneapolis	1.3153	426,532,591	1,398,703.20
Kansas City	1.1925	771,767,246	2,294,527.46
Dallas	1.6982	468,218,801	1,982,376.83
San Francisco	1.8787	1,286,453,762	6,025,597.87

Following comments by Mr. Leonard, the telegrams were approved unanimously.

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

The meeting then adjourned.


Secretary