

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, September 14, 1955. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Assistant Secretary
 Mr. Kenyon, Assistant Secretary
 Mr. Vest, General Counsel
 Mr. Marget, Director, Division of International Finance
 Mr. Sloan, Director, Division of Examinations
 Mr. Hackley, Assistant General Counsel
 Mr. Goodman, Assistant Director, Division of Examinations
 Mr. Shay, Assistant Counsel
 Mr. Tamagna, Chief, Financial Operations and Policy Section, Division of International Finance

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 August 30, 1955, the Board approves the appointment of Joseph Frank Fortune and Samuel Franklin Morast, Jr., as assistant examiners for the Federal Reserve Bank of Atlanta. If the appointments are not made effective September 12, 1955, as planned, please advise us.

It is understood that Mr. Morast's father is Senior Vice President and Director of The Hamilton National Bank

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of Chattanooga, Chattanooga, Tennessee, and Executive Vice President and Director of Hamilton National Associates, Inc., Chattanooga. Accordingly, the Board's approval of the appointment of Mr. Morast is given with the understanding that he will not participate in any examination of The Hamilton National Bank of Chattanooga, Hamilton National Associates, Inc., or any bank or other organization in the Hamilton National group so long as his father is an officer or director of the national bank, the holding company, or any bank or other organization in the group.

Approved unanimously.

Memorandum dated September 1, 1955, from Mr. Leonard, Director, Division of Bank Operations, recommending that Harold F. Stone, Analyst in that Division, be designated to serve as witness, with F. A. Walker, Supervisor, Settlement and Currency Section, as alternate, in connection with the mutilation of signature plates used by officers of the Federal Reserve Banks in signing checks drawn in their capacity as fiscal agents of the United States.

Approved unanimously.

The following requests for travel authorization were presented:

Mr. Bethea, Director, Division of Administrative Services. To travel to Boston, Massachusetts, October 4-7, 1955, to attend a meeting of the Presidents' Conference Subcommittee on Cash, Leased Wire, and Sundry Operations.

Mr. Sprecher, Assistant Director, Division of Personnel Administration. To travel to Atlanta, Georgia, and St. Louis, Missouri, during the period September 25-30, 1955, to review the personnel function at the Federal Reserve Banks of Atlanta and St. Louis and to attend a meeting of the Retirement Committee of the Retirement System of the Federal Reserve Banks.

Approved unanimously.

Pursuant to the understanding at the meeting of the Board yesterday, there had been prepared and sent to the members of the Board a revised draft of letter to Senator Scott of North Carolina relating

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to his inquiry concerning member bank participation in the proposed Business Development Corporation of North Carolina.

Following a review of the draft, during which certain minor changes in language were agreed upon, it was understood that another draft reflecting these changes would be prepared and that copies thereof would be distributed at a meeting tomorrow to be attended by members of the Board's staff and representatives of those Federal Reserve Banks which had indicated an interest in discussing the subject of business development corporations. (The staff meeting had been arranged pursuant to the request made by the Board at the meeting on September 9, 1955.) It was also understood that the draft of letter would be considered further at the meeting on Friday, September 16, in the light of such views as might be expressed by the Reserve Bank representatives.

Mr. Hackley then withdrew from the meeting.

Reference was made to the preliminary discussion at yesterday's meeting of the Board concerning the request of The Pennsylvania Company for Banking and Trusts, Philadelphia, Pennsylvania, for permission to establish branches at the locations of the present offices of The First National Bank of Philadelphia incident to the proposed merger of the two institutions.

Mr. Sherman reported that he had communicated with Mr. William L. Day, Chairman of The Pennsylvania Company for Banking and Trusts, who

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advised that his institution received an acknowledgment from the Department of Justice under date of August 30, 1955, concerning the information which had been submitted at the Department's request on August 19, 1955. He said that Mr. Day offered to send to the Philadelphia Reserve Bank, for transmittal to the Board, copies of the correspondence with the Department of Justice. Mr. Day also stated that in his opinion it was quite possible that nothing more would be heard unless the Justice Department took an adverse view of the proposed merger.

Governor Robertson stated that, in the circumstances, The Pennsylvania Company for Banking and Trusts apparently was not in a position to ask the Department of Justice for further comments regarding the matter. In view of the information furnished by Mr. Day, he felt that the Board should act on the case on its merits, and he recommended that the request of the applicant institution be approved by the Board.

Thereupon, unanimous approval was given to a letter to the Board of Directors, The Pennsylvania Company for Banking and Trusts, Philadelphia, Pennsylvania, reading as follows, for transmittal through the Federal Reserve Bank of Philadelphia:

Pursuant to your request submitted through the Federal Reserve Bank of Philadelphia, the Board of Governors of the Federal Reserve System approves the establishment by The Pennsylvania Company for Banking and Trusts, Philadelphia, Pennsylvania, of branches at the northeast corner Fifteenth and Walnut Streets, 311-19 Chestnut Street, and the southeast corner Thirty-second and Market Streets, all in Philadelphia, Pennsylvania, in connection with the merger of The First National Bank of Philadelphia, with and into The Pennsylvania Company for Banking and Trusts, provided the branches are established within six months from the date of this letter.

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During the foregoing discussion Mr. Hexter, Assistant General Counsel, entered the room.

Further consideration was given to the proposal of International Banking Corporation, New York, New York, to acquire the stock of the Bank of Monrovia, a newly-chartered corporation organized under the laws of the Republic of Liberia to take over the business of the Bank of Monrovia, Inc., as of the close of business September 15, 1955.

Following the preliminary discussion of this matter at yesterday's meeting of the Board, Mr. Goodman prepared and sent to the members of the Board a memorandum dated September 13, 1955, recommending that the Board advise International Banking Corporation that no objection would be interposed to the proposed acquisition of the capital stock of the Bank of Monrovia but that the charter of the new Liberian bank contained extremely broad corporate powers going far beyond those considered by the Board of Governors as appropriate for a foreign banking corporation. Accordingly, the Corporation would be informed that the Board proposed to amend the agreement between the Board and the Corporation to require that the Corporation not undertake any action through a subsidiary which it could not undertake itself under the terms of the agreement. The memorandum further recommended informing the Corporation that the effect of the proposed revision of the agreement would be that, except with the Board's prior consent, the Liberian subsidiary would not transact or engage in

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any business in the United States, would not purchase or hold any stock or other certificates of ownership of any organization doing business in the United States, would exercise only such powers and do only such things as were incidental to business conducted in the countries and dependencies in which it might transact business, and would not hereafter establish any additional branches or agencies in Liberia or elsewhere. Attached to the memorandum was a suggested letter to the International Banking Corporation reflecting these recommendations.

Governor Szymczak stated that with the submission of Mr. Goodman's memorandum the Board now had before it two alternative courses of action, namely, the possibility of advising International Banking Corporation that the Board intended to amend the agreement under which the Corporation operates pursuant to the provisions of section 25 of the Federal Reserve Act, or the possibility, as suggested in Mr. Shay's memorandum which was discussed yesterday, of advising the Corporation that the Board would have no objection to the proposed transaction subject to certain provisions. In this connection, he referred to the fact that the proposed revision of the Board's Regulation K, Banking Corporations Authorized to Do Foreign Banking Business under the Terms of Section 25(a) of the Federal Reserve Act, would bring all corporations now operating under agreements pursuant to section 25 under the substantive provisions of that regulation. For this reason, he suggested that if the Board should decide to act along

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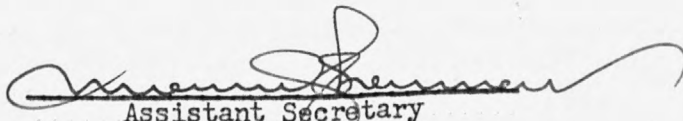
the lines recommended by Mr. Goodman, it might wish to defer any actual revision of the agreement with International Banking Corporation until it acted on Regulation K.

There followed some discussion of the alternative courses of action and of various aspects of International Banking Corporation's proposal following which Governor Robertson suggested how he felt that the letter proposed by the Legal Division and the letter proposed by Mr. Goodman might be combined so that the essential points contained in each would be retained. Other minor changes were suggested for incorporation in a revised draft such as proposed by Governor Robertson.

At the conclusion of the discussion, it was agreed that another draft of letter to International Banking Corporation would be prepared for consideration at the meeting of the Board tomorrow.

Minutes of actions taken by the Board of Governors of the Federal Reserve System on September 13, 1955, were approved unanimously.

The meeting then adjourned.


Assistant Secretary