

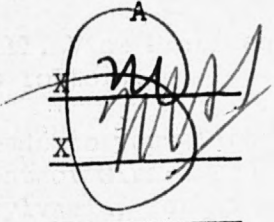
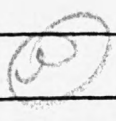
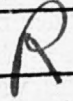
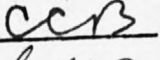
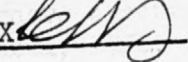
Minutes for April 27, 1956

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 	_____
Gov. Szymczak	X _____	_____
Gov. Vardaman	_____	X 
Gov. Mills	X _____	_____
Gov. Robertson	X 	_____
Gov. Balderston	X 	_____
Gov. Shepardson	X 	_____

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, April 27, 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. Sherman, Assistant Secretary
Mr. Kenyon, Assistant Secretary
Mr. Leonard, Director, Division of Bank Operations
Mr. Vest, General Counsel
Mr. Sloan, Director, Division of Examinations
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:

Letter to Mr. Hill, Vice President, Federal Reserve Bank of Philadelphia, reading as follows:

Reference is made to your letter of April 19, 1956, regarding the request of Girard Trust Corn Exchange Bank, Philadelphia, Pennsylvania, for an extension of time in which to establish an in-town branch to be located on Passyunk Avenue between 23rd and 24th Streets. It appears that the construction and alterations of the banking facilities for the proposed branch have been delayed and will not be ready for occupancy until approximately August 1, 1956.

The Board of Governors concurs in your recommendation and extends to September 1, 1956, the time within which the Girard Trust Corn Exchange Bank may establish the subject branch.

Approved unanimously.

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Letter to the Board of Directors, Wachovia Bank and Trust Company, Winston-Salem, North Carolina, reading as follows:

Pursuant to your request submitted through the Federal Reserve Bank of Richmond, the Board of Governors of the Federal Reserve System approves the establishment of a branch about seven-tenths of a mile northwest of Winston-Salem, North Carolina, in a shopping center on the campus of Wake Forest College, by Wachovia Bank and Trust Company, Winston-Salem, North Carolina, provided the branch is established within six months from the date of this letter and the approval of the State authorities is in effect as of the date the branch is established.

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

Letter to the Board of Directors, Trust Company of Georgia, Atlanta, Georgia, reading as follows:

Pursuant to your request submitted through the Federal Reserve Bank of Atlanta, 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 Trust Company of Georgia, Atlanta, Georgia, and East Atlanta Bank, Atlanta, Georgia, and approves the establishment of a branch of Trust Company of Georgia at 514 Flat Shoals Avenue, S. E., Atlanta, Georgia, provided (a) the proposed transaction is effected substantially in accordance with the agreement for merger dated April 12, 1956, and (b) the merger and establishment of the branch are accomplished within six months from the date of this letter.

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

A request had been received from the Comptroller of the Currency for a recommendation with respect to an application to organize a national bank in the vicinity of 50th Street and 34th Avenue South, Minneapolis,

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Minnesota, to be known as the Airport Northwestern National Bank of Minneapolis. Northwest Bancorporation, of Minneapolis, would own all of the stock of the proposed national bank except directors' qualifying shares.

Following receipt of a report of investigation by the Federal Reserve Bank of Minneapolis, which reflected generally satisfactory findings with respect to the factors usually considered in connection with such proposals, the Division of Examinations prepared a draft of reply to the Comptroller of the Currency which would recommend approval of the application provided arrangements were made for a capital structure satisfactory to the Comptroller's Office. The draft had been circulated to the members of the Board prior to this meeting along with a memorandum analyzing the position of Northwest Bancorporation in the banking field in the midwest area.

Yesterday a bill known as the Bank Holding Company Act of 1956, having passed the Senate and the House of Representatives, was sent to the President for signature. The enrolled bill, although cited as H.R. 6227, was an amended version of S. 2577, the bank holding company bill reported by the Senate Banking and Currency Committee. Among other things, it would require, with certain exceptions, the prior consent of the Board to any acquisition of bank shares or assets by a bank holding company, as defined in the bill. Northwest Bancorporation would fall within that definition.

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Governor Robertson stated that in view of the status of the bank holding company legislation the Board might wish to defer making a reply to the Comptroller of the Currency on the application to establish a national bank in Minneapolis.

In this connection, he reported having been advised informally that the Comptroller was inclined to withhold action on any applications for national bank charters where a holding company situation was involved until the President had acted on the enrolled bill. If the Comptroller did not approve this application until after the President signed the bill, he pointed out, the Board would have to make a decision under the provisions of the new law, prior to which it would have to obtain the Comptroller's views. He went on to say that a similar case, involving an application to organize a national bank in Hoyt Lakes, Minnesota, which likewise would be controlled by Northwest Bancorporation, was in process and would come before the Board within the next few days.

Mr. Vest suggested, as an alternative procedure, that the Board might send the proposed reply to the Comptroller, with language added which would state that the reply was made with the understanding that the recommendation would in no way preclude the Board from taking any position which it felt would be appropriate should it be called upon to act in any matter involving this bank under the Bank Holding Company Act of 1956. In this way, he said, the Board could protect itself and

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yet not be subject to a charge that it had withheld its recommendation to the Comptroller in anticipation of the holding company legislation being enacted.

Further discussion of the matter brought out that the Comptroller's request for a recommendation in this case, and in the Hoyt Lakes case, had been received several weeks ago and had been functioned in the usual manner. In the circumstances, it was the consensus that, with the Bank Holding Company Act of 1956 not yet having become law, it would be appropriate to send the proposed letter to the Comptroller as a matter handled in the normal course of business, but with a caveat of the kind suggested by Mr. Vest.

Thereupon, unanimous approval was given to a letter to the Comptroller of the Currency in the following form:

Reference is made to a letter from your office dated March 16, 1956, enclosing photostatic copies of an application to organize a national bank in the vicinity of 50th Street and 34th Avenue South, Minneapolis, Minnesota, 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 a representative of the Federal Reserve Bank of Minneapolis indicates generally satisfactory findings with respect to the factors usually considered in connection with such proposals, except as to the adequacy of the proposed capital structure. Our informant is of the opinion that the proposed capital structure is somewhat low based upon the estimated volume of business available and the probable earnings retentions. The Board of Governors

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recommends approval of the application provided arrangements are made for a capital structure satisfactory to your office. It should be understood that this recommendation will in no way preclude the Board from taking any position which it feels would be appropriate if it should be called upon to act in any matter involving this bank under the Bank Holding Company Act of 1956 after it has become law.

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.

There were presented telegrams proposed to be sent to the following Federal Reserve Banks approving the establishment without change on the dates indicated of the rates of discount and purchase in their existing schedules:

Boston	April 23
Atlanta	April 23
St. Louis	April 23
San Francisco	April 25
New York	April 26
Philadelphia	April 26
Cleveland	April 26
Richmond	April 26
Minneapolis	April 26
Dallas	April 26

Approved unanimously.

In a letter dated April 19, 1956, Mr. Leedy, President of the Federal Reserve Bank of Kansas City, advised that the Bank's Executive Committee at a meeting that day authorized, subject to the approval of the Board of Governors, purchase of the fee to a tract of ground adjoining the Oklahoma City Branch building at a price not to exceed \$350,000, and

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purchase of the leasehold on such property, expiring April 20, 2050, at a price not to exceed \$175,000. The action also contemplated payment by the Bank of a real estate commission in the amount of \$10,000. The property in question consisted of four lots with a frontage of 100 feet and a depth of 140 feet, improved with a four-story building covering the front of the lots and an open-deck, three-level garage covering the balance of the lots. Mr. Leedy reported that the branch directors had previously made a recommendation that a new building be erected at another location but changed to the current recommendation after a check of member banks in Oklahoma City showed this plan to be favored almost unanimously.

A memorandum on the matter from Mr. Leonard, dated April 25, 1956, had been circulated to the members of the Board prior to this meeting. It suggested approval of a telegram to Mr. Leedy advising that the Board would interpose no objection to the proposed purchase.

Governor Robertson said that this was a matter on which there could well be differences of opinion, particularly in view of the alternatives available to the branch for expansion and the fact that the branch was not badly pressed for space at the present time. As he saw the situation, however, the facts were not sufficiently conclusive to warrant overriding the judgment of the head office and branch directors. Therefore, he felt that the Board should concur in the program, even though it might have some questions about the proposal.

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Mr. Leonard said that his feelings were along the lines of those expressed by Governor Robertson. He reviewed the discussion of the branch directors with member bankers in Oklahoma City and said that the only banker who questioned the program apparently was influenced by a belief that the price of the property was high. He pointed out that the branch building is well situated, being directly across the street from the Post Office.

In response to questions raised by Governor Balderston, Mr. Leonard said that, according to Mr. Leedy, it was the present intention of the Bank to use the parking garage for Bank purposes. He did not know whether the garage would be included as part of an eventual addition to the branch building, although it seemed doubtful that the construction was strong enough. The main idea of the Reserve Bank, he said, was to purchase a site for an addition, with the thought of writing off the cost of the existing improvements. Whether the present value of the garage would be chargeable against the current \$30 million statutory limitation on the cost of branch buildings allocable to "building proper" would appear to depend on developments, including the use made of the garage by the Reserve Bank.

On the latter point, Mr. Vest supplemented Mr. Leonard's comment by saying that if the garage were to be used for a relatively long period for branch operations, its cost probably would have to be charged

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to the \$30 million authorization. On the other hand, if the garage should be demolished shortly in connection with erecting an addition to the branch building, the cost probably should be regarded as part of the cost of the site.

At the conclusion of the discussion, unanimous approval was given to a telegram to President Leedy reading as follows:

Reurlet April 19. Board interposes no objection to purchase by your Bank of property, and leasehold thereon, adjoining Oklahoma City Branch building at a total price not to exceed \$525,000 and payment of \$10,000 real estate commission, as recommended by the Branch Directors and your Executive Committee.

Mr. Leonard then withdrew from the meeting.

There was a discussion at this point of personnel requirements incident to the duties and responsibilities of the Board should the Bank Holding Company Act of 1956 be signed by the President and become law. From preliminary conversations which Mr. Vest had had with General Counsel for the Federal Reserve Banks of New York and Chicago, it appeared that each of those Banks would consent to lend the Board a member of its legal staff for a temporary period. The arrangement would contemplate that the salary of the employee loaned would continue to be paid by the Reserve Bank, while the Board would reimburse the Bank for travel and other official expenses, including living accommodations in Washington and such trips between Washington and the employee's home city as might be appropriate.

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In addition, Mr. Sloan had discussed with four Federal Reserve Banks (Boston, Atlanta, Minneapolis, and San Francisco) the possibility of making similar arrangements for borrowing examining personnel, and the Banks had expressed willingness to cooperate.

Governor Robertson outlined the nature of the work on which the borrowed personnel would be asked to assist. He suggested that it would be advisable to complete the arrangements at the earliest possible date so that the Board might be in a position to undertake its duties and responsibilities expeditiously. After an initial period, he said, it would become more clear whether the Board's permanent staff would have to be augmented.

Governor Balderston suggested that the Board approve two additional budget positions not higher than Salary Group K for stenographic personnel who would perform work incident to enactment of the bank holding company legislation.

Chairman Martin then suggested that the Board authorize completion of the proposed arrangements for borrowing legal and examining personnel from the Federal Reserve Banks and that it also authorize the additional budget positions referred to by Governor Balderston.

Chairman Martin's suggestion was approved unanimously.

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Governor Mills inquired whether thought was being given to the answers that might be made in response to questions from the press regarding the Bank Holding Company Act of 1956.

Mr. Vest stated that Mr. Hackley was now preparing for the Board's consideration a draft of letter that might be sent to the Federal Reserve Banks. The letter would indicate that the necessary forms and regulations were being developed and would set forth in a general way the procedure to be followed pending the adoption of formal regulations. Mr. Hackley was also preparing, he said, a draft of possible press statement which would outline briefly the principal provisions of the holding company legislation in non-technical language. The statement would point out the nature of penalties for violation of the Act and state that the Board would be guided by the policies expressed in the law.

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

The Secretary's Office later was informed by the Chairman that the Board, having been advised of the resignation of Mr. Sproul as President of the Federal Reserve Bank of New York, effective June 30, 1956, approved unanimously letters to Mr. Schneider, Acting Chairman of the New York Bank, in the following form:

The Board of Governors approves the appointment of Mr. Alfred Hayes as President of the Federal Reserve Bank of New York, effective August 1, 1956, for the unexpired

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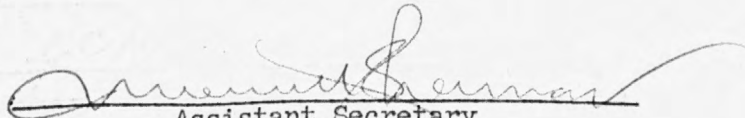
portion of the five-year term beginning March 1, 1956, and the payment of salary to Mr. Hayes for the period August 1, 1956 to December 31, 1956 at the rate of \$60,000 per annum, the rate fixed by the directors of the Bank as reported in your letter of April 26, 1956.

The Board of Governors approves the payment of salary to Mr. William F. Treiber, as First Vice President of the Federal Reserve Bank of New York, at the rate of \$35,000 per annum for the period May 1, 1956 to December 31, 1956, the rate fixed by the board of directors of your Bank as reported in your letter of April 26, 1956.

The meeting then adjourned.

Secretary's Note: Governor Balderston today approved on behalf of the Board the following letter to Mr. Wiltse, Vice President of the Federal Reserve Bank of New York:

In accordance with the request contained in your letter of April 23, 1956, the Board approves, effective today, the appointments of Edwin L. Breves and John J. Cooney as assistant examiners for the Federal Reserve Bank of New York.


Assistant Secretary