

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, November 28, 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. Carpenter, Secretary
 Mr. Kenyon, Assistant Secretary
 Mr. Vest, General Counsel

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 that the basic annual salaries of the following employees be increased in the amounts indicated, effective December 4, 1955:

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
	<u>Research and Statistics</u>		
Dorothy A. Culbertson, Clerk		\$3,840	\$3,925
Alice Swindlehurst, Statistical Assistant		5,200	5,335
	<u>Administrative Services</u>		
William R. McDonald, Clerk		3,755	3,840
Samie Reed, Laborer		3,340	3,425

Approved unanimously.

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

In accordance with the request contained in your letter of November 16, 1955, the Board approves the appointments of John C. Blake and William C. Reddick, Jr. as examiners for the Federal Reserve Bank of Dallas effective December 1, 1955.

It is noted that Mr. Blake is indebted to The Love Field State Bank, Dallas, Texas, a non-member bank, in the amount of \$200. It is assumed that he will not be authorized to participate in any examination of the bank until his loan has been liquidated or otherwise eliminated.

Approved unanimously.

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

Reference is made to your letter of November 14, 1955, transmitting the request of The Connecticut Bank and Trust Company, Hartford, Connecticut, for an extension of time within which to establish a branch at 809 Main Street, Town of East Hartford, Connecticut.

After consideration of the information submitted, the Board of Governors concurs in your recommendation and extends to February 15, 1956, the time within which The Connecticut Bank and Trust Company may establish the above described branch.

Reference is made to your letter of November 14, 1955, transmitting the request of The Waterbury Trust Company, Waterbury, Connecticut, for an extension of time within which to establish a branch on a part of a property presently used for the railroad station in Waterbury.

After consideration of the information submitted, the Board of Governors concurs in your recommendation and

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extends to July 23, 1956, the time within which The Waterbury Trust Company may establish the above branch.

Reference is made to your letter of November 7, 1955, submitting the request of the Rhode Island Hospital Trust Company, Providence, Rhode Island, for an extension of time within which to establish a branch at the corner of Park and Reservoir Avenues in Cranston, Rhode Island.

After considering the information submitted, the Board of Governors concurs in your recommendation and extends to February 29, 1956, the time within which the Rhode Island Hospital Trust Company may establish the aforementioned branch as originally approved in the Board's letter of November 30, 1954.

Approved unanimously.

Letter to Mr. Heflin, Vice President and General Counsel, Federal Reserve Bank of Richmond, reading as follows:

Reference is made to your letter of November 15, 1955, submitting the request of The Fidelity Bank, Durham, North Carolina, for approval under Section 24A of the Federal Reserve Act, of an additional investment of \$8,250 in bank premises in order to improve the parking facilities at its West Durham branch.

After consideration of the available information, the Board concurs in the recommendation of the Reserve Bank and approves the additional investment of \$8,250 in bank premises by The Fidelity Bank, Durham, North Carolina. It is assumed that the bank will continue a satisfactory program of depreciating fixed assets.

Approved unanimously.

Letter to the Board of Directors, Florida Bank and Trust Company, Winter Park, Florida, reading as follows:

The Board of Governors of the Federal Reserve System has given consideration to the application for permission

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to exercise fiduciary powers made by you on behalf of the First National Bank at Winter Park, Winter Park, Florida, the national bank into which the Florida Bank and Trust Company, Winter Park, Florida, is to be converted, and grants such national bank authority, effective if and when it is authorized by the Comptroller of the Currency to commence business, to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, 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 Florida. The exercise of all such rights shall be subject to the provisions of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System.

After the conversion of the Florida Bank and Trust Company into the First National Bank at Winter Park becomes effective and the Comptroller of the Currency authorizes the national bank to commence business, you are requested to have the board of directors of the national bank adopt a resolution ratifying your application for permission to exercise fiduciary powers, and a certified copy of the resolution so adopted should be forwarded to the Federal Reserve Bank of Atlanta for transmittal to the Board for its records. When a copy of such resolution has been received by the Board, a formal certificate covering the national bank's authority to exercise trust powers will be forwarded.

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

Letter to the Board of Directors, Old Kent Bank, Grand Rapids, Michigan, reading as follows:

Pursuant to your request submitted through the Federal Reserve Bank of Chicago, the Board of Governors approves the establishment of a branch by the Old Kent Bank on Lake Michigan Drive between Kinney and Kenowa Avenues

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in Standale, Walker Township, Kent County, Michigan, provided the branch is established within six months from the date of this letter.

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

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

Reference is made to your letter of November 10, 1955, submitting the letter of the Security State Bank, Fredericksburg, Texas, dated November 9, 1955, in which the member bank proposes to correct an existing violation of Section 24A of the Federal Reserve Act by declaration of a 100 per cent stock dividend. While such an action would provide capital in an amount greater than the present book value of the bank premises, such action would not correct the existing violation of Section 24A.

In this case it appears that the member bank had invested more than the amount of its capital stock in bank premises before any application for approval of such a program was submitted to the Board of Governors. Needless to say, it is desirable, wherever possible, for the approval of the Board to be obtained before a member bank purchases or erects bank premises that require an investment in excess of its capital stock. This is desirable not only in order to prevent the member bank from violating (even temporarily) the provisions of Section 24A, but also in order to permit the Board to consider the application in the status of a proposal rather than an accomplished fact that would be quite difficult to undo in the event the Board's conclusion was unfavorable.

In view of the action contemplated by the State member bank, the Board hereby approves, under the requirements of Section 24A, the investment of \$72,000 in bank premises.

Approved unanimously.

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

Reference is made to your letter of November 1, 1955, and related enclosures concerning the proposed withdrawal from membership in the Federal Reserve System of the Del Rio Bank & Trust Company, Del Rio, Texas.

As requested, the Board of Governors waives the requirement of six months' notice of withdrawal. Accordingly, upon surrender of the Federal Reserve stock issued to the Del Rio Bank & Trust Company, you are authorized to cancel such stock and make appropriate refund thereon. Under the provisions of Section 10(c) of Regulation H, as amended effective September 1, 1952, the bank may accomplish termination of its membership at any time within eight months after notice of intention to withdraw is given. Please advise when cancellation is effected and refund is made.

The certificate of membership issued to the bank should be obtained, if possible, and forwarded to the Board. The State banking authorities should be advised of the bank's proposed withdrawal from membership and the date such withdrawal becomes effective.

Approved unanimously, together with the following letter to The Honorable H. E. Cook, Chairman, Federal Deposit Insurance Corporation, Washington, D. C.:

Reference is made to your letter of November 1, 1955, concerning the application of the Del Rio Bank & Trust Company, Del Rio, Texas, for continuance of deposit insurance after withdrawal from membership in the Federal Reserve System.

We have assigned a composite rating of "3" to this bank following each examination from and including one made as of July 6, 1953. We believe this rating would correspond roughly to your rating of "Other Problem." The rating results from a rather liberal loan policy and somewhat low capital to risk asset position. The loan policy,

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coupled with drought conditions in the bank's territory, has resulted in a volume of classified and specially mentioned loans which is considered much too large in relation to the capital structure. The Federal Reserve Bank of Dallas, in the course of its supervisory efforts, has urged the bank to adopt more conservative lending policies and to increase its capital. Additional capital funds ranging from \$50,000 to \$100,000 have been discussed at various times; and the bank advised our examiner the latter amount was under consideration at the time of our last examination, January 8, 1955.

No other corrective programs have been urged upon the bank, or agreed to by it, in connection with which the Board of Governors would consider it desirable to incorporate conditions with respect to continuance of insurance.

Letter to the Board of Directors, Nevada Bank of Commerce, Reno, Nevada, reading as follows:

Pursuant to your request submitted through the Federal Reserve Bank of San Francisco, the Board of Governors approves the establishment of a branch by Nevada Bank of Commerce at 533 North Virginia Street, Reno, Nevada, provided the branch is established within one year from the date of this letter.

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

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

Reference is made to your letter of November 7, 1955, and enclosures advising of the proposal of the American Trust Company, San Francisco, California, to remove its branch from 1906 Irving Street to a new location at 2300 - 2310 Irving Street in San Francisco.

It is noted that the distance involved in this change is only four blocks and that in your opinion it represents a mere relocation of an existing branch in the immediate

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neighborhood and will have no effect upon the nature of the business of the branch or customers served. Accordingly, we concur in your view that the approval of the Board of Governors is unnecessary.

In cases involving the removal of branches from one location to another we would be interested in having information regarding the location of competing banking facilities in the immediate area, if any, and whether they might be adversely affected.

Approved unanimously.

Letters to the Comptroller of the Currency, Treasury Department, Washington, D. C., reading as follows:

Reference is made to a letter from your office dated September 29, 1955, enclosing photostatic copies of an application to organize a national bank at Plant City, 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 generally favorable findings with respect to the factors usually considered in connection with such proposals, except that definite arrangements have not been made for operating management of the bank. It is assumed that provision will be made for experienced operating management satisfactory to your office and, therefore, 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.

Reference is made to a letter from your office dated August 26, 1955, enclosing photostatic copies of an application to organize a national bank at Naperville, Illinois,

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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 discloses fairly satisfactory findings with respect to the factors usually considered in connection with such proposals, except that the ability of the proposed executive officer to provide the necessary sound leadership is seriously questioned. The Board of Governors believes that favorable consideration may be given the application provided arrangements are made for executive management satisfactory to your office.

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.

✕ Letter to the Presidents of all Federal Reserve Banks except New York reading as follows:

In order to facilitate compliance with requests which are received periodically for technical assistance missions in the foreign area and in order to assure that consideration is given in such cases to the personnel resources of the Federal Reserve System as a whole, the Board wrote to each Federal Reserve Bank under date of August 21, 1950, requesting information about those officers and employees whose qualifications appeared to suit them for such assignments.

The replies to that letter, a copy of which is enclosed for your convenient reference, have been most helpful in selecting personnel for missions since that time. Inasmuch as there have been numerous personnel changes within the Federal Reserve System since 1950, along with changes in qualifications of individuals, it will be appreciated if you will send to the Board as soon as possible a new set of statements, in duplicate, for use in connection with future requests for technical assistance.

In preparing the statements it is suggested that consideration be given not only to economic research personnel

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but also to operating and other personnel, who are considered to have the background and versatility to cope with the variety of problems that might be encountered in the course of a mission, combined with competence in their own areas of responsibility. In addition to personnel who might be interested and available at the present time, please include persons likely to become available for foreign assignments of this kind within the next couple of years.

It should be emphasized that no commitment of your personnel for any foreign mission will be made without first discussing the matter with your Bank.

Approved unanimously, together with the following letter to Mr. Sproul, President, Federal Reserve Bank of New York:

Enclosed for your information is a copy of a letter which the Board is sending to the Presidents of the other Federal Reserve Banks, for the purpose of obtaining new statements regarding the qualifications of personnel who should be considered for future foreign missions.

A draft of this letter has been discussed with Mr. Kriz of your staff. In due course we expect to send to your Bank a duplicate set of the reports that we receive. X

Memorandum from Mr. Carpenter dated October 31, 1955, recommending that the Board authorize submission to the National Archivist of an attached request for destruction schedules with respect to certain Board records.

Approved unanimously.

There were presented telegrams to the Federal Reserve Banks listed hereinafter approving the establishment without change by those Banks on the dates indicated of the rates of discount and purchase in their existing schedules:

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Minneapolis	November 23 and 25
San Francisco	November 23
Dallas	November 25

Approved unanimously.

There was a brief discussion of 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. During this discussion, Governor Szymczak reviewed the steps that had been taken to appraise the comments and suggestions received from Edge corporations, agreement corporations, and Federal Reserve Banks following transmittal to them of a draft of revised regulation in July 1955. He also stated that it was hoped to have further staff material distributed to the members of the Board later this week, that there were several policy questions which the Board would have to resolve, and that one possibility would be to have the Board name an ad hoc committee of its members to give further study to these matters and make recommendations to the Board.

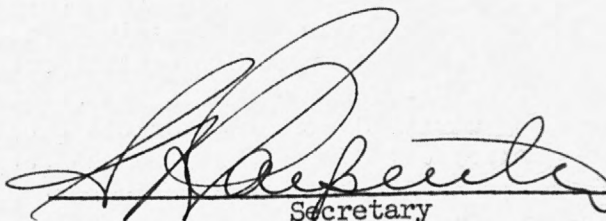
Governor Robertson recalled that the work of the special System committee with regard to the revision of Regulation K also suggested the possibility of certain legislative changes to broaden the powers of American banks and their branches in respect to foreign operations. He suggested that study might be given to the desirability of legislative recommendations in advance of final action on a revision of Regulation K

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so that such recommendations could be submitted early in the next session of Congress.

Minutes of actions taken by the Board of Governors of the Federal Reserve System on November 23, 1955, were approved unanimously.

The meeting then adjourned.


Secretary