

Minutes for June 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>mm</u>	_____
Gov. Szymczak	x <u>MS</u>	_____
Gov. Vardaman	x <u>W</u>	_____
Gov. Mills	x _____	_____
Gov. Robertson	_____	x <u>R</u>
Gov. Balderston	x <u>CCB</u>	_____
Gov. Shepardson	_____	x <u>SHS</u>

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, June 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. Vardaman  
 Mr. Mills

Mr. Carpenter, Secretary  
 Mr. Kenyon, Assistant Secretary  
 Mr. Vest, General Counsel  
 Mr. Sloan, Director, Division of Examinations  
 Mr. Johnson, Controller, and Director, Division of Personnel Administration  
 Mr. Hackley, Assistant General Counsel  
 Mr. Sprecher, Assistant Director, Division of Personnel Administration

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, First Bank & Trust Company of Utica, Utica, 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 by First Bank & Trust Company of Utica, Utica, New York, of a branch in the New Hartford Shopping Center, 120-126 Genesee Street, Town of New Hartford (unincorporated area), Oneida County, New York, provided the branch is established within 18 months from the date of this letter and the approval of State authorities is in effect at the time of establishment of the branch.

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

6/28/56

-2-

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

In view of the information submitted in your letter of June 19, 1956, and the Reserve Bank's favorable recommendation, the Board of Governors extends until September 15, 1956, the time within which The Croghan Colonial Bank, Fremont, Ohio, may establish a branch at the southwest corner of East State and St. Joseph Streets, Fremont, Ohio, under the authorization contained in its letter of December 29, 1955.

Approved unanimously.

Letters to Mr. Armistead, Vice President, Federal Reserve Bank of Richmond, reading as follows:

Reference is made to your letter of June 19, 1956, advising of the proposal of Maryland Trust Company, Baltimore, Maryland, to move its branch at 7850 Eastern Boulevard, Baltimore, Maryland, to the Eastpoint Shopping Center on the southeast corner of the intersection of Eastern Boulevard and North Point Boulevard, which location is directly across the road from the present location.

It appears that the 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 opinion that the approval of the Board is unnecessary.

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Reference is made to your letter of June 19, 1956, advising of the proposal of the Union Trust Company of Maryland, Baltimore, Maryland, to move its branch at 2056 Harford Road, Baltimore, Maryland, to temporary quarters at 2140 Harford Road during a remodeling program at the permanent location.

It appears that the proposal would constitute a mere relocation of an existing branch for a temporary period

6/28/56

-3-

in the immediate neighborhood without affecting the nature of its business or customers served and, accordingly, we concur in your opinion that the approval of the Board is unnecessary.

Approved unanimously.

Letter to the Board of Directors, First State Bank, Fremont, Nebraska, approving, subject to conditions numbered 1 and 2 contained in the Board's Regulation H and the following special condition, the bank's application for membership in the Federal Reserve System and for stock in the Federal Reserve Bank of Kansas City, effective if and when the bank opens for business:

3. At the time of admission to membership, such bank shall have paid-in capital stock of \$50,000, surplus of \$25,000, and other capital funds of not less than \$15,000.

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

There had been circulated to the members of the Board a memorandum from Mr. Johnson dated June 22, 1956, recommending that an assessment of two hundred seventy-eight thousandths of one per cent (.00278) of the total paid-in capital and surplus (section 7 and section 13b) of the Federal Reserve Banks as of June 30, 1956, be levied upon the Banks to provide for the estimated expenses of the Board for the second half of 1956. Based on estimated capital and surplus of the Banks, it appeared that the foregoing rate would produce a total of approximately \$2,882,860. It was estimated that expenses of the Board would approximate \$2,883,500.

6/28/56

-4-

In a discussion of the matter, Governor Mills called attention to the fact that special projects authorized by the Board since approval of the 1956 budget would result in expenditures of approximately \$480,000. He suggested that it would be well for the Board to bear in mind the increase in the level of its expenditures, particularly at the time of review of the proposed 1957 budget, since the current special projects might be replaced by other items, with the result that there would be a substantial increase in that budget over the originally approved budget for 1956.

At the request of the Chairman, Mr. Johnson reviewed the estimated expenditures that would be occasioned during the remainder of 1956 by virtue of the special projects approved by the Board since the approval of the 1956 budget. This review brought out that the major portion of these expenditures related to the current consumer credit study and the emergency planning program. Governor Vardaman suggested that appropriate reference be made in the Board's Annual Report to the circumstances surrounding these expenditures.

Agreement having been expressed that the level of the Board's expenses should be studied carefully in connection with the review of the 1957 budget, the recommendation contained in Mr. Johnson's memorandum was approved unanimously and it was understood that the Federal Reserve Banks would be advised accordingly.

6/28/56

-5-

In October 1955 the Federal Reserve Bank of Chicago requested the Board's approval of a plan to withdraw certain nonclerical jobs affected by union wage rates from the Bank's job classification and salary administration plan. Subsequently the Board requested the Presidents' Conference to review the desirability of separate salary structures for such jobs, as well as the question of System fringe benefits in connection with those positions. At the joint meeting of the Board and the Reserve Bank Presidents on May 9, 1956, it was reported to be the conclusion of the Presidents' Conference that there was no need to prescribe separate salary structures for non-clerical hourly wage rate employees as a requirement for all Reserve Banks. It was understood that the Conference also agreed with the conclusion of its Subcommittee on Personnel that any adjustments in fringe benefits for such positions should be resolved on an individual Bank basis.

Prior to this meeting there had been circulated to the members of the Board a draft of letter to the Presidents of all Federal Reserve Banks which would state that the Board concurred in the conclusion of the Presidents' Conference, with the understanding that any problems in this area would be worked out between the Reserve Bank concerned and the Board of Governors. There had also been circulated to the members of the Board a draft of letter to the Federal Reserve Bank

6/28/56

-6-

of Chicago which would approve the payment of salaries by the Bank for certain jobs at rates reflecting union contract rates.

In a discussion of the subject, the view was expressed that although the procedure followed at Chicago with respect to the non-clerical hourly wage rate employees was admittedly not entirely satisfactory, the circumstances made it difficult to suggest an alternative which would meet the problem in a manner fully acceptable to all concerned. It was recalled that the matter had been discussed by the Board previously on several occasions without arriving at a better solution. In the circumstances, Governor Vardaman suggested that the proposed letters be approved with the understanding that the subject would be discussed by the Board with the new President of the Reserve Bank after he had taken office.

There being agreement with  
this suggestion, unanimous approval  
was given to the following letters:

Letter to the Presidents of all Federal Reserve Banks

Pursuant to the request contained in the Board's letter of November 23, 1955, the Conference of Presidents at its May 1956 meeting reviewed the desirability of the Federal Reserve Banks having separate salary structures for certain nonclerical hourly wage rate jobs and considered the question of System fringe benefits in connection with these positions.

It was the conclusion of the Conference that there is no need to prescribe separate salary structures as a requirement for all Reserve Banks for nonclerical hourly wage rate jobs. It is understood that the Conference also agreed

6/28/56

-7-

with the conclusion of the Subcommittee that any adjustments in fringe benefits for such positions should be resolved on an individual Bank basis. The Board concurs in these conclusions, with the understanding that any problems will be worked out between the individual Bank and the Board of Governors.

Letter to Mr. Newman, Vice President, Federal Reserve Bank of Chicago

In accordance with the requests outlined in your letters of April 26 and May 31, 1956, the Board of Governors approves the payment of salaries by your Bank to the incumbents of the positions listed below at the rates indicated:

	<u>Annual Salary</u>	<u>Effective Date</u>
Head Carpenter	\$6,968.00	June 1, 1956
Carpenter	6,271.20	June 1, 1956
Plumber	6,271.20	June 4, 1956

You will recall that the Board's letter of November 23, 1955, in response to your letter of October 14, 1955, concerning the removal of certain nonclerical hourly wage rate jobs from the present salary structure of the Head Office of the Federal Reserve Bank of Chicago, reported that this subject would be explored by the Conference of Presidents before any further action was taken with regard to your proposal. That letter also requested that meanwhile you submit negotiated rates for review by the Board of Governors prior to any change in salaries of employees subject to such rates, in the same manner as formerly.

The May 1956 Conference of Presidents concluded that there was no need to prescribe separate salary structures for nonclerical hourly wage rate employees as a requirement for all Federal Reserve Banks, and the Board concurred in that view, as indicated in its letter dated June 28, 1956. Therefore, unless your Bank now believes that a separate salary structure should be established for such positions at its Head Office, the Board will continue to consider salary requests for these positions on the basis of proposals you may make in the light of salary rates agreed upon between the Building Managers' Association of Chicago and the various maintenance trade unions. It will be expected that your Bank will continue to consider fringe benefits in setting salaries for such positions.

6/28/56

-8-

Messrs. Johnson and Sprecher then withdrew from the meeting and Mr. Clifford Davis, a member of the legal staff of the Federal Reserve Bank of New York currently assisting the Board in connection with bank holding company matters, entered the room.

Consideration was given to a memorandum from Mr. Vest dated June 26, 1956, copies of which had been sent to the members of the Board, regarding the question whether the Belgian-American Banking Corporation, an "investment company" organized under Article 12 of the Banking Law of New York, should be considered a bank within the meaning of the Bank Holding Company Act of 1956. If so, the Banque de la Societe Generale de Belgique, which holds more than 25 per cent of the stock of the Belgian-American Banking Corporation and also owns more than 25 per cent of the stock of the Belgian-American Bank and Trust Company, would be a bank holding company. In such event, both the Belgian-American Banking Corporation and the Belgian-American Bank and Trust Company would be prevented from making loans to the parent company or to its foreign subsidiaries. For reasons stated in the memorandum and set forth more fully in an attached memorandum of the same date from Mr. Davis, the view was expressed that the Belgian-American Banking Corporation should not be regarded as a bank within the meaning of the Bank Holding Company Act. This opinion was reported to be shared by other members of the Legal Division who had considered the matter, and it would be in accord with the recommendation of the Federal Reserve Bank of New York.

6/28/56

-9-

In commenting on the matter, Mr. Vest said that the question was a close one and that there were a number of precedents, including certain positions taken by the Board in the past on similar matters, which would suggest that the Belgian-American Banking Corporation should be considered a bank for the purposes of the Bank Holding Company Act. However, in view of the legislative history of the Act and the apparent basic purposes of the statute, and taking into account the provisions of the New York Banking Law relating to the organization of investment companies, he believed the stronger arguments were on the side of the position that the Bank Holding Company Act was not intended to be applicable to a case of this kind.

Governor Balderston stated that although he agreed with the staff recommendation, it occurred to him that similar arrangements possibly could be worked out by other organizations which would result in an evasion of the Bank Holding Company Act.

Mr. Vest responded that the recommended position would not comprehend that any corporation organized under Article 12 of the New York Banking Law would not be governed by the Bank Holding Company Act. Rather, the position would be taken that there are certain types of organizations which are very close to being banks and which exercise some banking functions, but which are not to be considered banks for purposes of the Act because they are not the type of organization to which the

6/28/56

-10-

Act was intended to be applicable, according to its legislative history. He doubted that this position would offer any substantial loophole for evasion of the statute.

In further discussion, agreement was expressed that the recommendation was a proper one in view of the facts of the case. It was recognized that under the Bank Holding Company Act various cases of a borderline nature no doubt would be presented to the Board and the view was expressed that the most feasible method of dealing with such problems would be to consider each case on its merits, according to the facts involved. In response to a question, it was stated that in a case such as the one now presented to the Board, the right would be reserved to reverse the Board's opinion if at any time it should appear that there had been a change in the factual situation.

Thereupon, unanimous approval was given to a letter to Mr. Treiber, First Vice President of the Federal Reserve Bank of New York, reading as follows:

This refers to Mr. Wiltse's letter of June 5, 1956 with enclosures, presenting the question whether the Belgian-American Banking Corporation, an "investment company" organized under Article 12 of the banking law of New York, should be considered a bank within the meaning of the Bank Holding Company Act of 1956. The Board has given consideration to the facts of this matter as presented by the letter and its enclosures, in the light of the intent of the statute and its legislative history. It will be recognized, of course, that any action to enforce the penalties provided for violation of the statute would necessarily be a matter for the Department of Justice. However, in the opinion of the Board, the

6/28/56

-11-

Belgian-American Banking Corporation is not, on the basis of the information presented, to be regarded as a bank within the meaning of section 2(c) of the Bank Holding Company Act of 1956.

Mr. Carpenter reported that a letter had been received from the Deputy Comptroller of the Currency advising that on July 3, 1956, a call would be made on all national banks for reports of condition as of the close of business June 30, 1956. He stated that in accordance with the usual procedure, it was proposed to send a telegram to the Presidents of all Federal Reserve Banks requesting that a similar call for condition reports be made upon all State member banks.

The sending of the proposed telegram was approved unanimously.

The meeting then adjourned.

Secretary's Note: Governor Balderston today approved memoranda from appropriate individuals concerned recommending actions with respect to the Board's staff as follows:

Salary increases, effective July 1, 1956

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
	<u>Legal</u>		
Robert S. O'Shea, Law Clerk		\$5,335	\$5,575
	<u>Research and Statistics</u>		
Sidney Washington, Library Assistant		3,685	3,840

6/28/56

-12-

Salary increases, effective July 1, 1956 (continued)

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Administrative Services</u>			
Bricen Barnes, Operator (Mimeograph)		\$3,682	\$3,910
Louise L. Hiller, Head Operator (Key Punch)		3,685	3,840

Acceptance of resignation

Barbara Hart, Clerk in the Division of Bank Operations, effective June 30, 1956.

Governor Balderston also approved on behalf of the Board the following telegram to Mr. Woolley, Vice President of the Federal Reserve Bank of Kansas City:

Reurlet June 25, 1956, Board approves appointment of Leo Lavern Schiesser as an assistant examiner for the Federal Reserve Bank of Kansas City. It is noted that Mr. Schiesser is indebted to The Citizens National Bank of Emporia, Emporia, Kansas, as a co-signer on a F.H.A. Title I loan in the amount of \$225.89. Approval is given with the understanding that he will not be authorized to participate in examinations of said bank until debt is liquidated or otherwise eliminated. Please advise effective date of appointment and salary rate.

  
 Secretary