

Minutes for May 10, 1956.

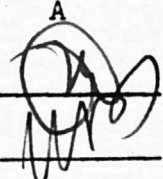
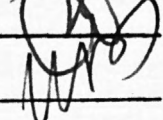
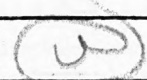
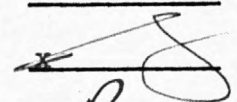
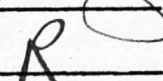
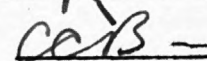
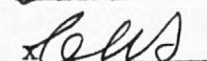
To: Members of the Board

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		

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, May 10, 1956. The Board met in the Board Room at 9:30 a.m.

PRESENT: Mr. Martin, Chairman
 Mr. Szymczak
 Mr. Mills
 Mr. Robertson
 Mr. Shepardson

Mr. Carpenter, Secretary
 Mr. Sherman, Assistant Secretary
 Mr. Kenyon, Assistant Secretary
 Mr. Sloan, Director, Division of Examinations
 Mr. Hexter, Assistant General Counsel
 Mr. Masters, Assistant Director, 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. Bilby, Vice President, Federal Reserve Bank of New York, reading as follows:

In accordance with your letter of April 26 to Mr. E. J. Johnson, Director of the Division of Personnel Administration, the Board of Governors interposes no objection to placing all employees in the Security Record Center at Ithaca, New York, under the salary structure applicable to the Buffalo Branch. It is noted that this fact will be indicated in the first-of-the-year report (Schedule A) to the Board of Governors.

Approved unanimously.

Letter to Mr. Johns, President, Federal Reserve Bank of St. Louis, reading as follows:

The Board of Governors approves the payment of salaries to the following officers of the Federal Reserve Bank

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of St. Louis for the period June 1, 1956, through December 31, 1956, at the rates indicated, which are the rates fixed by the Board of Directors as reported in your letter of April 13, 1956.

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
George E. Kroner	Vice President	\$13,500
Orville O. Wyrick	Chief Examiner	\$10,500

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 April 2, 1956, and its enclosures, concerning the proposal of The Chase Manhattan Bank, New York City, to grant to foreign banks participations in call loans to brokers or dealers subject to Regulation T.

Study of the proposal has indicated the need for additional information on certain aspects of the matter. Accordingly, it will be appreciated if you will forward the following questions to The Chase Manhattan Bank and ask that it furnish to the Board through your Bank the requested information.

(1) Presumably the loan of any broker or dealer participated under the proposal would be subject to an underlying loan agreement with Chase Manhattan. Kindly furnish a copy of the form of any such loan agreement and of any other papers relevant thereto, and please state all arrangements or understandings that would be in effect between Chase Manhattan and a broker or dealer whose loan might be participated. Among other things, please state and explain fully whether or not the borrowing broker could reasonably be expected to know of participations being granted to foreign banks in his loans.

(2) From the information submitted by Chase Manhattan's letter of March 14, 1956, some negotiations or arrangements between the bank and one or more foreign banks would seem

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likely prior to the actual participation of a call loan. Please state all arrangements or understandings that would be in effect between Chase Manhattan and the foreign bank and forward copies of any relevant papers. With respect to the arranging for the participations, the making of the loans to the brokers, and the granting of the participations, please explain what would be the contemplated order in which these would occur; the contemplated lapse of time, if any, between them; and any other relevant aspects.

(3) Please explain the respects in which the proposed participations would be similar to, and different from, cases in which Chase Manhattan would obtain funds by discounting or borrowing on call loans to brokers, would grant participations to a domestic bank in such call loans, or would join with or act for another lender in making such call loans.

(4) The Board will be glad to receive any supporting arguments in addition to those previously submitted as to why the proposed participations are not believed by Chase Manhattan to conflict with paragraph 7 of section 19 of the Federal Reserve Act or section 8(a) of the Securities Exchange Act of 1934 and section 5 of Regulation T.

It is hoped that the responses to the above questions, including any arguments of The Chase Manhattan Bank, will be given as fully as possible to aid the Board in its consideration of this matter. The Board will, of course, appreciate any comments that the Federal Reserve Bank may care to make on the responses made by Chase Manhattan to the questions.

Approved unanimously.

Letter to The First National City Bank of New York, New York, New York, reading as follows:

The Board of Governors of the Federal Reserve System authorizes The First National City Bank of New York, New York, New York, pursuant to the provisions of Section 25 of the Federal Reserve Act, to establish an additional branch in the City of Mayaguez, Puerto Rico, to be located at 57 East McKinley Street, and to operate and maintain such branch

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subject to the provisions of such Section; upon condition that, unless the branch is actually established and opened for business on or before December 31, 1956, all rights granted hereby shall be deemed to have been abandoned, and the authority hereby granted shall automatically terminate on such date.

It is understood, of course, that no change will be made in the location of such branch without the prior approval of the Board of Governors.

Approved unanimously, for transmittal through the Federal Reserve Bank of New York, with a copy to the Comptroller of the Currency and a letter of notification to the Secretary of the Treasury, Commonwealth of Puerto Rico.

Letter to Mr. Jesse W. Tapp, Chairman of the Board of Directors, Bank of America, New York, New York, reading as follows:

There are enclosed two copies of the report of examination of Bank of America, New York, New York, made as of December 30, 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 Mr. Henry A. J. Ralph, Vice President and Manager in charge of the Home Office.

After the report has been presented to your directors for their consideration, please advise the Board of Governors regarding the actions taken or contemplated with respect to the various comments, recommendations, and suggestions of the examiner, particularly as set forth in the letter of transmittal, pages 1-3; Examiner's Comments, pages 13-18; and Summary of Examiner's Classifications, page 19. With regard to Past Due Loans and Loans Subject to Classification, pages 45-49, information is requested as to any significant developments since the date of the examination, as well as the current status of such loans.

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Any other comments you may care to make with regard to the operations of the Bank as disclosed by the report of examination will be appreciated.

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

Letter to the Board of Directors, Rome Trust Company, Rome, 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 Rome Trust Company, Rome, New York, in the Mohawk Acres Shopping Center, located at the corner of Black River Boulevard and Chestnut Street, Rome, New York, provided the branch is established within one year 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 New York.

Letter to The Nanticoke National Bank, Nanticoke, Pennsylvania, reading as follows:

This refers to the resolution adopted on December 27, 1955, by the board of directors of your bank, signifying its desire to surrender the authority to exercise fiduciary powers heretofore granted by the Board of Governors of the Federal Reserve System.

The Board, understanding that your bank has been discharged or otherwise properly relieved in accordance with the law of all of its duties as fiduciary, has issued a formal certificate to the effect that The Nanticoke National Bank is no longer authorized to exercise any of the fiduciary powers covered by the provisions of section 11(k) of the Federal Reserve Act, as amended. This certificate is enclosed herewith.

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In this connection, your attention is called to the fact that, under the provisions of section 11(k) of the Federal Reserve Act, as amended, when such a certificate has been issued by the Board of Governors of the Federal Reserve System to a national bank, such bank (1) shall no longer be subject to the provisions of section 11(k) or the regulations of the Board of Governors of the Federal Reserve System made pursuant thereto, (2) shall be entitled to have returned to it any securities which it may have deposited with the State authorities for the protection of private or court trusts, and (3) shall not exercise thereafter any of the powers granted by the Board pursuant to the provisions of section 11(k) without first applying for and obtaining a new permit to exercise such powers.

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

Letter to the Board of Directors, Citizens Bank of Hattiesburg, Hattiesburg, Mississippi, reading as follows:

Pursuant to your request submitted through the Federal Reserve Bank of Atlanta, the Board of Governors of the Federal Reserve System approves the establishment of a branch by Citizens Bank of Hattiesburg, Mississippi, at about 1211 Corrine Street within the corporate limits of Hattiesburg, provided formal approval of the appropriate State authorities is obtained and the branch is established within six months from the date of this letter.

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

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

Reference is made to your letter of May 1, 1956, relating to the proposed merger of The Peoples Bank, Manchester, Michigan, and the Union Savings Bank of Manchester, Manchester, Michigan, both member banks, under the continuing charter and title of the Union Savings Bank of Manchester.

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From the information submitted, it appears that approval of the merger by the Board of Governors is not required.

Approved unanimously.

Letter to the Board of Directors, State Bank, Gladbrook, Iowa, 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.

Following consideration of the information submitted, the Board of Governors of the Federal Reserve System grants permission to the State Bank to exercise the fiduciary powers now or hereafter authorized under the terms of its charter and the laws of the State of Iowa.

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

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

Reference is made to your letter of April 24, 1956, and related enclosures concerning the proposed withdrawal from membership in the Federal Reserve System of The Helper State Bank, Helper, Utah.

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 Helper State Bank, you are authorized to cancel such stock and make appropriate refund thereof. 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

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State banking authorities should be advised of the bank's proposed withdrawal from membership and the date such withdrawal becomes effective.

Approved unanimously.

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

Reference is made to a letter from your office dated March 14, 1956, enclosing photostatic copies of an application to organize a national bank at Alamogordo, New Mexico, and requesting a recommendation as to whether or not the application should be approved.

A report of investigation of the application made by an examiner for the Federal Reserve Bank of Dallas discloses generally favorable findings with respect to the factors usually considered in connection with such proposals. Accordingly, 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.

Approved unanimously, with
a copy to the Federal Reserve
Bank of Dallas.

There had been circulated to the members of the Board a draft of letter to Mr. Malcolm I. Ruddock, of Cadwalader, Wickersham & Taft, New York, New York, prepared in response to his letter of April 27, 1956, inquiring as to the relationship between Regulation F, Trust Powers of National Banks, and the Statement of Principles of Trust Institutions which was adopted by the American Bankers Association in 1933 and is included as an appendix to Regulation F. Mr. Ruddock's letter referred

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particularly to a sentence from Article V of the Statement of Principles which states that "minimum fees in any community for trust services should be uniform and applied uniformly and impartially to all customers alike." It appeared that the use of this language had given rise to a question under the antitrust laws. The draft of reply would indicate that although in a footnote to section 6 of Regulation F, the Statement of Principles was commended to banks operating trust departments, it does not constitute a part of the regulation. It would also state that in bringing the Statement to the attention of banks the Board certainly did not intend to suggest any course of action that would be inconsistent with the antitrust laws.

With the draft of reply there had been circulated a memorandum from Mr. Sherman dated May 3, 1956, summarizing the circumstances under which the Statement of Principles of Trust Institutions came to be included as an appendix to Regulation F. In addition, there had been sent to the members of the Board copies of a memorandum from Mr. Masters dated May 8, 1956, regarding a telephone conversation which he had that day with Mr. Joseph H. Wolfe, Secretary of the Trust Division of the American Bankers Association, who indicated that the Association had received an inquiry from a New York attorney - apparently the same inquiry which had come to the Board - and expressed some concern about the problem which had been created by the language of Article V of the Statement of Principles.

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The memorandum from Mr. Masters described Mr. Wolfe's explanation of the background of the subject provision, including the fact that the words "in any community" were inserted in the Statement to effectuate the policy of Title One of the National Industrial Recovery Act. It appeared that the American Bankers Association intended to act immediately to amend the Statement of Principles to clarify its intent and eliminate the troublesome language, and it was understood that Mr. Masters would be advised when and in what form the action was taken. The memorandum also referred to the possibility of correcting existing supplies of Regulation F in the event of action by the American Bankers Association.

In a discussion of the matter, agreement was expressed with the substance of the proposed reply. Some question was raised regarding the advisability of including the last sentence of the draft; that is, the one which would state that in bringing the Statement of Principles to the attention of banks the Board did not intend to suggest any course of action that would be inconsistent with the antitrust laws. The consensus, however, was that the sentence would be justified as a factual expression. Consideration also was given to the possible addition of language advising that the Trust Division of the American Bankers Association was understood to be considering an amendment to its Statement of Principles, but the view was expressed that it would be preferable to have any such information come from the American Bankers Association rather than the

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Board. In further discussion, it was agreed that it would be inadvisable to expand the letter to contain any interpretation of the Statement of Principles.

Attention was called to the fact that when the file on this matter was in circulation to the members of the Board, Governor Vardaman indicated that he would like to have the subject discussed at a meeting of the Board. In the circumstances, it was suggested that a final decision on the reply to be made to Mr. Ruddock be deferred until a meeting when Governor Vardaman was present so that he could offer any comments which he might wish to make on the matter.

There was unanimous agreement with this suggestion.

Mr. Carpenter referred to a memorandum from Mr. Vest dated May 9, 1956, in which the latter summarized a telephone conversation with Mr. William Wright Jones, Commissioner of Banks of North Carolina, following the meeting of the Board yesterday. In the memorandum, Mr. Vest reported having advised Mr. Jones that the Board had given careful consideration to the situation in North Carolina arising out of the reported prohibition in the State law against making time deposits of public funds except at a rate of interest at least equivalent to the going rate on United States Treasury bills; that the Board had considered the possibility of increasing the maximum permissible rate of interest; but that it had decided that it would not be justified in making any change. According

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to the memorandum, Mr. Jones said that in view of the decline in the rate on Treasury bills, the problem in North Carolina appeared to have been taken care of, at least for 30 days, and that he would advise the Governor and State Treasurer.

Reference was made to the fact that the President yesterday signed the Bank Holding Company Act of 1956, although apparently with some reluctance because, as indicated in a press statement, he felt that various exemptions and special provisions contained in the statute made it fall short of achieving the objectives of (1) requiring bank holding companies to divest themselves of nonbanking assets, and (2) preventing any lessening of competition in banking through the bank holding company device. The statement indicated that the exemptions and other special provisions would require the further attention of the Congress.

In a brief discussion of the matter, Governor Robertson expressed the opinion that the Board should consider making a report on the Act to the Congress one year hence rather than waiting until the end of the two-year period specified in the Act. In this way, he said, the Board could spell out any definitions or other matters so that the Congress could consider the advisability of making corrections.

The meeting then adjourned.

Secretary's Note: Governor
Szymczak, acting as alternate

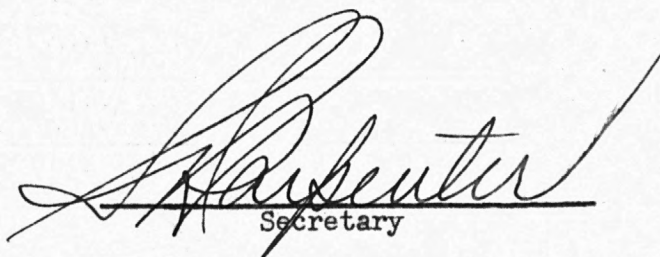
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for Governor Balderston, today
approved the following items on
behalf of the Board:

Memorandum dated May 10, 1956, from Mr. Johnson, Director, Division of Personnel Administration, recommending the appointment of Rosemarie Hechmer Smith as Clerk in that Division, with basic salary at the rate of \$1,715 per annum (4 hour day basis), effective the date she assumes her duties.

Memorandum dated May 9, 1956, from Mr. Bethea, Director, Division of Administrative Services, recommending that the resignation of W. Dale Trimmer, Assistant Cafeteria Manager in that Division, be accepted effective May 25, 1956, rather than May 11, 1956, as previously approved by the Board.



Secretary