

Minutes for May 22, 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>M</u>	_____
Gov. Szymczak	x <u>[Signature]</u>	_____
Gov. Vardaman	_____	x <u>W</u>
Gov. Mills	x <u>[Signature]</u>	_____
Gov. Robertson	x <u>R</u>	_____
Gov. Balderston	x <u>CCB</u>	_____
Gov. Shepardson	x <u>[Signature]</u>	_____

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, May 22, 1956. The Board met in the Special Library at 9:30 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. Hackley, Assistant General Counsel  
Mr. Cherry, Legislative Counsel

Pursuant to the understanding at the meeting on May 17, 1956, there had been sent to the members of the Board copies of the revised draft of testimony on proposed bank merger legislation to be given by Chairman Martin before the Subcommittee on Antitrust and Monopoly Legislation of the Senate Committee on the Judiciary on May 23, 1956.

In response to a request by Chairman Martin for comment, Mr. Vest said that the changes from the previous draft were of a minor nature, being mostly changes in phraseology, except that there had been included a draft of insert which might be used should there be introduced in the Senate the new bill which would provide for advance approval of bank mergers by the Federal banking agencies, with a requirement for consideration of the competitive aspects as well as the banking factors involved in such transactions. It was not known, he said, just when the new bill,

5/22/56

-2-

developed by the bank supervisory agencies and submitted by the Treasury Department, would be introduced by Senator Fulbright, Chairman of the Banking and Currency Committee. If it had been introduced by the time that the Chairman testified, the paragraph making reference to it could be inserted.

In further comments, Mr. Vest pointed out that one of the bank merger bills introduced by Congressman Celler would simply bring acquisitions of bank assets under the Clayton Act. The second bill (H. R. 9424), which was before the Subcommittee, would require additionally that 90 days' advance notice of any merger or consolidation be given to the Attorney General and, in the case of banks, to the Board of Governors. The draft of testimony would state that, as indicated in testimony given last year, the Board favored the general principle of bank mergers being subject to some Federal regulation, and it would go on to say that in the Board's opinion there should be advance approval by the banking agencies. In Mr. Vest's judgment, the draft of testimony was entirely consistent with the testimony given by the Board last year.

Mr. Vest then said there was one point that might come up which would require some explanation. Last year the Board said that it would be desirable to amend the Clayton Act to require advance approval of bank mergers by the supervisory agencies, with the understanding that in considering such approval an agency might, if it so desired, consult with

5/22/56

-3-

the Attorney General. However, in any case in which the Attorney General was not consulted or did not give his approval, he should not be precluded from subsequently bringing a proceeding under the Clayton Act against the merged institution. The draft of testimony would not touch on the latter point. It would say only that the supervisory agencies should be able to request the views of the Attorney General. In the light of the Board's testimony last year, Mr. Vest presumed the Board's position would be that it felt legislation along the lines of the Fulbright bill would be desirable and would protect the public interest, but that the Board would not object to an amendment of the Clayton Act provided it required advance approval by the supervisory agencies and contained no requirement that the Board enforce the Clayton Act, and provided further that if the Attorney General did not give advance approval, he would not be precluded from bringing proceedings against the merged institutions.

Governor Robertson expressed the opinion that such a question could be handled quite easily. He would break down the matter into the question of whether the banking laws or the Clayton Act were to be amended. If the latter, the Board would stand just where it stood previously. It would not favor placing in the Board responsibility to enforce the Clayton Act in regard to banks because the Board is not equipped for such an undertaking and the responsibility would be foreign to its principal

5/22/56

-4-

functions. Therefore, any Clayton Act amendment should provide for advance approval by one of the three banking agencies, for the right to ask the Attorney General for his opinion when the agencies deemed such a request appropriate, and for continuing the present position of the Department of Justice with respect to enforcement of the Act. However, the Board believed it would be preferable to amend the banking laws. A bill such as Senator Fulbright intended to introduce would go farther in achieving uniformity of standards than anything proposed to date because it would require each agency to seek the advice of the other two agencies on the competitive aspects of all proposed mergers. It would also permit any one of the agencies to ask the advice of the Attorney General. The bill would be adequate to protect the public interest and it would continue the tradition of vesting supervisory authority over banking matters in the banking agencies.

Mr. Vest suggested that such a question might be pressed further by asking what difference it would make which laws were amended and whether it would not be desirable to provide authority for enforcement in any event. On that point, he suggested that the answer might be that enforcement authority would not be needed by the banking agencies, but that if it was felt advisable to include provisions for criminal penalties and for injunctions, the Board would not object.

5/22/56

-5-

Governor Robertson amplified Mr. Vest's comment by pointing out that if a merger took place without the approval of the appropriate banking agency, the resulting institution would have no authority to act. Therefore, the legislation would be in effect self-enforcing.

Governor Balderston said that to him Governor Robertson's explanation concerning the alternative approaches to bank merger legislation clarified the matter considerably. He felt that it would be desirable to include a statement of that kind in the testimony and also to express more forcefully the Board's preference for legislation such as that which would be contained in the Fulbright bill.

Governor Shepardson concurred in Governor Balderston's suggestion that the Board's preference for the Fulbright bill be stated more positively.

Mr. Vest said that the testimony could be revised in that way although some caution as to language must be exercised in view of the Board's testimony last year relating to bank merger legislation.

There followed a general discussion of questions which might be raised at the hearing and answers which would be appropriate in the light of the proposed testimony. In the course of the discussion, certain suggestions were made for changes in the form of testimony which would take into account the views expressed at this meeting.

At the conclusion of the discussion, unanimous approval was given to the draft of testimony with the understanding that it would be modified in

5/22/56

-6-

the light of the comments made at this meeting and that the final form of the testimony would take into account whether a bill had been introduced by Senator Fulbright at the time that the testimony was given.

The meeting then adjourned.

Secretary's Note: Governor Balderston today approved the following letters on behalf of the Board:

Letter to Mr. Stetzelberger, Vice President, Federal Reserve Bank of Cleveland, reading as follows:

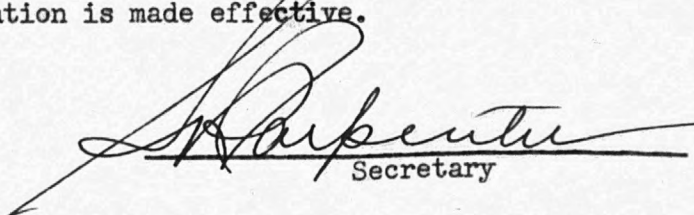
In accordance with the request contained in your letter of May 16, 1956, the Board approves the appointment of Talmadge Edmond Allen as an assistant examiner for the Federal Reserve Bank of Cleveland. Please advise as to the date upon which the appointment is made effective.

Letter to Mr. Denmark, Vice President, Federal Reserve Bank of Atlanta, reading as follows:

In accordance with the requests contained in your letters of May 18, 1956, the Board approves, effective June 4, 1956, the appointments of Harold J. Mitchell and Daniel Edwin Plaster as examiners for the Federal Reserve Bank of Atlanta.

Letter to Mr. Scanlon, Chief Examiner, Federal Reserve Bank of Chicago, reading as follows:

In accordance with the request contained in your letter of May 17, 1956, the Board approves the designation of Harry Pinch, Jr. as a special assistant examiner for the Federal Reserve Bank of Chicago. Please advise as to the date upon which the designation is made effective.

  
Secretary