

Minutes for May 31, 1956.

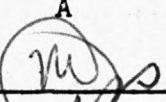
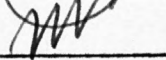

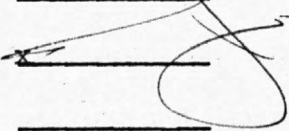
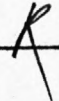
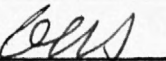
To: Members of the Board

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></u>	_____
Gov. Szymczak	x <u></u>	_____
Gov. Vardaman	_____	x <u></u>
Gov. Mills	x <u></u>	_____
Gov. Robertson	_____	x <u></u>
Gov. Balderston	x <u>CCB</u>	_____
Gov. Shepardson	x <u></u>	_____

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, May 31, 1956. The Board met in the Board Room at 9:30 a.m.

PRESENT: Mr. Martin, Chairman
 Mr. Balderston, Vice Chairman
 Mr. Szymczak
 Mr. Mills
 Mr. Shepardson

Mr. Sherman, Assistant Secretary
 Mr. Kenyon, Assistant Secretary
 Mr. Riefler, Assistant to the Chairman
 Mr. Thomas, Economic Adviser to the Board
 Mr. Cherry, Legislative Counsel

Messrs. Young, Noyes, Garfield, Williams,
 Brill, Eckert, Gehman, Miller, Weiner,
 T. Smith, Trueblood, Wernick, and
 Wood of the Division of Research and
 Statistics

Messrs. Hersey, Furth, Katz, Sammons, Wood,
 and Irvine of the Division of Interna-
 tional Finance

The representatives of the Division of International Finance presented a review of financial developments in foreign areas, following which the staff of the Division of Research and Statistics reviewed domestic business and financial developments.

At the conclusion of the presentation the staff members of both Divisions withdrew from the meeting and Messrs. Vest, General Counsel, and Hackley, Assistant General Counsel, entered the room. Messrs. Sloan, Director, Hostrup, Assistant Director, and Thompson, Supervisory Review Examiner, Division of Examinations, also joined the meeting at this point.

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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 the Board of Directors, Union Bank & Trust Company, Montgomery, Alabama, 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 Union Bank & Trust Company, Montgomery, Alabama, in the 3800 block of South Court Street within the corporate limits of Montgomery, provided formal approval of the appropriate State authorities is obtained and the branch is established within ten months from the date of this letter.

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

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

Reference is made to your letter of May 15, 1956, and its enclosures concerning a proposal by the American Trust Company, San Francisco, California, to move a branch from its present location at 280 East Campbell Avenue to a site two and one-half blocks west to Second Street and East Campbell Avenue, Campbell, California.

It appears that this proposal would constitute a mere relocation of an existing branch in the immediate neighborhood without affecting the nature of its business or customers served and, accordingly, we concur in your view that the approval of the Board of Governors is unnecessary.

Approved unanimously.

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Letters to The Honorable H. E. Cook, Chairman, Federal Deposit Insurance Corporation, Washington, D. C., reading as follows:

Reference is made to your letter of May 10, 1956, regarding the application of the Granite Trust Company, Quincy, Massachusetts, for continuance of deposit insurance after withdrawal from the Federal Reserve System.

No corrective programs have been urged upon the bank or agreed to by it which, in the opinion of the Board of Governors, it would be considered desirable to incorporate as conditions to the continuance of deposit insurance.

Reference is made to your letter of May 15, 1956, concerning the application of Farmers & Citizens Bank, Sauk City, Wisconsin, for continuance of deposit insurance after withdrawal from membership in the Federal Reserve System.

No corrective programs have been urged upon the bank or agreed to by it which, in the opinion of the Board of Governors, it would be considered desirable to incorporate as conditions to the continuance of deposit insurance.

The past several reports of examination have disclosed substantial increases in loans, and the Federal Reserve Bank of Chicago has suggested to the bank that if the volume of risk assets continues to expand, consideration should be given to strengthening the capital structure of the bank through means other than the retention of earnings.

Approved unanimously, with
copies to the Federal Reserve
Banks of Boston and Chicago, respectively.

Chairman Martin referred to the discussion at the meeting on May 17, 1956, regarding representations made by Granite Trust Company

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of Quincy, Massachusetts, with respect to the handling of an application from a competing institution, Quincy Trust Company, to establish a branch in the Town of Weymouth. He inquired of Mr. Sloan concerning the status of the memorandum which was to be prepared on the history of the case, stating that he would like to have it available prior to a visit to Boston on June 19, at which time he intended to discuss the matter with the directors of the Boston Reserve Bank.

Mr. Sloan stated that the memorandum had been drafted and would be available shortly.

At the meeting on May 24, 1956, consideration was given to an application from The Bank of Virginia, Richmond, Virginia, for permission to establish a branch in the College Social Center Building of the Medical College of Virginia. In view of questions which were raised concerning the bank's capital position in the light of information contained in an accompanying memorandum from the Division of Examinations (which indicated the existence of a substantial deficiency on the basis of the "capital committee" formula) action on the application was deferred pending the preparation of a supplemental memorandum by the Division of Examinations. Such a memorandum was prepared under date of May 25, and the file was recirculated to the members of the Board.

In response to questions from Governor Balderston, Mr. Sloan commented concerning the condition of The Bank of Virginia. He brought

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out that the bank, which was admitted to membership in the Federal Reserve System in 1954, had sold \$900,000 of additional capital stock the previous year, and that in the opinion of the Federal Reserve Bank of Richmond it would not be advisable to request the sale of more stock at this time. It was also the opinion of the Reserve Bank, he said, that the member bank would be willing to provide more capital as needed. After discussing the situation in respect to management, which was reported to be excellent, Mr. Sloan brought out that a large part of the bank's loan account is in the form of consumer instalment loans, which permits a substantial monthly run-off and a wide risk diversification. All things considered, he felt that the capital situation might be regarded as reasonably satisfactory. In further comments, he said that the proposed branch would actually be a facility, that its establishment had been requested by the State and college authorities, and that the operation of the branch probably would not result in any appreciable expansion of the bank's business.

Governor Shepardson inquired whether the "capital committee" formula took into account management and asset factors of the kind referred to by Mr. Sloan. In response, Mr. Sloan said that it would not be possible for any formula to recognize all such factors, particularly those of an intangible nature which nevertheless are extremely important in all judgments as to the adequacy of capital. In response to another

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question by Governor Shepardson as to the distinctions between this case and that of The Continental Bank and Trust Company, Salt Lake City, Utah, Mr. Sloan stated that to a large extent, although not entirely, these distinctions were related to intangible factors of the kind which had been mentioned.

Governor Shepardson said that, like Governor Balderston, he had been impressed by the capital deficiency of The Bank of Virginia which was indicated through application of the formula and that he felt the Board should continue to have the situation in mind.

Thereupon, unanimous approval was given to a letter to the Board of Directors, The Bank of Virginia, Richmond, Virginia, reading as follows, for transmittal through the Federal Reserve Bank of Richmond:

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 in the College Social Center Building of the Medical College of Virginia, at the northwest corner of 12th and Broad Streets, Richmond, Virginia, by The Bank of Virginia, Richmond, Virginia, provided the branch is established subsequent to July 1, 1956, and not later than December 31, 1956, and the approval of the State authorities is in effect as of the date the branch is established.

There had been circulated to the members of the Board a draft of letter to Mr. Roger W. Jones, Assistant Director, Legislative Reference, Bureau of the Budget, reading as follows:

This is in response to your letter of May 16, 1956, requesting an expression of the Board's views with respect

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to H. R. 8844 "To provide for a dual banking system in the District of Columbia."

The Board concurs in the views expressed by the Board of Commissioners of the District of Columbia in its proposed report, which was enclosed with your letter, to the effect that the legislation is unnecessary and would lead to undesirable results.

Attention was called to the fact that on January 31, 1956, Mr. Francis G. Addison, Jr., Chairman of the Law and Legislative Committee of the District of Columbia Bankers Association, requested the Board's opinion regarding this bill, and that under date of February 23 the Board replied that its study of the bill would not be completed until a request for opinion was received from a Congressional committee, at which time the Board would be glad to furnish comments regarding the proposed legislation. The question was raised whether Mr. Addison should be advised of the Board's position on the matter at this time.

Following a discussion, during which it was pointed out that the draft of letter to the Budget Bureau referred to a proposed report by the Board of Commissioners which had not yet been transmitted to the House Committee on the District of Columbia, it was suggested that an indication of the Board's position be given to Mr. Addison informally by Chairman Martin.

There being agreement with this suggestion, unanimous approval was given to the letter to Mr. Jones as set forth above.

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Mr. Cherry then withdrew from the meeting.

Consideration was given to a memorandum from the Division of Examinations dated May 25, 1956, copies of which had been sent to the members of the Board, submitting a proposed form of application for prior approval of bank stock acquisitions pursuant to section 3(a)(2) of the Bank Holding Company Act of 1956. The memorandum recommended that the form be submitted (1) to the Federal Register, either for publication or notation as to its availability for inspection, (2) to the Bureau of the Budget for formal approval if that was required, or otherwise for advisory review, and (3) to the Federal Reserve Banks for their comments and suggestions.

In commenting on the proposed form of application, Mr. Sloan said that the various exhibits were designed to provide the information that ordinarily would be needed by the Board to reach a decision on an application for approval of bank stock acquisitions under the Bank Holding Company Act, and that the right would be reserved to request more information if deemed necessary in any particular case. He pointed out that care had been exercised to avoid reference to bank examination reports, this being a precaution taken to avoid the necessity of producing such reports at the hearings which would be required under certain conditions. It was for this reason, he said, that the staff concluded that the application should be self-contained.

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Mr. Sloan also stated that since the proposed form was submitted to the Board certain changes had been suggested. He referred to and commented upon the proposed changes of substance.

At the conclusion of the discussion, it was agreed unanimously that the form of application would be published in the Federal Register, submitted to the Bureau of the Budget, and sent to the Federal Reserve Banks.

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

The Secretary later was advised by the Vice Chairman that during the executive session he reported a request from the International Cooperation Administration that Mr. Koch, Assistant Director of the Division of Research and Statistics, currently in England on a Rockefeller Public Service Award, be permitted to go to Paris, France, in June to assist the United States delegation attending a meeting of the Economic Committee of the Organization for European Economic Cooperation; and that the Board approved the arrangements outlined in a memorandum from Mr. Young, Director, Division of Research and Statistics, dated May 28, 1956, as supplemented by a memorandum of the same date from Mr. Hersey, Chief of the Special Studies Section, Division of International Finance. These arrangements contemplated that Mr. Koch's travel expenses for the purpose of attending the meeting would be paid by the International Cooperation Administration.

The meeting then adjourned.

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Secretary's Note: On May 29, 1956, Governor Balderston approved, on behalf of the Board, memoranda from appropriate individuals concerned recommending actions with respect to the Board's staff as follows:

Appointments, effective upon the respective dates of assuming duties

Lois E. Miller as Assistant Manager, Cafeteria, Division of Administrative Services, with basic salary at the rate of \$3,670 per annum.

Kay Evelyn Roberts as Clerk-Stenographer, Division of Personnel Administration, with basic salary at the rate of \$3,260 per annum. 1/

Salary increases, effective June 3, 1956

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Office of the Secretary</u>			
Ruth W. Franta, Supervisor, Bank and Miscellaneous Records		\$4,620	\$4,755
<u>Research and Statistics</u>			
Caroline M. Burgess, Librarian		5,980	6,115
Joann R. Connor, Clerk-Typist		3,175	3,260
Elsie Q. Davis, Clerk		3,600	3,685
James B. Eckert, Chief, Banking Section		11,610	11,880
Faye C. First, Clerk-Stenographer		3,670	3,755
Madeleine S. Verdonck, Clerk-Stenographer		3,175	3,415
<u>Bank Operations</u>			
Lee W. Langham, Technical Assistant		6,820	7,570

1/ Pursuant to the program for recruitment of stenographic personnel which was approved by the Board on April 24, 1956.

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Salary increases, effective June 3, 1956 (continued)

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Examinations</u>			
Adrien P. Francoeur, Assistant Federal Reserve Examiner		\$5,065	\$5,200
John H. Hotson, Assistant Federal Reserve Examiner		4,525	4,660
<u>Personnel Administration</u>			
Billie Jo Hickman, Personnel Clerk		4,345	4,480
<u>Administrative Services</u>			
Angelina Ferguson, Charwoman		2,825	2,900
Rebie A. Windsor, Chauffeur		2,955	3,040
Ralph A. Sherrod, Photographer (Offset)		3,910	4,285

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

Memoranda dated May 25, 1956, from the Division of Personnel Administration recommending that the basic annual salaries of the following employees be increased in the amounts indicated, effective June 3, 1956, pursuant to the action taken by the Board on May 21, 1956, relating to the classification of secretarial and stenographic positions on the Board's staff:

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Office of the Secretary</u>			
Mabel Goepfert, Secretary		\$5,335	\$5,510
Doreen Dippre, Secretary		4,480	4,620
Marjorie Eaton, Secretary		4,480	4,620

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Salary increases, effective June 3, 1956 (continued)

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Legal</u>			
Lucy I. McColloch, Secretary		\$5,335	\$5,510
Eunice M. Boyd, Secretary		4,210	4,350
Jean Crosby, Secretary		4,480	4,620
Evelyn W. Edwards, Secretary		4,480	4,620
Verna P. Ryon, Secretary		3,670	3,805
<u>Research and Statistics</u>			
Athens J. Messick, Secretary		4,485	4,660
Adele H. Bishop, Secretary		4,345	4,485
Florence R. Cox, Secretary		4,480	4,620
Tressa B. Hemminger, Secretary		4,480	4,620
Nancy B. Kelly, Secretary		4,210	4,350
Esther P. Locke, Secretary		3,585	3,670
Anita E. Perrin, Secretary		3,925	4,075
Madeleine S. Verdonck, Clerk-Stenographer		3,415	3,500
<u>International Finance</u>			
Franc S. Valentine, Secretary		4,890	5,065
Bertha G. Brown, Secretary		3,925	4,075
Mary J. Katinas, Secretary		3,585	3,670
Betty B. Taylor, Secretary		3,670	3,805
<u>Bank Operations</u>			
Eleanor E. Omohundro, Secretary		4,620	4,795
Helen M. Bennett, Secretary		3,940	4,080
Jean S. Glascock, Secretary		3,940	4,080
Margaret C. Griset, Secretary		4,480	4,620
Stella Cornell, Clerk-Stenographer		3,415	3,500
<u>Examinations</u>			
Frances Bender, Secretary		4,890	5,065
Nancy R. Porter, Supervisor, Recording and Stenographic Section		4,890	5,065

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Salary increases, effective June 3, 1956 (continued)

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Examinations</u>			
Anna S. Courtney, Secretary		\$4,075	\$4,215
Esther Severud, Secretary		4,480	4,620
Eleanor A. Murto, Stenographer		3,175	3,500
<u>Administrative Services</u>			
Ida Goodloe, Supervisor, Steno-graphic Section		4,890	5,065
Mary E. Sanders, Secretary		4,890	5,065
Elsie N. Carrick, Assistant Supervisor, Stenographic Section		4,480	4,620
Ethelyn M. Palmer, Secretary		4,480	4,620
Lois M. Moye, Secretary		3,500	3,670
Oda R. Johnson, Secretary		3,925	4,075
<u>Office of Defense Loans</u>			
Margaret L. Wolfe, Secretary		4,890	5,065
<u>Office of the Controller</u>			
Ruth H. Goodyear, Secretary		4,755	4,930
Dorothy Werner, Secretary		4,480	4,620
<u>Emergency Relocation</u>			
Catharine A. Fornof, Secretary		4,075	4,215

Memorandum dated May 24, 1956, from Mr. Young, Director, Division of Research and Statistics, recommending that the basic annual salary of Jo Ann L. Murray, Clerk-Stenographer in that Division, be increased from \$3,345 to \$3,500, effective June 3, 1956.

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Letter to Mr. Wiltse, Vice President, Federal Reserve Bank of New York, reading as follows:

In accordance with the request contained in your letter of May 24, 1956, the Board approves the appointment of Oliver W. Cordz as an assistant examiner for the Federal Reserve Bank of New York. Please advise as to the date upon which the appointment is made effective.

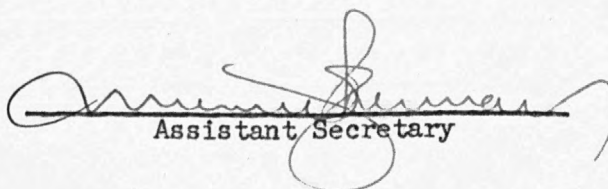
It is noted that Mr. Cordz is indebted to the Verona Office of the Montclair Trust Company, Montclair, New Jersey, a State member bank, in the amount of \$3,275 secured by 31 shares of stock of the American Telephone and Telegraph Company. It is understood that the proceeds of the loan were used to help finance the construction of his home and that Mr. Cordz plans to finance the loan elsewhere.

Accordingly, the Board's approval is given with the understanding that Mr. Cordz will not be allowed to participate in any examination of the Montclair Trust Company until his indebtedness to that bank has been liquidated or otherwise eliminated.

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

In accordance with the request contained in your letter of May 23, 1956, the Board approves the designation of A. J. Berg as a special assistant examiner for the Federal Reserve Bank of San Francisco for the purpose of participating in the examinations of State member banks only. The authorization heretofore given your bank to designate Mr. Berg as a special assistant examiner is hereby cancelled.

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


Assistant Secretary