

Minutes for August 15, 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     | <input checked="" type="checkbox"/> <u>mm</u> | <u>mm</u>                                       |
| Gov. Szymczak   | <input checked="" type="checkbox"/> <u>mm</u> | <input checked="" type="checkbox"/> <u>mm</u>   |
| Gov. Vardaman   | <input checked="" type="checkbox"/> <u>mm</u> | <u>mm</u>                                       |
| Gov. Mills      | <input checked="" type="checkbox"/> <u>mm</u> | <u>mm</u>                                       |
| Gov. Robertson  | <input checked="" type="checkbox"/> <u>R</u>  | <u>mm</u>                                       |
| Gov. Balderston | <u>mm</u>                                     | <input checked="" type="checkbox"/> <u>CCRB</u> |
| Gov. Shepardson | <u>mm</u>                                     | <input checked="" type="checkbox"/> <u>mm</u>   |

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, August 15, 1956. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman  
 Mr. Vardaman  
 Mr. Mills  
 Mr. Robertson

Mr. Carpenter, Secretary  
 Mr. Kenyon, Assistant Secretary  
 Mr. Leonard, Director, Division of Bank  
 Operations  
 Mr. Johnson, Controller, and Director,  
 Division of Personnel Administration  
 Mr. Solomon, Assistant General Counsel  
 Mr. Hostrup, Assistant Director, Division  
 of Examinations  
 Mr. Masters, Assistant Director, Division  
 of Examinations  
 Mr. Goodman, Assistant Director, Division  
 of Examinations  
 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:

Memorandum dated August 7, 1956, from Mr. Fauver, Assistant Secretary, reporting a request from the International Cooperation Administration that a group of Japanese industrialists and educators making a study tour of the United States be invited to the Board's offices for a suitable program on October 12, 1956.

Approved unanimously.

Letter to Mr. Powell, President, Federal Reserve Bank of Minneapolis, reading as follows:

In accordance with your letter of July 27, 1956, the Board of Governors approves the following minimum and maximum

8/15/56

-2-

salaries for the respective grades of the employees' salary structure applicable to the Federal Reserve Bank of Minneapolis and its Helena Branch effective August 16, 1956:

| <u>Grade</u> | <u>Minimum Salary</u> | <u>Maximum Salary</u> |
|--------------|-----------------------|-----------------------|
| 1            | \$ -                  | \$ -                  |
| 2            | 2,080                 | 2,800                 |
| 3            | 2,260                 | 3,050                 |
| 4            | 2,460                 | 3,320                 |
| 5            | 2,740                 | 3,690                 |
| 6            | 3,040                 | 4,100                 |
| 7            | 3,390                 | 4,570                 |
| 8            | 3,790                 | 5,110                 |
| 9            | 4,240                 | 5,720                 |
| 10           | 4,740                 | 6,390                 |
| 11           | 5,240                 | 7,070                 |
| 12           | 5,780                 | 7,800                 |
| 13           | 6,360                 | 8,580                 |
| 14           | 6,970                 | 9,400                 |
| 15           | 7,500                 | 10,120                |
| 16           | 8,200                 | 11,070                |

The Board understands that salary increases resulting from this adjustment will approximate \$8,000 for which no provision has been made in the 1956 budget of your Bank.

The Board approves the payment of salaries to the employees, other than officers, within the limits specified for the grades in which the positions of the respective employees are classified. It is assumed that all employees whose salaries are below the minimum of their grades as a result of the structure increase will be brought within the appropriate range as soon as practicable and not later than November 1, 1956.

Approved unanimously.

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

Reference is made to your letter of August 7, 1956, regarding the request of Mechanics and Farmers' Bank, Albany,

8/15/56

-3-

New York, for an extension of time within which it may establish a branch at 1082-84 Madison Avenue, Albany, New York.

In its letter of April 4, 1956, the Board extended to August 15, 1956, the time within which the applicant was permitted to establish the branch. Since the date of its formal opening on August 18, 1956, involves a further extension of only three days, the Board concurs in your recommendation and extends to August 18, 1956, the time within which Mechanics and Farmers' Bank may establish the branch, provided the approval of State authorities is in effect when the branch is established.

Approved unanimously.

Letter to the Board of Directors, The Lorain Banking Company, Lorain, Ohio, reading as follows:

Pursuant to your request submitted through the Federal Reserve Bank of Cleveland, the Board of Governors of the Federal Reserve System approves the establishment of a branch on Lake Road, Brownhelm Township, Ohio, by The Lorain Banking Company, 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 Cleveland.

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

In view of the information submitted in your letter of August 2, 1956, and the Reserve Bank's favorable recommendation, the Board of Governors extends until December 31, 1956, the time within which American Trust Company, Charlotte, North Carolina, may establish a branch on Woodlawn Road in the Park Road Shopping Center, Mecklenburg County, North Carolina, under the authorization contained in its letter of August 15, 1955.

Approved unanimously.

8/15/56

-4-

Letter to the Board of Directors, Carolina National Bank of Easley, Easley, South Carolina, reading as follows:

The Board of Governors of the Federal Reserve System has given consideration to the application for permission to exercise fiduciary powers made by the Easley Bank, Easley, South Carolina, on behalf of the Carolina National Bank of Easley, Easley, South Carolina, into which it has been converted, 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 South Carolina, the exercise of all such rights to be subject to the provisions of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System. The authority so granted shall be effective as of the close of business July 31, 1956, the date the Carolina National Bank of Easley was authorized by the Office of the Comptroller of the Currency to commence business.

Before issuing a formal certificate indicating the fiduciary powers which the Carolina National Bank of Easley is now authorized to exercise, the Board will require a resolution of the directors of the Carolina National Bank of Easley ratifying the application made by the Easley Bank for permission to exercise fiduciary powers. A certified copy of the resolution so adopted should be forwarded to the Federal Reserve Bank of Richmond for transmittal to the Board for its records.

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

Letter to the Board of Directors, The First National Bank of Baraboo, Baraboo, Wisconsin, 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,

8/15/56

-5-

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 Wisconsin, the exercise of all such rights to be subject to the provisions of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System.

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

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

Letter to the Board of Directors, Citizens National Bank & Trust Company of Baytown, Baytown, Texas, reading as follows:

The Board of Governors of the Federal Reserve System has given consideration to your supplemental application for fiduciary powers, and, in addition to the authority heretofore granted to act as trustee, executor, administrator, and guardian of estates, grants you authority to act, when not in contravention of State or local law, as registrar of stocks and bonds, 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 Texas. The exercise of all such powers shall be subject to the provisions of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System.

A formal certificate indicating the fiduciary powers which the Citizens National Bank & Trust Company of Baytown is now authorized to exercise will be forwarded to you in due course.

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

8/15/56

-6-

Letter to the Presidents of all Federal Reserve Banks reading as follows:

The following simplified procedures with respect to reporting requirements on loans and commitments made under Section 13b are effective immediately.

Instead of submitting statistical reports on Forms F.R. 417 and 417a, monthly, regardless of whether there has been any activity during the month, such reports need be submitted only as of December 31 of each year and as of the end of any month in which some change has occurred.

The advice of each new industrial advance or commitment made under Section 13b may be by letter or memorandum setting forth such details of the transaction as the Bank deems appropriate. This will be in lieu of the data requested in the form heretofore prescribed.

This letter supersedes previous instructions regarding existing reporting requirements for industrial loans and commitments, contained in the following Board letters:

|           |                   |
|-----------|-------------------|
| B - 1003, | July 25, 1934     |
| B - 1004, | July 25, 1934     |
| S - 591,  | November 24, 1942 |

When Regulation S is revised and reprinted, Section 6 (F.R.L. L.S. #2020) will reflect this revision.

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 June 6, 1956, enclosing photostatic copies of an application to organize a national bank at Brandon, Mississippi, 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 Atlanta indicates that the proposed capital structure of the bank would

8/15/56

-7-

be adequate. The prospects for earnings of the institution are not favorable, and the management factor cannot be regarded as satisfactory due to the lack of banking experience of the members of the proposed board of directors and the fact that experienced operating management has not been selected. It does not appear there is sufficient need to justify the establishment of an additional bank in Brandon. Under the circumstances, the Board of Governors does not recommend 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.

Letter to Mr. Robert W. Burgess, Director, Bureau of the Census, Washington, D. C., reading as follows:

As part of the preparedness measures being undertaken by the Office of Defense Mobilization, the Board of Governors is assembling pertinent data with respect to the principal banks and branches located within each of 73 metropolitan areas. Among the data being assembled are the locations of the selected banks and branches. These locations will be reported in terms of States, cities, and street addresses, but they must be recorded eventually in terms of UTM (Universal Transverse Mercator) grid coordinates. One of the steps in this work involves the precise determination of latitude and longitude (in terms of degrees, minutes, and seconds) for each of the approximately 1,000 to 1,500 selected banks and branches. Once this is determined it is contemplated that the UTM grid coordinates will be computed electronically at the Office of Defense Mobilization.

The purpose of this letter is to request the assistance of the Geography Division of the Bureau of the Census in determining the latitude and longitude for each selected bank and branch from street addresses to be furnished from time to time. It is understood that the Geography Division has done this sort of work covering a large number of industrial establishments for another Government agency at cost, about \$2 per establishment. It is further understood that the



8/15/56

-8-

Division is in a position to do similar work for the Board of Governors, and that, because many of the selected banks are concentrated in the downtown areas of their cities, the cost may well average less than \$2 per bank and branch. The work could be done over a period of time so that the most effective use could be made of the limited number of experienced people available. Payment for the work would be made either at intervals to be determined by the Bureau or upon completion of the full job, at the convenience of the Bureau.

It would be appreciated if you will advise the Board whether arrangements can be made for the Geography Division to provide the assistance above described.

Mr. J. E. Horbett, Associate Director, Division of Bank Operations, has been designated to conduct whatever detailed negotiations may be necessary for the above purpose.

Approved unanimously.

Letter to Mr. F. N. Belgrano, Jr., President, Transamerica Corporation, San Francisco, California, reading as follows:

This refers to your letter of June 28, 1956, addressed to Federal Reserve Bank of San Francisco, in which you set forth your views and recommendations with respect to the proposed Form F.R. Y-2 under Regulation Y, relating to bank holding companies. As you may know, the Board of Governors has adopted Regulation Y to be effective September 1, 1956.

With respect to your point No. 1, it is the Board's view that the Board's Rules of Organization adequately cover the matter of confidentiality of information contained in the various applications. As to the confidentiality of the fact of the application itself, it is necessary in order to comply with the Bank Holding Company Act to give notice to all interested parties in cases in which a hearing is required by the Act. It appears that publication in the Federal Register of the notice of any such hearing is the most effective method of compliance with the requirement of notice.

8/15/56

-9-

With respect to your point No. 2, it is the Board's view that applications which involve the acquisition of bank shares resulting from stock dividends or stock splits should be considered, at least at this time, on a case-by-case basis. It is suggested that in the case of such an acquisition you write to the Federal Reserve Bank of San Francisco with a full statement indicating the reasons for which you feel that all of the information required by Form F.R. Y-2 need not be furnished in such a case.

With respect to your point No. 3 wherein you recommend a simplified procedure for the acquisition of bank shares in connection with offerings of preemptive rights, it is suggested that when you have a case of this kind you write to the Federal Reserve Bank of San Francisco with a full statement of the facts together with a statement as to what type of information you consider adequate under the facts as presented. The Board would then be in a position to give proper consideration to any special situation.

With respect to your point No. 4, the Board's proposed Form F.R. Y-2 contemplates that the exact number or the percentage of the voting shares proposed to be acquired should be stated or, where it is not possible to so state, the circumstances should be fully explained. In the Board's view it is inadvisable to consider the application in terms of an approximate number which might be at considerable variance from the actual number of voting shares acquired.

With respect to your point No. 5, the proposed form has been drafted on the basis that each application must be self-contained for several reasons, including the following: First, a copy of such application must be submitted to the Comptroller of the Currency or the appropriate State bank supervisory authority (and in some cases to both), and should be complete for the purpose of representing the position of the applicant; and second, the application will be part of the Board's record of proceedings in a particular case and, for this purpose also, it should be complete as representing the position of the applicant. It does not appear to be feasible to allow the applicant to incorporate by reference information from a previous application, its registration statement or an annual report.

8/15/56

-10-

It is believed that the incorporation of all information in one document would directly facilitate and expedite the handling of the application.

The Board appreciates your comments and recommendations and wishes to assure you that they have received careful consideration.

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

Consideration was given to a request from The Farmers State Bank, Sweetser, Indiana, for permission to exercise the fiduciary powers now or hereafter authorized by its charter and the laws of the State of Indiana. This bank was subject to a condition of membership requiring the Board's approval of any change in the general character of its business or in the scope of corporate powers exercised by it at the time it was admitted to membership in the Federal Reserve System. Although all banks incorporated under Indiana law have authority to exercise a full range of trust powers, such authority was not being exercised by this bank at the time of its admission to membership.

When the file on this matter was in circulation to the members of the Board, Governor Mills attached a memorandum calling attention to the small size of the bank, criticism of its credit policies in the past, and the fact that the proposed trust officer was inexperienced and devoted only part time to bank responsibilities. In view of Governor Mills'

8/15/56

-11-

comments, the file was recirculated to the Board with a memorandum from Mr. Masters dated August 6, 1956, which stated that in making recommendations on applications by State member banks for permission to exercise trust powers, the Division of Examinations had been influenced by the fact that the applying bank already possesses legal authority to exercise such powers under the provisions of its charter and the laws of its State of incorporation. This was thought to distinguish such a request from an application by a national bank for a permit to exercise fiduciary powers. It was understood that the Board had never refused permission to a State member bank to exercise trust powers if the bank's condition was satisfactory, its management was regarded favorably, and there was a reasonable showing that the bank's personnel had capabilities and experience equal to the administrative demands of the kinds and volume of fiduciary appointments that the bank was likely to obtain. Consequently, it was thought that any change in attitude with regard to such requests should have Board consideration from the standpoint of the general policy to be followed.

Governor Mills stated that in view of the information contained in the supplemental memorandum from Mr. Masters, he would be willing to vote in favor of granting the request of The Farmers State Bank for permission to exercise fiduciary powers.

In this connection, Governor Vardaman referred to the general policy of the Board with respect to applications from national banks to

8/15/56

-12-

exercise trust powers and raised the question whether consideration should be given to requesting changes in the pertinent statutes which might afford better guidance in handling such requests. There was agreement with a suggestion that this matter be referred to the Legal Division for consideration in preparing for the Board a memorandum of possible legislative changes which might be submitted to the committee headed by Senator Robertson which is currently engaged in a study of the Federal statutes relating to banking and credit.

Thereupon, unanimous approval was given to a letter to the Board of Directors, The Farmers State Bank, Sweetser, Indiana, reading as follows, for transmittal through the Federal Reserve Bank of Chicago:

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 Farmers State Bank to exercise the fiduciary powers now or hereafter authorized under the terms of its charter and the laws of the State of Indiana.

At the meeting of the Board on June 29, 1956, there was a discussion of the duties and responsibilities of Assistant and Alternate Assistant Federal Reserve Agents and Federal Reserve Agent's Representatives at the Federal Reserve Banks and branches. The suggestion was made at that time that representatives of Arthur Andersen & Co. be

8/15/56

-13-

requested to review the procedures currently followed with respect to appointments to those positions when they next accompanied the Board's field examining staff on an examination of a Reserve Bank and to recommend to the Board any changes considered desirable.

In a memorandum dated July 18, 1956, which had been circulated to the members of the Board, Mr. Sloan, Director of the Division of Examinations, submitted a draft of letter which might be sent to Arthur Andersen & Co. in line with the suggestion which was made. It was Mr. Sloan's view, however, that it might be a more desirable procedure to present to the Federal Reserve Agents a proposal that future appointments of Assistant and Alternate Assistant Federal Reserve Agents be made from personnel in the bank examination departments and that Agent's Representatives at Reserve Bank branches be appointed from personnel engaged in the fiscal agency function. Accordingly, there was submitted with the memorandum an alternative draft of letter containing such a proposal which would be sent to the Chairman and Federal Reserve Agent at each Federal Reserve Bank. This letter would also contain a request that the Board be furnished certain information for its files with respect to present appointees and in connection with future appointments.

Governor Robertson stated that he would not favor requesting Arthur Andersen & Co. to make the suggested review since the job, rather than being one of an auditing nature, was concerned with a matter of

8/15/56

-14-

policy. The alternative procedure suggested by Mr. Sloan seemed to him to take care of the matter adequately.

Agreement having been expressed with the position taken by Governor Robertson, Chairman Martin raised a question as to who should appropriately sign the letter which would be sent to the Chairman and Federal Reserve Agent at each Reserve Bank. It was the view of the members of the Board that the letter should be signed by Chairman Martin.

In this connection, Governor Vardaman inquired whether it had not been the general practice for all letters from the Board to the Reserve Bank Chairmen to be signed by the Chairman of the Board or, in his absence, the Vice Chairman. When the response was made that no fixed rule was believed to have been established in respect to such correspondence, Governor Vardaman said that in his opinion such a procedure should be followed consistently.

Thereupon, unanimous approval was given to a letter for the signature of Chairman Martin to the Chairman and Federal Reserve Agent at each Federal Reserve Bank reading as follows:

From time to time the Board is called upon to approve the appointment of Assistant Federal Reserve Agents, Alternate Assistant Federal Reserve Agents, and Federal Reserve Agent's Representatives at Branches. It has been recognized that the duties of such appointees in most instances require only a part of their time, and that the custodial responsibility for unissued Federal Reserve notes is by law shared

8/15/56

-15-

with the Federal Reserve Bank. In practice, the security is further strengthened by the control maintained by the General Auditor over such notes, except for minor working balances, thus providing triple control. While these appointees are responsible to the Federal Reserve Agent and the appointments are made on his recommendation, nevertheless the appointees actually represent the Board of Governors, and it is felt the Board's records should contain essential information with respect to each of them.

In the circumstances, it is requested that the Board be furnished the following information with respect to each such appointee now serving, unless such information has been furnished previously, and with respect to each individual recommended for approval in the future:

1. Name, date of birth, place of birth and citizenship, marital status, and number of other dependents.
2. Date of employment with Reserve Bank, previous banking and other business experience, present position, present salary and grade.
3. Education, including names of schools and colleges attended and degrees or certificates received.
4. Information as to appointee's indebtedness, if any.
5. Any other information you may deem pertinent with respect to appointees now serving or that may be of assistance in the consideration of the recommendation with respect to a new appointee.

It will be appreciated if you will submit in connection with all new appointees and, to the extent practicable, with respect to appointees now serving, a recent photograph of the individual (not over 4 x 6 inches in size) and a copy of any memorandum prepared in connection with the appointment. To the extent that the information contained in such memoranda supplies that requested in the numbered paragraphs above, it will not be necessary to duplicate it in any special memorandum or report to the Board.



8/15/56

-16-

In view of the fact that the Federal Reserve Agent, his assistants, and representatives must deal with the Federal Reserve Bank as independent representatives of the Board of Governors, it is apparent that no Assistant, Alternate Assistant, or Representative of the Agent should be an operating officer or key operating employee of the Bank. The Board also continues in the belief, as set forth in its letter of August 7, 1953 (S-1505a, F.R.L.S. #5772), that it would be preferable if persons appointed as assistants to the Federal Reserve Agent are in no way associated with the cash or audit functions. Therefore, the Board would appreciate your consideration of the proposal that future appointments of Assistant Federal Reserve Agents and Alternate Assistant Federal Reserve Agents be made, insofar as it may be practicable, from the personnel of the Bank Examination Department (official or clerical but not Field Examiners) at each Federal Reserve Bank and the appointment of Representatives at Branches from personnel operating the Fiscal Agency Function. Your comments as to the desirability and practicability of the proposal will be appreciated.

Messrs. Leonard, Johnson, and Sprecher then withdrew from the meeting.

The next item to be considered was a draft of letter to Mr. Robert J. Kiesling, President of the Camden Trust Company, Camden, New Jersey, prepared in response to his inquiry as to whether a decision by the New Jersey courts regarding the application of New Jersey law to the use of armored trucks for picking up deposits would govern the application of the Federal law to which a State member bank of the Federal Reserve System is subject. Copies of the proposed reply had been sent to the members of the Board with a memorandum from Mr. Solomon dated August 14, 1956, to which also were attached copies of two letters to

8/15/56

-17-

Chairman Martin from Mr. Kiesling, a copy of a letter on the same subject from Mr. Kiesling to the Federal Deposit Insurance Corporation, and a copy of the Corporation's reply. The proposed reply from the Board would express the opinion that under the Federal Reserve Act the operation of an armored truck by a State member bank constitutes the operation of a branch at each location at which the truck stops to pick up deposits, and that the State law would not have any effect on the interpretation and enforcement of applicable Federal law.

In commenting on the matter, Mr. Solomon brought out that Mr. Kiesling's inquiry resulted from a recent meeting called by the New Jersey Commissioner of Banking and Insurance and attended by representatives of the New Jersey banks offering the armored car service, the Federal Reserve Banks of New York and Philadelphia, the Comptroller of the Currency, and the Federal Deposit Insurance Corporation, the purpose of which was to discuss the use of armored cars to pick up deposits and to deliver pay roll cash as well as change and currency. At the meeting, which was the subject of discussion by the Board on July 10, 1956, the New Jersey banks were requested to voluntarily discontinue the armored truck service by the first of September. Mr. Solomon said that the reply as drafted was intended to reaffirm the position already taken by the Board, that the form of reply could be changed in a number of ways,

8/15/56

-18-

that the letter sent by the Federal Deposit Insurance Corporation to Mr. Kiesling represented a more detailed statement of views, and that the Board might wish to have its reply phrased somewhat along the same lines. Mr. Solomon also said that while in his opinion the matter referred to in the letter was not entirely an "open and shut" case from a legal point of view, he felt that the position taken in the draft of reply was legally acceptable.

Governor Vardaman referred to the establishment by banks in a number of States of facilities connected with the main office of the bank by pneumatic tubes or other devices and stated that he was inclined to take a liberal position with regard to the operation of an armored truck service such as provided by the Camden Trust Company. He asked whether there were essential distinctions to be drawn between the two types of operation.

Governor Robertson recalled that in the situations to which Governor Vardaman referred, the Board had regarded the operation of the facility as a branch. Furthermore, it had given its approval only in situations where the State's Attorney General had construed the State law to mean that banks may establish such facilities in the absence of express provisions in the law. The Board, he said, had construed Federal statutes applicable to State member banks to mean that such banks may not

8/15/56

-19-

operate facilities away from the head office premises except if the facility is approved by the Board as a branch. He went on to say that the Comptroller of the Currency had taken a somewhat different view, did not consider such facilities as branches, and permitted national banks to operate in the same manner as State banks in the respective States. With regard to the pickup of deposits by armored truck, he said the Attorney General of New Jersey had ruled that, under State law, banks are not permitted to have branches at locations where such a truck stops to pick up deposits. Consequently, the Board could not authorize such banks to have branches at those sites. While the matter had not been brought under control in all States, he felt that progress was being made through the cooperative efforts of the Federal and State supervisory authorities. In the New Jersey situation, for example, it had now been possible to reach uniformity of opinion among all of the supervisory agencies concerned. While he had less doubt than Mr. Solomon about the proper interpretation of the Federal statutes, he nevertheless felt that the subject was one which might appropriately be brought to the attention of the Robertson committee. In the meantime, it was his view that the Federal and State supervisory authorities should continue their efforts to remedy the situation.

Governor Vardaman commented that he would not want to depart from the policy previously established by the Board, and that he would

8/15/56

-20-

be willing to go along with a reply to Mr. Kiesling along the lines of the draft submitted to the Board provided the language was changed to omit the statement that in the Board's opinion the operation of an armored truck would constitute the operation of a branch "at each location at which the truck stops for the pickup of deposits." However, he hoped that the Camden Trust Company would continue its service with a view to bringing about a test case in the courts. It was his view that the protection of independent banks was not as important a factor as providing adequate service to the public and that use of armored trucks contributed to improved public service. He questioned whether the use of the armored vehicles could clearly be regarded as an unfair competitive practice.

Governor Mills said that he believed the position taken heretofore by the Board was a correct one. He expressed some concern, however, as to whether equality of treatment could be assured for banks in all States in view of the divergence in the statutes of the respective States relating to branch banking.

With regard to the point raised by Governor Mills, Governor Robertson described developments in the State of California where branch banking is permitted and the Board could authorize a State bank, with the approval of the State authorities, to establish branches at the locations where an armored truck stops to pick up deposits. In California,

8/15/56

-21-

however, the State authorities do not approve the practice. He said that meetings had been held by the State authorities and representatives of the Federal bank supervisory authorities, and that the Superintendent of Banks in California was now requesting an opinion of counsel. Should counsel express the opinion that a branch operation was involved, it was understood that the State Superintendent would take steps to assure compliance on the part of State banks. In concluding, Governor Robertson again emphasized the need for cooperative action on the part of all of the supervisory authorities in dealing with the problem.

Thereupon, unanimous approval was given to a letter for the signature of Chairman Martin to Mr. Robert J. Kiesling, President, Camden Trust Company, Camden, New Jersey, reading as follows, with copies to the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the Federal Reserve Banks of New York and Philadelphia:

Your letter of August 7, 1956, refers to discussions with your bank regarding the use of armored trucks for picking up deposits. You ask, in effect, whether a decision by the New Jersey courts as to the application of New Jersey law to such operation of armored trucks would govern the application of the Federal law to which your bank is subject as a member of the Federal Reserve System.

The Board of Governors has carefully considered the relevant provisions of the Federal Reserve Act and is of the opinion that under that Act the operation of an armored truck by a State member bank of the Federal Reserve System to pick up deposits constitutes a branch operation. The State law would not necessarily be the same on such a point as the Federal law, and would not have any effect on the

8/15/56

-22-

interpretation or enforcement of applicable Federal law. The Federal Reserve Act forbids a State member bank to establish or operate a branch without the prior approval of the Board of Governors. The Board of Governors is charged with responsibility for carrying out these requirements of the law and trusts that it will have your cooperation in discharging that responsibility.

I appreciate your letter of August 8 and assure you that no apology is necessary.

At this point Mr. Sherman, Assistant Secretary, entered the room and Mr. Leonard rejoined the meeting. At this point also, Messrs. Hostrup, Masters, and Goodman withdrew.

Mr. Carpenter reported that Governor Szymczak, now in Chicago, had informed him in a telephone conversation that Mr. Elisha Gray, II, would be unable to accept appointment as a director of the Detroit Branch of the Federal Reserve Bank of Chicago and that the Reserve Bank had again suggested that the Board consider the appointment of Mr. Coy V. Patterson, Executive Vice President of The Upjohn Company, Kalamazoo, Michigan.

It was agreed unanimously to request Mr. Prall, Chairman of the Federal Reserve Bank of Chicago, to ascertain and advise the Board whether Mr. Patterson would accept appointment, if tendered, as director of the Detroit Branch for the remainder of the term ending December 31, 1958; with the understanding that if Mr. Patterson would accept, the appointment would be made.

Mr. Sherman reported having received a telephone call from Mr. Thompson, First Vice President of the Federal Reserve Bank of Cleveland,

8/15/56

-23-

regarding a request by General Services Administration that it be permitted to have an independent appraisal of the Bank's premises made to determine the fair market rental of space in the Bank building prior to renewal of a current lease. It appeared that a recent administrative ruling within General Services Administration required such an appraisal in connection with all leases of this kind. It further appeared that the management of the Cleveland Reserve Bank had resisted such an appraisal in conversations with representatives of General Services Administration and that it was the present intention of the Reserve Bank to send a letter to General Services Administration at the expiration of the time provided for bids to renew the lease which would take the position that since the lease had not been renewed, the space should be vacated.

In a discussion of the matter, it was stated that such a request on the part of General Services Administration apparently had not been made previously in connection with the lease of space at Reserve Banks.

Governor Robertson said that he saw no reason why General Services Administration should not be permitted to have an appraisal of the property made since it appeared to be a reasonable thing for a Government agency to do as a matter of protection, even though the lease agreement on its face called for a very low rate of rental. He suggested that the matter was essentially one to be resolved by the Reserve Bank, but that the Bank's attention might be drawn to the difference between a General



8/15/56

-24-

Accounting Office audit and General Services Administration having an independent appraisal made for the purpose of determining whether or not the rental was fair. In the circumstances, he doubted whether the Reserve Bank should take the step of writing a letter requesting that the space be vacated. It might be possible, he said, to allow the tenancy to continue on a month-to-month basis until some mutually agreeable arrangement could be worked out.

Chairman Martin suggested advising the Reserve Bank to approach the problem in terms of letting the first step be taken by General Services Administration rather than by the Bank. He thought that the Reserve Bank would not want to be in the position of cancelling the lease or taking any precipitate action and that if General Services Administration took some further step, the Reserve Bank could then take cognizance of it.

At the conclusion of the discussion, it was agreed unanimously that the Cleveland Bank should be advised informally of the views of the Board as stated at this meeting.

Messrs. Sherman, Leonard, and Solomon then withdrew from the meeting.

It was suggested that progress reports on the current consumer credit study be made at a meeting of the Board in the near future, and that this include a report by Mr. Bailey, Special Consultant to the Board.

There was unanimous agreement with this suggestion.

8/15/56

-25-

Mr. Carpenter reported receipt of a communication from attorneys for The Continental Bank and Trust Company, Salt Lake City, Utah, relative to the current proceeding under section 9 of the Federal Reserve Act, raising a number of questions concerning the Board's legal authority and jurisdiction and concerning "matters of fact and law asserted in the Board's Notice of Institution of Proceeding and of Hearing Therein dated June 29, 1956."

It was understood that the document would be referred to the Legal Division for preparation of a draft of reply for the Board's consideration. Agreement also was expressed with a suggestion by Governor Vardaman that all such documents received in connection with this proceeding be distributed promptly to the members of the Board for their information.

The following additional 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:

Telegram to Mr. Irons, President, Federal Reserve Bank of Dallas, reading as follows:

Board interposes no objection to your Bank's calling for bids for construction of a new building for the El Paso Branch on the basis of the plans and specifications referred to in your letter of July 23.

Approved unanimously.

8/15/56

-26-

Letter to the Board of Directors, Bankers Trust Company, New York, 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 Bankers Trust Company, New York, New York, of a branch at 740 Third Avenue, New York, New York, provided the branch is established within two years from the date of this letter and the approval of the appropriate 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.

Letter to the Board of Directors, The Detroit Bank, Detroit, Michigan, reading as follows:

Pursuant to your request submitted through the Federal Reserve Bank of Chicago, the Board of Governors hereby gives its written consent under the provisions of Section 18(c) of the Federal Deposit Insurance Act to the merger and/or consolidation of Detroit Wabeek Bank and Trust Company, Detroit, Michigan, The Birmingham National Bank, Birmingham, Michigan, and Ferndale National Bank, Ferndale, Michigan, with and into The Detroit Bank, Detroit, Michigan, under the title of The Detroit Bank and Trust Company, Detroit, Michigan, and approves the establishment by the latter bank of branches at:

201-227 West Fort Street, Detroit, Michigan,  
3005 West Grand Boulevard, Detroit, Michigan,  
615 Griswold Street, Detroit, Michigan,  
15738 Grand River Avenue, Detroit, Michigan,  
7443 West McNichols Road, Detroit, Michigan,  
284 West Maple Street, Birmingham, Michigan,  
188 North Woodward Avenue, Birmingham, Michigan,  
1954 South Woodward Avenue, Birmingham, Michigan,  
22840 Woodward Avenue, Ferndale, Michigan, and  
141 West Nine Mile Road, Ferndale, Michigan.

provided (a) the merger and/or consolidation is effected substantially in accordance with the terms of the agreement

8/15/56

-27-

and plan of merger and/or consolidation dated June 12, 1956, (b) the branches are established within six months from the date of this letter, and (c) formal approval of the State authorities is obtained.

It is noted that The Detroit Bank proposes to succeed to the trust business of Detroit Wabeek Bank and Trust Company; that the charter of The Detroit Bank is to be amended to provide for the exercise of full statutory trust powers; and that the requisite approval of the State authorities for exercise of such powers will be obtained before the proposed merger and/or consolidation is effected. Consequently, the Board of Governors hereby grants permission to The Detroit Bank to exercise the trust powers now or hereafter authorized under the terms of its charter and the laws of the State of Michigan.

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

Letter to the Board of Directors, The Detroit Bank, Detroit, 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 by The Detroit Bank on Grand River Avenue near Middlebelt Road in an unincorporated community known as Clarenceville in Farmington Township, Oakland County, Michigan, provided the branch is established within six months from the date of this letter, and that 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 the Board of Directors, Bloomfield State Bank, Bloomfield, Indiana, reading as follows:

Pursuant to your request submitted through the Federal Reserve Bank of St. Louis, the Board of Governors of the Federal Reserve System approves the establishment of

8/15/56

-28-

a branch by Bloomfield State Bank, Bloomfield, Indiana, in Newberry, Indiana, provided (a) the capital stock of your bank is increased to not less than \$100,000 par value as required by the provisions of Section 9 of the Federal Reserve Act, (b) the branch is established within six months from the date of this letter, and (c) the approval given by the State banking authorities is effective as of the date the branch is established.

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

Letter for the signature of Chairman Martin to Mr. Javier Marquez, Director, Center for Latin American Monetary Studies, Mexico City, Mexico, reading as follows:

Thank you for your letter of August 6 in which you advised that the trainees of the Center for Latin American Monetary Studies will be in Washington from September 10 through 21. The Board will be pleased to have your group visit us again this year, and the members of the staff are already at work on plans which we hope will make their visit a most profitable one.

Attached is a tentative program for their visit beginning September 17, and, if you have any comments or suggestions regarding it, may I suggest you direct them to Mr. Clarke L. Fauver, Assistant Secretary, who is in charge of the arrangements being made for your group.

Approved unanimously, with the understanding that the Board would provide a luncheon for the visitors in the Board's dining rooms on September 17, 1956, and that the Board would pay the cost of translation facilities and other minor expenditures that might be necessary in connection with the program.

The meeting then adjourned.

8/15/56

-29-

Secretary's Note: Governor Robertson, as alternate for Governor Shepardson, today approved the following items on behalf of the Board:

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

Reurtel August 13, 1956, Board approves designation of Francis J. Clifford as a special assistant examiner for the Federal Reserve Bank of Boston for the purpose of participating in examinations of -

Depositors Trust Company, Augusta, Maine;  
The Merrill Trust Company, Bangor, Maine;  
The Connecticut Bank and Trust Company,  
Hartford, Connecticut;  
Rhode Island Hospital Trust Company, Providence, Rhode Island.

Memorandum dated August 13, 1956, from Mr. Johnson, Director, Division of Personnel Administration, recommending that John Kakalec, Accountant in the Office of the Controller, be nominated as the Board's candidate for a one-course scholarship to be awarded during the school year 1956-57 by the Department of Agriculture Graduate School.



Secretary