

Minutes for January 25, 1956

To: Members of the Board

From: Office of the Secretary

Attached is a copy of the minutes of the Board of Governors of the Federal Reserve System on the above date.

It is not proposed to include a statement with respect to any of the entries in this set of minutes in the record of policy actions required to be maintained pursuant to section 10 of the Federal Reserve Act.

Should you have any question with regard to the minutes, it will be appreciated if you will advise the Secretary's Office. Otherwise, if you were present at the meeting, please initial in column A below to indicate that you approve the minutes. If you were not present, please initial in column B below to indicate that you have seen the minutes.

	A	B
Chm. Martin	x <u><i>M</i></u>	_____
Gov. Szymczak	x <u><i>MS</i></u>	_____
Gov. Vardaman	x _____	_____
Gov. Mills	x <u><i>[Signature]</i></u>	_____
Gov. Robertson	x <u><i>R</i></u>	_____
Gov. Balderston	x <u><i>CCB</i></u>	_____
Gov. Shepardson	x <u><i>[Signature]</i></u>	_____

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, January 25, 1956. 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. Vest, General Counsel  
 Mr. Sloan, Director, Division of Examinations  
 Mr. Hackley, Assistant General Counsel  
 Mr. Cherry, Legislative Counsel  
 Mr. Thompson, Supervisory Review Examiner, Division of Examinations

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 stated:

Memorandum dated January 17, 1956, from Mr. Sloan, Director, Division of Examinations, recommending the appointment of Harry G. Felix as Assistant Federal Reserve Examiner in that Division, with basic salary at the rate of \$3,670 per annum, effective as of the date on which he enters upon the performance of his duties.

Approved unanimously.

Memoranda from Mr. Bethea, Director, Division of Administrative Services, recommending increases in the basic annual salaries of the following employees in that Division, effective January 29, 1956:

<u>Date of memorandum</u>	<u>Name and title</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
1/11/56	Karl J. Steger, Steamfitter-Operating Engineer	\$4,355	\$4,560
1/12/56	Violet Herrmann, Cafeteria Helper	3,200	3,340

Approved unanimously.

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Memorandum dated January 11, 1956, from Mr. Bethea, Director, Division of Administrative Services, stating that the application of William S. Pool, Chief Telegraph Operator in that Division, for retirement under the Federal Reserve Retirement System has been approved, effective February 1, 1956.

Noted.

Memorandum dated January 12, 1956, from Mr. Young, Director, Division of Research and Statistics, submitting the request of Milton Moss, Economist in that Division, for permission to teach a course in statistics at American University one evening each week during the forthcoming Spring Semester, with salary in the amount of \$300.

Approved unanimously.

Letter to Mr. Newman, Vice President, Federal Reserve Bank of Chicago, reading as follows:

In reference to your letters of December 14, 1955, and December 21, 1955, the Board of Governors approves the payment of salaries by your Bank to incumbents of the within-named building maintenance positions at the following rates as of the dates shown:

<u>Title</u>	<u>Annual Salary Effective November 1, 1955</u>	<u>Annual Salary Effective November 1, 1956</u>
Window Washer	\$4,837.04	\$4,961.84

<u>Title</u>	<u>Annual Salary Effective January 2, 1956</u>
Head Electrician	\$7,176.00
Electrician	6,583.20

Approved unanimously.

Letter for the signature of Chairman Martin to Mr. G. Ted Cameron, President, Cameron Feed Mills, North Little Rock, Arkansas, reading as follows:

The Board accepts with regret your resignation as director of the Little Rock Branch of the Federal Reserve Bank of St. Louis as indicated in your letter of January 12.

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Your service as a director has been deeply appreciated, and we hope even in this brief period it will have given you a new insight into the role of the Federal Reserve System. We hope that your interest in the System and its work will continue. If at any time you have comments or suggestions to make regarding Federal Reserve activities, they will be most welcome.

Approved unanimously.

Letter to Mr. Woolley, Vice President, Federal Reserve Bank of Kansas City, reading as follows:

In accordance with the request contained in your letter of January 13, 1956, the Board approves the designation of the following employees as special assistant examiners for the Federal Reserve Bank of Kansas City for the purpose of participating in the examinations of Commerce Trust Company, Kansas City, Missouri and The International Trust Company, Denver, Colorado:

Ray Berry	Carl Griswold
Robert A. Brown	Lewis W. Smith
Perry Divalpine	R. LaVonne Cross
Norman Fortney	

Appropriate notations have been made in our records of the names to be deleted from the list of special assistant examiners.

Approved unanimously.

Letter to the Board of Directors, First Trust and Deposit Company, Syracuse, 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 First Trust and Deposit Company, Syracuse, New York, at 223-235 East Genesee Street, Syracuse, New York, provided the branch is established within one year from the date of this letter and approval of State authorities is effective as of the date the branch is established.

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



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Letter to the Board of Directors, The Citizens Bank, Oneonta, Alabama, reading as follows:

This refers to your request for permission, under applicable provisions of your condition of membership numbered 1, to exercise statutory fiduciary powers, limited, however, to a specific appointment.

Following consideration of the information submitted, the Board of Governors of the Federal Reserve System grants permission to The Citizens Bank, Oneonta, Alabama, to act as successor-executor under the will of W. T. Buckner, deceased, with the understanding that it will not accept any other fiduciary appointments without first obtaining the permission of the Board.

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

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

Pursuant to your request submitted through the Federal Reserve Bank of Chicago, the Board of Governors of the Federal Reserve System approves the establishment of a branch at the northwest corner of Cherry Street and College Avenue, Grand Rapids, Michigan, by Central Bank, provided the branch is established within nine months from the date of this letter, and approval of the State authorities is effective as of the date the branch is established.

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

Letter to the Presidents of all Federal Reserve Banks reading as follows:

This refers to the Board's letter of November 1, 1955 requesting comments on proposed new reports of borrowings of individual member banks.

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All of the Federal Reserve Banks indicated that the data called for by the weekly and semimonthly report forms are readily available in one form or other. The time in which the reports could be submitted was estimated at from one day to ten days. Two Banks suggested that it would be somewhat preferable to report average required reserves, rather than average reserves, for comparison with borrowings, and three others questioned the use of average reserves without adjustment; a number of Banks suggested that the member banks be listed alphabetically rather than by size; and three pointed out that the data requested in the proposed semiannual report could be compiled for future periods at the Board's offices from the weekly and semimonthly reports.

The report forms have been changed to provide for the listing of member banks alphabetically by States and cities, and for the use of average required reserves of the previous reserve computation period, instead of average reserves of the current period, in computing percentages of borrowings. The figures of required reserves for the previous period presumably will be available for every member bank at the time that the new reports are being compiled, thereby expediting completion and submission of the new reports. This is an important consideration since, to be most useful, the reports should be as current as possible.

A copy of each of the revised report forms (F.R. 527 (a), (b), (c), (d), and (e)) is attached; a supply is being sent to you under separate cover. It will be appreciated if you will furnish the weekly reports beginning with the week ended January 4, 1956, and the semimonthly reports beginning with the first half of January, as soon as practicable. The semiannual reports on form F. R. 527 (e) may be submitted later. Semiannual reports covering future periods are not now contemplated.

One of the Reserve Banks raised the question whether the proposed reports contemplated qualitative analysis of individual Federal Reserve Bank actions. Inasmuch as three other Banks made comments on this point, a copy of the Board's reply to the Bank is enclosed.

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Schedules of bills discounted (form BD-4) should no longer be submitted to the Board. It is understood, however, that some of the Reserve Banks may continue to prepare these schedules for their own use, at least for the time being.

Approved unanimously.

Letter to Mr. Benjamin J. Klebaner, Assistant Professor of Economics, The City College, New York, New York, reading as follows:

This is in further response to your letter of December 20, 1955, in which you requested permission to examine the minutes of the regional committees established under the Voluntary Credit Restraint Program.

In view of the additional information supplied in your letter of January 9, 1956, the minutes of the regional committees will be made available for your inspection. You have indicated that you do not intend to identify borrowers and lending institutions and, as suggested by you, it is understood that the Board will be afforded an opportunity to examine the proposed article before it is submitted for publication. This does not mean, of course, that such an examination by the Board in any way constitutes an endorsement of the final article or the conclusions contained therein.

Perhaps you may wish first to examine the minutes of the New York regional committees, the originals of which are kept at the Federal Reserve Bank of New York. A copy of this letter is being sent to Vice President Phelan of the Federal Reserve Bank of New York and it is suggested that you contact him in order to make final arrangements to examine the minutes. Copies of the minutes of other regional committees are in the files of the Board of Governors here at Washington, and they will be made available to you upon reasonable notice.

Approved unanimously.

Pursuant to the understanding at an informal discussion of the Board in executive session on January 23, 1956, Governor Robertson sent to the other members of the Board copies of a memorandum listing certain



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non-tax amendments to S. 2577, the bank holding company bill, which it was understood that Senator Robertson intended to submit to the Banking and Currency Committee. Yesterday Chairman Martin received a letter dated January 23, 1956 from Senator Robertson of Virginia enclosing a list of the non-tax amendments. The letter also stated that on January 26 the Banking and Currency Committee would meet to consider certain proposed tax amendments to the bill and that, if the Board was in a position to support the non-tax amendments and then approve the bill as amended, Senator Robertson would be glad for Chairman Martin or another member of the Board to appear before the Committee on that day and make such a statement. Copies of Senator Robertson's letter had been sent to the members of the Board, together with a draft of reply which would state that if a member of the Board were called upon to testify before the Committee, it would not be possible for him to voice approval on behalf of the Board of the bill as amended, because some provisions would not be in accord with the views expressed on behalf of the Board by Chairman Martin and Governor Robertson in previous testimony on bank holding company legislation before the Senate and House Banking and Currency Committees. The proposed reply would go on to state, however, that since the Board had submitted its views and recommendations to the Congress, it was willing to abide by the determination of the Congress, realizing that it is impossible to get the full approval of everybody on a bill of this character.



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Governor Robertson said that he and members of the staff had reviewed the proposed non-tax amendments and saw no reason to object to any of them.

There ensued a discussion of the reply that should be made to Senator Robertson's letter during which agreement was expressed with Governor Robertson's position that in view of the testimony given on behalf of the Board on previous occasions, it would not be feasible for a member of the Board to testify before the Senate Banking and Currency Committee on January 26 and express the Board's approval of all of the features of bill S. 2577. It was suggested, on the other hand, that the Board should not make a reply to Senator Robertson which might impair the chances for enactment of holding company legislation.

At the conclusion of a discussion, during which several changes in the language of the proposed reply were suggested, unanimous approval was given to a letter for the signature of Chairman Martin to Senator Robertson reading as follows, subject to clearance with Governor Vardaman:

Our Board has reviewed the proposed non-tax technical amendments to S. 2577 which are outlined in the memorandum attached to your letter of January 23, and we are of the opinion that all of the proposed amendments are appropriate. We see no reason to object to any one of them, and if it would be of any assistance to you or your Committee, we would be very glad to have a member of our staff appear before your Committee on Thursday, January 26, to so state and to provide any additional assistance which you might request.

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As your letter indicates, even as amended there are some provisions in S. 2577 which are not in accord with the views expressed on behalf of the Board by Governor Robertson and myself in testimony before the Banking and Currency Committees of the House of Representatives and the Senate, and consequently, if a member of the Board were called upon to testify before your Committee on Thursday, it would not be possible for him to voice approval on behalf of the Board of all features of the bill as amended. However, as you point out, it is impossible to get the full approval of everybody on a bill of this character and we hope legislation, now long overdue, will be enacted by the Congress to deal with the problems in this field.

Secretary's Note: Governor Vardaman subsequently concurred in the letter. However, for the reasons stated at the meeting on January 26, the letter was not sent.

At this point Governor Vardaman joined the meeting.

Governor Robertson reported having been advised that the Office of the Comptroller of the Currency had under consideration an application for approval of a merger of the First National Bank of Arizona, Phoenix, Phoenix, Arizona (controlled by Transamerica Corporation) and Miners and Merchants Bank, Bisbee, Arizona. The question, he said, was whether the Board wished to recommend deferring approval of the merger in view of the factual investigation of the banking situation in Arizona which the Board recently requested the Federal Reserve Bank of San Francisco to undertake. He went on to say that the Comptroller's Office had stated that if the Board

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so recommended, the Office would postpone action on the merger. It was Governor Robertson's view that pending the outcome of the current investigation and a decision on whether any steps should be taken pursuant to the Clayton Act, it would be desirable that the proposed merger not be consummated.

Following a discussion of the reasons for and against recommending that approval of the proposed merger be deferred, during which it was stated that the Federal Reserve Bank of San Francisco was preparing to go forward promptly with the factual investigation of the banking situation in Arizona requested by the Board, Governor Robertson was authorized to advise the Office of the Comptroller of the Currency informally that in the Board's view it would be desirable to withhold approval of the merger pending the outcome of the current investigation.

The members of the staff then withdrew and the Board went into executive session.

The Secretary later was informed that during the executive session the Board took the following actions:

Chairman Martin having presented a letter dated January 20, 1956, from the Chairman of the Federal Reserve Bank of New York advising of the appointment of Mr. Allan Sproul as President and Mr. William F. Treiber as First Vice President of the Bank, each for a term of five years beginning March 1, 1956, the Board approved the

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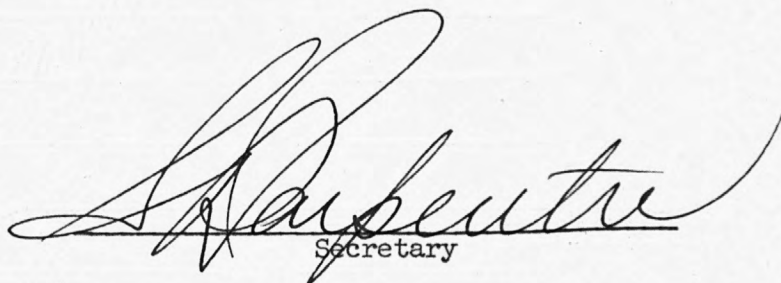
appointments. In accordance with this action, approval also was given to the following letter to Chairman Crane:

The Board of Governors has approved the appointment of Mr. Allan Sproul as President and Mr. William F. Treiber as First Vice President of the Federal Reserve Bank of New York, each for a term of five years beginning March 1, 1956, in accordance with the action taken by your Board of Directors as reported in your letter of January 20, 1956.

By unanimous vote the Board approved the transfer of Lewis N. Dembitz from the position of Assistant Director, Division of International Finance, to the position of Assistant Director, Division of Research and Statistics, with salary at the rate of \$13,750, effective January 29, 1956.

The meeting then adjourned.

- Gov. Martin
- Gov. Sproul
- Gov. Vandenberg
- Gov. Hill
- Gov. Boardman
- Gov. Goldwater
- Gov. Stevenson

  
Secretary