

Minutes for May 28, 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>M</u>	_____
Gov. Vardaman	_____	x <u>V</u>
Gov. Mills	x _____	_____
Gov. Robertson	_____	x <u>R</u>
Gov. Balderston	x <u>CB</u>	_____
Gov. Shepardson	_____	x <u>CS</u>

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, May 28, 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. Carpenter, Secretary  
 Mr. Kenyon, Assistant Secretary  
 Mr. Thomas, Economic Adviser to the Board  
 Mr. Leonard, Director, Division of Bank Operations  
 Mr. Vest, General Counsel  
 Mr. Young, Director, Division of Research and Statistics  
 Mr. Conkling, Assistant Director, Division of Bank Operations

The following items, 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. Erickson, President, Federal Reserve Bank of Boston, reading as follows:

The Board of Governors authorizes expenditure of approximately \$25,000 for the modernization of the old A. B. See elevator and conversion of it to automatic operation as proposed in your letter of May 17. It is understood that this will complete the modernization of the elevator equipment.

Approved unanimously.

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

Reference is made to your letter of May 10, 1956, regarding the request of The Colonial Trust Company, Waterbury,

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Connecticut, for an extension of time in which to establish a branch in the East End of Waterbury on Dune Street, just north of Meriden Road. It appears that adverse weather conditions have caused further delay in construction but that the office building will be ready for occupancy by July 31, 1956.

The Board of Governors concurs in your recommendation and extends to July 31, 1956, the time within which The Colonial Trust Company may establish the subject branch.

Approved unanimously.

Letter to the Board of Directors, The State Bank and Trust Company, Defiance, Ohio, 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 and Trust Company to exercise the fiduciary powers now or hereafter authorized under the terms of its charter and the laws of the State of Ohio.

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

Letter to the Board of Directors, The National Bank of Manassas, Manassas, Virginia, reading as follows:

The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers and grants you authority 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 Virginia, the exercise of all such rights to be subject to the provisions of the Federal

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Reserve Act and the regulations of the Board of Governors of the Federal Reserve System.

A formal certificate indicating the fiduciary powers which The National Bank of Manassas is now authorized to exercise will be forwarded to you in due course.

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

Letter to the Board of Directors, Genesee County Savings Bank, Flint, 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 in South Flint Plaza, near the southeast corner of Hemphill and Fenton Roads, Burton Heights, Michigan, by Genesee County Savings 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 Mr. Woolley, Vice President, Federal Reserve Bank of Kansas City, reading as follows:

Reference is made to your letter of May 16, 1956, submitting with a favorable recommendation a request of the Westport Bank, Kansas City, Missouri, for permission under Section 24A of the Federal Reserve Act to invest not exceeding \$270,000 for the purpose of remodeling its banking premises, including the cost of a vault, equipment and new furnishings.

The Board has given consideration to the information you have submitted and approves the additional investment of not exceeding \$270,000 by the Westport Bank for the purpose of remodeling its banking premises with the understanding portions of the expenditure are to be allocated

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to expense, furniture and fixtures and the affiliated Westport Safe Deposit Company, as well as bank premises, when the program is completed. Please advise the bank accordingly.

Approved unanimously.

Letter to Mr. L. A. Jennings, Deputy Comptroller of the Currency, Treasury Department, Washington, D. C., reading as follows:

Reference is made to your letter of May 7, 1956 stating that the First Security Corporation, Salt Lake City, Utah, has purchased all the outstanding stock of the First Bank of Culdesac, Culdesac, Idaho, and that the First Security Corporation has requested the consent of the Comptroller to have the First Security Bank of Idaho, National Association, Boise, Idaho, purchase the assets and assume the liabilities of the First Bank of Culdesac and establish a branch at the present location of that bank. You request the advice of the Board in relation to section 7 of the Clayton Antitrust Act.

The First Bank of Culdesac is located in a small farming community, and the nearest banking facility is some 25 miles distant. The acquisition will increase the percentage of offices and deposits now controlled by First Security Bank of Idaho, National Association, Boise in the area only slightly. In the circumstances the Board does not believe that a Clayton Act proceeding would be warranted or that any objection should be raised to the proposed branching in view of that Act.

Approved unanimously.

Letter for the signature of the Chairman to The Honorable Arthur S. Flemming, Director, Office of Defense Mobilization, Washington, D. C., reading as follows:

This is to advise you that in accordance with the Evaluation of Board of Governors Participation in the Fall-Winter 1955-56 Surprise Relocation Test, forwarded to you with my letter of February 17, 1956, the Board's Emergency Relocation Plan of May 21, 1954, has been reviewed and again brought up to date. Two copies of the revised plan are submitted herewith for your information and files.

Approved unanimously.

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Reference was made to a memorandum dated May 17, 1956, from the Division of Bank Operations, which had been circulated to the members of the Board, recommending for reasons stated that the Board approve an attached draft of Schedule J, a proposed supplement to the State member bank report of condition (Form F. R. 105), for use in obtaining additional information on securities, and loans on securities, from such banks at the forthcoming mid-year call, subject to Budget Bureau clearance and provided corresponding forms were obtained from national banks and insured nonmember banks. The memorandum also recommended that the Division of Bank Operations be authorized to make any minor changes in phraseology, arrangement, etc., of items and related instructions that might be agreed upon in negotiations with the Bureau of the Budget, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation. Drafts of suggested letters to those three agencies were submitted with the memorandum.

There being agreement with the recommendations contained in the memorandum, unanimous approval was given to the following letter to Mr. Paul F. Krueger, Clearance Officer, Office of Statistical Standards, Bureau of the Budget, together with the letters on the subject which it was recommended be sent to the Comptroller of the Currency and the Chairman of the Federal Deposit Insurance Corporation:

We are enclosing two copies of your form 83 and of a draft of Schedule J that we expect to have the State member banks use as a supplement to the reports of condition at

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the forthcoming mid-year call date. We understand that the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation expect to use a similar form. No changes are proposed on report of condition form F. R. 105 or on the other related forms.

It is expected that the proposed Schedule J will be collected from banks only at the next call date, but it may be found desirable to collect similar data at intervals in the future. Item 1, the maturity breakdown of obligations of States and political subdivisions, has not been collected since the June 30, 1947, call when the form bore Budget Bureau No. 55-ROO4.4. Since that time, holdings of these securities have nearly tripled at all commercial banks and the June 1947 data are too old to be of value in analyses of bank assets.

The proposed breakdown of "other" bonds, notes, and debentures, in item 2, has not been obtained since the June 1942 call. At least a one-time classification of these securities, by type of issuer, is desirable for use with the Board's flow-of-funds study.

The breakdown between loans for purchasing or carrying United States Government securities and those for purchasing or carrying other securities is available only at New York and Chicago weekly reporting banks which hold about 57 per cent of all "purpose" loans. This coverage could be increased to about 81 per cent by obtaining the data from all weekly reporting member banks. However, it seems desirable to obtain these data at one date, in the proposed items 3 and 4, from all insured commercial banks in order that the estimated volume of credit extended for purchasing or carrying United States Government securities may be eliminated from our present series on stock market credit.

Mr. Conkling then withdrew from the meeting.

There followed a further discussion of the subject which, at the meeting of the Board in executive session on May 25, 1956, Governor Mills

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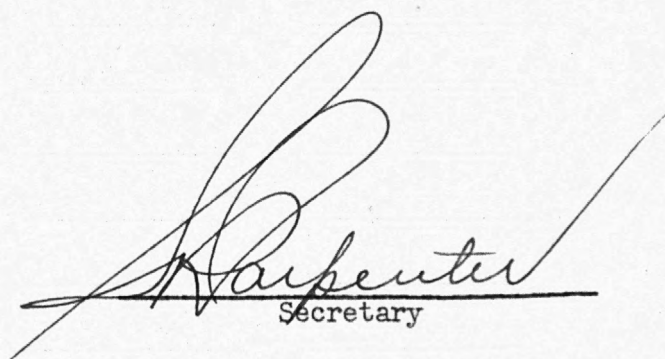
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was asked to explore with the assistance of Messrs. Leonard and Vest. A memorandum on the matter has been placed in the confidential files of the Board.

The meeting then adjourned.

Secretary's Note: Governor Balderston today approved on behalf of the Board the following letter to Mr. Mangels, President of the Federal Reserve Bank of San Francisco:

Thank you very much for your invitation to the Board to send a representative to your Business Outlook Conference on June 1. Mr. Kenneth B. Williams, Assistant Director, Division of Research and Statistics, has been designated to represent us and Mr. Young has informed Mr. Wheeler of these arrangements.



Secretary