Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, August 3, 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. Kenyon, Assistant Secretary  
Mr. Thurston, Assistant to the Board  
Mr. Vest, General Counsel  
Mr. Young, Director, Division of Research and Statistics

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:

Memoranda from appropriate individuals concerned recommending actions with respect to the Board's staff as follows:

Appointment, effective upon the date of assuming duties

<table>
<thead>
<tr>
<th>Name and title</th>
<th>Division</th>
<th>Basic annual salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Josephine A. Hall, Cafeteria Helper</td>
<td>Administrative Services</td>
<td>$2,600</td>
</tr>
</tbody>
</table>

Salary increases, effective August 14, 1955

<table>
<thead>
<tr>
<th>Name and title</th>
<th>Division</th>
<th>Basic annual salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>John N. Lyon, Assistant Federal Reserve Examiner</td>
<td>Examinations</td>
<td>$5,510 - $6,390</td>
</tr>
<tr>
<td>John M. Poundstone, Assistant Federal Reserve Examiner</td>
<td></td>
<td>5,510 - 6,390</td>
</tr>
</tbody>
</table>
Acceptance of resignation

Lillian E. Wilson, Cafeteria Helper, Division of Administrative Services, effective August 15, 1955.

Approved unanimously.

Memorandum dated July 21, 1955, from Mr. Bethea, Director, Division of Administrative Services, recommending, for reasons stated, that the positions of Davis H. Wilson, Chief, Machine Tabulation and Telegraph Section, and Albert C. Bain, Telegraph Operator, Division of Administrative Services, be declared "sensitive" positions and that appropriate action be taken to process the incumbents for top security clearance.

Approved unanimously.

Letter to Mr. Pondrom, Vice President, Federal Reserve Bank of Dallas, reading as follows:

In accordance with the request contained in your letter of July 19, 1955, the Board approves the appointment of Sidney J. Alexander, Jr., as an assistant examiner for the Federal Reserve Bank of Dallas. Please advise as to the date upon which the appointment is made effective.

Approved unanimously.

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

This is in further reference to your letter of June 24, 1955, and its enclosures, concerning whether section 32 of the Banking Act of 1933, as amended, prohibits Messrs. Charles U. Bay and Robert W. Bachelor, a partner and an employee, respectively, of A. M. Kidder & Co., New York City, from continuing to serve at the same time as directors of The Connecticut National Bank, Bridgeport, Bridgeport, Connecticut.

Section 32 prohibits the interlocking relationships in question if the underwriting and distributing business of A. M. Kidder & Co. is sufficient to cause the firm to be "primarily engaged" in that business within the meaning of the statute. You will recall that, in construing the statutory language "primarily engaged" in the Agnew-Fayerweather
case, 329 U.S. 441 (1947), the Supreme Court of the United States said that "the line between substantial and unsubstantial seems to us to be the one indicated by the words 'primarily engaged.'"

A. M. Kidder & Co. states that it does not hold itself out as being in the underwriting or distributing business; that it does not emphasize underwriting or distributing in its advertisements or reports; and that it is not ranked nationally in the underwriting field.

However, for each of the four years 1951 through 1954, it appears that the firm's dollar volume of underwriting and distributing business was $9,593,143, $11,036,621, $9,400,904, and $11,446,730, respectively; that the ratio of such dollar volume to the dollar volume of the firm's total business was 1.68 per cent, 2.19 per cent, 1.76 per cent, and 1.44 per cent, respectively; that the firm's gross income from underwriting and distributing was $29,030, $231,584, $178,886, and $232,618, respectively; and that the ratio of such gross income to the firm's total gross income was 0.97 per cent, 7.11 per cent, 5.30 per cent, and 4.12 per cent, respectively.

It also appears that the firm has 23 branch offices; that the firm has a separate underwriting or distributing department; and that the number of issues in which the firm participated as underwriter or distributor for each of the four years was 150, 141, 108, and 139, respectively.

As you indicated, the status of A. M. Kidder & Co. under the statute has been a borderline case for the past several years. This is illustrated by the analysis of the situation which you enclosed with your letter. With respect to the last four years, it is noted that the number of issues in which the firm has participated as underwriter or distributor has continued to be substantial. And, while in recent years the ratio of the firm's gross income from underwriting and distributing has not increased proportionately to the continuing, although variable, increase of the firm's dollar volume of underwriting and distributing, nevertheless, the amount of such gross income and also the amount of such dollar volume were higher for 1954 than for any previous year on which information has been supplied.

You will recall that the Board's letter to your Bank of May 12, 1954, expressed the view that the firm of Goodbody & Co.,
New York City, was "primarily engaged" within the meaning of the statute. Of course, the present case is not the same as that case. Nevertheless, it may be noted that, although for the last year on which information was supplied the dollar volume of underwriting and distributing business of Goodbody & Co. was about $15,000,000, the average of such dollar volume of that firm for the four years there under consideration was $9,375,845. This may be compared with the four-year average of $10,369,349 for A. M. Kidder & Co. It may be noted also that, while the ratio of income from underwriting and distributing to total income in the Goodbody case averaged 3.5 per cent, the average of such ratio in the present case is 4.375 per cent.

In cases of this kind the Board, as you know, considers all the facts and circumstances in determining whether, in the particular situation, the underwriting and distributing business of the firm involved is "substantial," i.e., whether the firm is "primarily engaged." The Board has carefully studied the information submitted in the present case. On the basis of its understanding of such information, the Board is of the view that A. M. Kidder & Co. is "primarily engaged" within the meaning of the statute and that, therefore, the interlocking relationships in question may not lawfully continue.

Accordingly, unless there is further information bearing upon the applicability of the statute which the parties concerned may wish to bring to the attention of your Bank and the Board, it is assumed that steps will be taken in due course to bring the matter in question into conformity with the statute.

Approved unanimously.

Letter to Mr. John J. McCloy, Chairman, Board of Directors, The Chase Bank, New York, New York, reading as follows:

There are enclosed two copies of the report of examination of the Paris Branch of The Chase Bank, made as of the close of business May 5, 1955, by examiners for the Board of Governors of the Federal Reserve System.

The second copy of the report is for the information and files of Vice President William H. Reese, the officer in charge of the Paris Branch.
Your courtesy in acknowledging receipt of the report will be appreciated.

Approved unanimously, with copies of the letter and report of examination to the Federal Reserve Bank of New York.

Letter to the Board of Directors, Camden Trust Company, Camden, New Jersey, reading as follows:

Pursuant to your request submitted through the Federal Reserve Bank of Philadelphia, 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 Oaklyn National Bank, Oaklyn, New Jersey, with and into the Camden Trust Company, Camden, New Jersey, and also approves the establishment of a branch at 507 White Horse Pike, Oaklyn, New Jersey, by the Camden Trust Company, provided (a) the transaction is effected substantially in accordance with the agreement of merger between the parties dated June 27, 1955, and (b) the absorption and establishment of the branch are accomplished within six months from the date of this letter.

The Board of Governors also approves the reduction in capital of the Camden Trust Company under the program of recapitalization which provides for the retirement of outstanding preferred stock and an increase of 100,000 shares of outstanding common stock, par $5, of which 27,500 shares will be exchanged for stock of The Oaklyn National Bank and 72,500 shares sold at a price of $30 per share.

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

Letter to Mr. Armistead, Vice President, Federal Reserve Bank of Richmond, reading as follows:

Reference is made to your letter of July 20, 1955, submitting the request of Bank of Warwick, Warwick, Virginia, for the Board's approval under the provisions of Section 24A of the Federal Reserve Act of an additional investment in bank premises which will exceed the amount of its capital.
After considering the available information, the Board approves the additional investment of $166,000 in bank premises by Bank of Warwick, Warwick, Virginia.

It is understood that in January 1956 the bank proposes to sell $75,000 additional common stock and to declare a stock dividend of $50,000, thereby increasing common capital to $237,500. It is understood also that the present building occupied by the bank will be sold and the proceeds applied to a reduction in the bank's investment in banking premises.

Approved unanimously.

Order reading as follows:

UNITED STATES OF AMERICA
Before The
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

In the Matter of

DEVON-NORTH TOWN STATE BANK,
CHICAGO, ILLINOIS.

ORDER

1. It is hereby ordered that the complaint herein, issued on March 27, 1953, be, and it is hereby, dismissed.

Dated this third day of August, 1955.

By the Board.

(Signed) S. R. Carpenter
S. R. Carpenter,
Secretary.

Approved unanimously, together with a letter to Mr. Young,
President, Federal Reserve Bank of Chicago, reading as follows:

Following the suggestion made in Mr. Van Zante's letter of May 27, 1955, the Board has dismissed the Complaint issued on March 27, 1953 against the Devon-North Town State Bank, Chicago, Illinois. Two copies of the Board's Order are enclosed. One is for your files, and it will be appreciated if you will have the other copy transmitted to the bank so that it may be advised of the Board's action.

Letter to the First National Bank of Fonda, Fonda, Iowa, reading as follows:

The Board of Governors of the Federal Reserve System has given consideration to your supplemental application for fiduciary powers and grants you authority to act, when not in contravention of State or local law, as guardian of estates, assignee, receiver, committee of estates of lunatics, or 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 State of Iowa. The exercise of these powers, in addition to those heretofore granted to act as trustee, executor, administrator, and registrar of stocks and bonds, 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 First National Bank of Fonda is now authorized to exercise will be forwarded to you in due course.

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

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 June 8, 1955, enclosing photostatic copies of an application to organize a national bank at Lake Worth, Florida, 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 Atlanta discloses that the prospects for profitable operations of the proposed bank would be reasonably favorable and that another banking institution may be needed in the city of Lake Worth. However, it is indicated that the capital structure as proposed for this institution is somewhat inadequate, and reservations are expressed as to the competency of the management. If these matters are resolved to the satisfaction of your office, the Board of Governors recommends approval of the application.

Our informant advised that subsequent to his investigation, applications were filed to organize State banks at Lake Worth and at West Palm Beach, approximately five miles north of Lake Worth.

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.

Reference was made to a request from Mr. Masters, Assistant Director, Division of Examinations, for approval of travel to New York, New York, on August 2, 1955, to attend a meeting of representatives of several New York banks to discuss methods of obtaining more comprehensive information in the field of pension trusts.

Approved unanimously.

At this point Messrs. Johnson, Controller, and Director, Division of Personnel Administration, and Sprecher, Assistant Director, Division of Personnel Administration, entered the room.

The following draft of letter to Mr. Young as Chairman of the Conference of Presidents of the Federal Reserve Banks had been circulated to the members of the Board and was presented for consideration:
The Board of Governors has considered the proposal of the Conference of Presidents, made at the joint meeting on June 22, 1955, regarding a proposed amendment to the Rules and Regulations of the Retirement System of the Federal Reserve Banks. The proposed amendment would be for the purpose of supplementing retirement allowances in cases of involuntary separation of long-service employees prior to attainment of age 65.

The Board of Governors would be prepared to approve an amendment to the Rules and Regulations substantially like the one proposed, provided it would be acceptable to the Internal Revenue Service and is approved by the Board of Trustees of the Retirement System and submitted for approval by the Board of Governors.

Appropriate revisions in the Board's letters S-741 and S-905 will be made at the time of its approval of such amendment to the Rules and Regulations.

Approved unanimously.

At this point Messrs. Leonard, Director, Division of Bank Operations; Sloan, Director, Division of Examinations; and Solomon, Assistant General Counsel, entered the room.

Consideration was given to a memorandum from Mr. Leonard dated July 21, 1955, discussing the name that should appear on Federal Reserve Bank branch buildings. The memorandum, which had been circulated to the members of the Board, pointed out that although the name of a parent Federal Reserve Bank is prescribed by the Federal Reserve Act and must include the city in which the Bank is located, there is no provision in the law as to the name of a Reserve Bank branch. Moreover, although the Board's regulations relating to Reserve Bank branches provide that the branch shall
include in its title the name of the city in which it is situated and the name of the Reserve Bank of which it is a branch, the regulations are silent concerning the inscription which shall appear on a branch building. Since the principal purpose of such an inscription is for identification, the memorandum suggested that there would seem to be no compelling reason for using the full name of the branch. In the circumstances, it was proposed that the names appearing on new branch buildings might be shortened so as not to include the head office city and that this would be an appropriate time for the Board to consider the matter in view of the substantial number of branch building programs now under way or under consideration.

Governor Mills suggested caution in changing the existing practice, bringing out that the matter might not be of sufficient importance to warrant a break with tradition. Other members of the Board, however, saw definite advantages in any move which would be in the area of enhancing the prestige of Reserve Bank branches in their respective communities and giving the branch boards of directors a greater sense of responsibility in the management of Reserve Bank affairs. At the same time, it was felt that any change in the usual form of inscription on branch buildings should be permissive and that the final decision in any case should be left to the judgment of the Reserve Bank and branch directors.

Following further discussion, the suggestion was made that the staff be requested to draft a letter to the Federal Reserve Banks calling attention to the lack of necessity for having the full title of a branch on its
building and indicating that the Board was writing on the matter in view of the number of current and prospective building programs.

It was agreed that such a letter should be drafted for the Board's consideration.

Mr. Leonard then withdrew from the meeting.

Copies of the following draft of letter to Mr. Roger W. Jones, Assistant Director, Legislative Reference, Bureau of the Budget, had been sent to the members of the Board prior to this meeting:

This is in response to your request of August 1, 1955, for the views of the Board on the enrolled enactment, S. 1187, which amends section 5221 of the Revised Statutes, relating to voluntary liquidation of national banks.

In addition to a clarifying amendment and the deletion of an obsolete provision, the effect of S. 1187 would be to eliminate the requirement that notice of the pending liquidation be published in a New York City newspaper. The publication of such notice in a local newspaper would continue to be required.

You are advised that the Board of Governors favors this legislation.

The letter was approved unanimously.

Chairman Martin summarized the comments made by Governor Vardaman at the meeting on July 27, 1955, with reference to the request of The Bank of Tokyo of California, San Francisco, California, for permission to establish a branch at Gardena, California.

Governor Robertson expressed the opinion that the burden of primary responsibility from the standpoint of the security problem would appear
to rest with the State banking authorities and the Department of State. Since the California State banking authorities had acted favorably on the branch application, the Board had obtained the views of the State Department, and there seemed to be no objection to establishing the branch at Gardena from a banking point of view, it was Governor Robertson's feeling that it would be difficult for the Board to find a basis on which to decline the application.

Governor Mills stated that his views were along the lines of those expressed by Governor Robertson.

Thereupon, unanimous approval was given to a letter to the Board of Directors, The Bank of Tokyo of California, San Francisco, California, reading as follows, for transmittal through the Federal Reserve Bank of San Francisco:

The Board of Governors approves the establishment of a branch by The Bank of Tokyo of California, San Francisco, California, at 15433 South Western Avenue, Gardena, California, provided the branch is established within six months from the date of this letter.

The Secretary reported that an application had been received from The Sumitomo Bank (California), also of San Francisco, California, for permission to establish a branch at Sacramento, and he inquired whether it was the Board's desire to obtain the views of the State Department with respect to this application.

It was agreed that an appropriate letter should be sent to the Secretary of State over the signature of Chairman Martin.
There had been sent to the members of the Board copies of a memorandum prepared by Mr. Solomon under date of July 26, 1955, concerning a suit brought by Mr. Meyer Field of Chicago, Illinois, seeking to have set aside Mr. Field's sale of shares of capital stock in the North Shore National Bank of Chicago to certain named defendants. Several members of the Board and the Board's staff had received from Mr. Field copies of a letter concerning the suit which he sent to the Comptroller of the Currency and copies of the complaint filed by Mr. Field.

Mr. Solomon commented on the matter and reiterated the view stated in his memorandum that neither the Board nor the Federal Reserve Bank of Chicago would seem to have any direct interest in the suit, at least at this time. He suggested, therefore, that no action be taken except to acknowledge the letters received at the Board and to send a copy of the acknowledgment to the President of the Federal Reserve Bank of Chicago.

The suggestion made by Mr. Solomon was approved unanimously.

Mr. Sloan then withdrew from the meeting.

Consideration was given to a memorandum regarding the 1956 Survey of Consumer Finances which was submitted by Mr. Young and Mr. Jones, Chief, Consumer Credit and Finances Section, Division of Research and Statistics, under date of July 28, 1955. The memorandum, copies of which had been sent to the members of the Board, recommended that the staff be authorized to enter into a contract with the Survey Research Center of the University
of Michigan for continuation of consumer finances work in 1956, with the understanding that the budget provision would be the same as in 1955, namely $150,000, and that this amount would be incorporated in the budget of the Division of Research and Statistics. The memorandum then commented on recommendations with respect to consumer survey work which were contained in the reports rendered by the consultant groups on consumer expectations and savings statistics that were organized by the Board in pursuance of the request of the Congressional Joint Subcommittee on Economic Statistics. In view of those recommendations, the memorandum suggested that the Division of Research and Statistics be instructed to consider various possible approaches to the survey work and to make recommendations regarding a longer-range survey program. In this connection, the desirability was suggested of providing an amount of $5,000 to obtain the services of a small group of consultants whom the Board might call upon from time to time. Because of further recommendations having to do with analysis, testing, and methodological research to improve the reliability and usefulness of survey results, the memorandum suggested that the Board might wish to authorize the employment of one additional staff member and to authorize a fund of $20,000 to finance small scale field studies.

In discussing the memorandum, Mr. Young said that it seemed important to go ahead with the 1956 Survey of Consumer Finances and also to provide for the retention of consultants in the manner described. The other suggestion, he said, was made on a very tentative basis. Although it would
be necessary to undertake analytical and methodological research at some time, there was a question whether such experimental work should be attempted at present or deferred until there had been an opportunity to review the findings of two consultant groups and work out a plan for a longer-range program in the area of consumer expectations. He went on to say that the consultant group on consumer expectations had withdrawn its report to add another chapter and make some modification of its recommendations so that a thorough study of the report would have to await its final submission. Also, hearings before the Congressional subcommittee were not scheduled until early October.

In a further discussion, particular attention was given to the question whether the arrangement with the University of Michigan Survey Research Center should be continued. It was pointed out that this method of conducting the consumer finances surveys seemed to be supported by the consultants' reports, that it was more economical than a program under which the System would conduct the surveys itself, and that it would seem well to perfect the surveys before giving consideration to a change in the manner of conducting them.

At the conclusion of the discussion, the procedures recommended in the memorandum from Messrs. Young and Jones were approved unanimously.

Minutes of actions taken by the Board of Governors of the Federal Reserve System on August 2, 1955, were approved unanimously.
The members of the staff then withdrew from the meeting and the Board went into executive session.

The Secretary later was informed by the Chairman that during the executive session further consideration was given to the changes in discount rates proposed by the Federal Reserve Banks of Boston, Cleveland, and Chicago, that unanimous approval was given to the motion made by Governor Robertson at the meeting on August 2, 1955, and that in order to carry that motion into effect approval was given to telegrams as follows, with the understanding that advice would be sent by telegram to the Presidents of all Federal Reserve Banks and the Vice Presidents in charge of Reserve Bank branches, that the usual brief statement for the press would be issued in a form which would emphasize that the Board had approved rates established by the boards of directors of the respective Banks, and that a notice would be sent to the Federal Register:

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

Reurtel July 27. Board approves effective August 4, 1955, rates of 2-1/4 per cent on discounts for and advances to member banks under Sections 13 and 13a, and 2-3/4 per cent on advances to member banks under Section 10(b). Otherwise, Board approves establishment by your Bank, without change, of rates of discount and purchase in Bank's existing schedule. Board's announcement on change in discount rate is being handed to Press at 4:30 p.m. EDT today for immediate release.

To Mr. Dawes, Vice President, Federal Reserve Bank of Chicago

Reurtel July 28. Board approves effective August 4, 1955, rates of 2 per cent on discounts for and advances to member banks under Sections 13 and 13a, and 2-1/2 per cent
on advances to member banks under Section 10(b). Otherwise, Board approves establishment by your Bank, without change, of rates of discount and purchase in Bank's existing schedule. Board’s announcement on change in discount rate is being handed to Press at 4:30 p.m. EDT today for immediate release.

To Mr. Erickson, President, Federal Reserve Bank of Boston

Reurtel August 1. Board approves effective August 4, 1955, rates of 2 per cent on discounts for and advances to member banks under Sections 13 and 13a, and 2-1/2 per cent on advances to member banks under Section 10(b). Otherwise, Board approves establishment by your Bank, without change, of rates of discount and purchase in Bank's existing schedule. Board's announcement on change in discount rate is being handed to Press at 4:30 p.m. EDT today for immediate release.

The Secretary also was informed that during the executive session the Board authorized telegrams to the Federal Reserve Banks listed below approving the establishment without change, on the dates indicated, of the rates of discount and purchase in their existing schedules:

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<tr>
<th>City</th>
<th>Date</th>
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<tbody>
<tr>
<td>St. Louis</td>
<td>July 25</td>
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<tr>
<td>New York</td>
<td>July 28</td>
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<tr>
<td>Richmond</td>
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<td>Minneapolis</td>
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<td>Kansas City</td>
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<td>Dallas</td>
<td>July 28</td>
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The Secretary also was informed that in taking the foregoing actions the Board agreed that if advice should be received from any other Federal Reserve Bank that its directors had acted to establish a rate of 2 per cent or 2-1/4 per cent on discounts for and advances to member banks under sections
13 and 13(a), and other appropriate rates of discount and purchase, the Reserve Bank should be advised that the Board approved the establishment of such rates, a press statement in the usual form should be issued, telegraphic advice should be sent to all Federal Reserve Banks and branches, and a notice should be sent to the Federal Register.

Secretary's Note: Pursuant to the foregoing action, the following telegram was sent today to Mr. Bryan, President, Federal Reserve Bank of Atlanta:

Reurte August 3. Board approves effective August 4, 1955, rates of 2 per cent on discounts for and advances to member banks under sections 13 and 13a, and 2-1/2 per cent on advances to member banks under section 10(b). Otherwise, Board approves establishment by your Bank, without change, of rates of discount and purchase in Bank's existing schedule. Board's announcement on change in discount rate is being handed to press at 4:30 p.m. EDT today for immediate release.

The meeting then adjourned.