

Minutes for September 19, 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><i>MM</i></u>	_____
Gov. Szymczak	x <u><i>MS</i></u>	_____
Gov. Vardaman	x <u><i>SV</i></u>	_____
Gov. Mills	x _____	_____
Gov. Robertson	x <u><i>R</i></u>	_____
Gov. Balderston	x <u><i>CB</i></u>	_____
Gov. Shepardson	x <u><i>SS</i></u>	_____

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, September 19, 1956. The Board met in the Board Room at 10:30 a.m.

PRESENT: Mr. Martin, Chairman 1/  
 Mr. Balderston, Vice Chairman 1/  
 Mr. Szymczak  
 Mr. Vardaman  
 Mr. Mills  
 Mr. Robertson  
 Mr. Shepardson

Mr. Carpenter, Secretary  
 Mr. Sherman, Assistant Secretary  
 Mr. Kenyon, Assistant Secretary  
 Mr. Riefler, Assistant to the Chairman  
 Mr. Thomas, Economic Adviser to the Board  
 Mr. Leonard, Director, Division of Bank Operations  
 Mr. Vest, General Counsel  
 Mr. Young, Director, Division of Research and Statistics  
 Mr. Sloan, Director, Division of Examinations  
 Mr. Solomon, Assistant General Counsel  
 Mr. Hackley, Assistant General Counsel  
 Mr. Noyes, Adviser, Division of Research and Statistics  
 Mr. Robinson, Adviser, Division of Research and Statistics  
 Mr. Molony, Special Assistant to the Board

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 Mr. Sprague, Federal Reserve Agent, Federal Reserve Bank of Boston, reading as follows:

In accordance with the request contained in your letter of August 31, 1956, the Board of Governors approves the appointment of Mr. C. Herman Gramstorff as

1/ Entered meeting at point indicated in minutes, having returned from an appointment outside the Federal Reserve Building.

9/19/56

-2-

Alternate Assistant Federal Reserve Agent, effective October 1, 1956, to succeed Mr. Roger C. Muse.

This approval is given with the understanding that Mr. Gramstorff will be placed upon the Federal Reserve Agent's pay roll and will be solely responsible to him or, during a vacancy in the office of the Federal Reserve Agent, to the Assistant Federal Reserve Agent, and to the Board of Governors, for the proper performance of his duties. When not engaged in the performance of his duties as Alternate Assistant Federal Reserve Agent he may, with the approval of the Federal Reserve Agent or, during a vacancy in the office of the Federal Reserve Agent, of the Assistant Federal Reserve Agent, and the President, perform such work for the Bank as will not be inconsistent with his duties as Alternate Assistant Federal Reserve Agent.

Mr. Gramstorff should execute the usual Oath of Office which should be forwarded to the Board of Governors.

Approved unanimously.

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

Reference is made to your letter of September 6, 1956, with regard to the proposal of Springfield Safe Deposit and Trust Company, Springfield, Massachusetts, to move its branch located at 14 Maple Street, East Longmeadow, Massachusetts, to a new location at 31 Maple Street, East Longmeadow.

From the information submitted it appears that the proposed removal of the branch will constitute a mere relocation of an existing branch in the immediate neighborhood without affecting the nature of its business or customers served and, therefore, the approval of the Board is not required.

Approved unanimously.

Letter to Mr. Goodwin, Assistant General Counsel, Federal Reserve Bank of Philadelphia, reading as follows:

This will acknowledge your letter of September 10, 1956, addressed to Mr. George B. Vest, General Counsel,



9/19/56

-3-

containing enclosures relative to the status as banks, under the Bank Holding Company Act, of proposed Florida subsidiaries of the Beneficial Finance Company.

In response to your principal inquiry, there appears to be no objection to forwarding to Beneficial Finance Company a copy of the opinion prepared by Mr. Patterson of the Federal Reserve Bank of Atlanta. However, in agreeing to your suggestion in this regard, it should be understood that the Board does not at this time express any view on the position taken by Mr. Patterson.

In the event that you desire an expression by the Board on this matter, it is presumed that in connection therewith, the opinions and related materials mentioned in your letter will be transmitted to this office.

Approved unanimously.

Letter to the Board of Directors, Northtown Bank of Decatur, Decatur, Illinois, approving, subject to conditions of membership numbered 1 and 2 contained in the Board's Regulation H, the application filed on behalf of the bank for membership in the Federal Reserve System and stock in the Federal Reserve Bank of Chicago effective if and when the bank opens for business under appropriate State authorization, the time for accomplishment of admission to membership to be limited to 60 days from the date of this letter unless the bank applies to the Board of Governors and obtains an extension of time.

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

Letter to the Board of Directors, First National Bank of Paragould, Paragould, Arkansas, 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 of a \$20,000 mortgage bond issue of Saint Mary's Catholic Church of Paragould, Arkansas, the exercise of such authority to be subject to the provisions of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System.

9/19/56

-4-

A certificate covering such authorization is enclosed.

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

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 July 23, 1956, enclosing photostatic copies of an application to organize a national bank in Lincoln, Nebraska, 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 Kansas City discloses that the proposed capital structure and management of the bank would be satisfactory. The prospects for profitable operations are reported to be unfavorable and, on the basis of the information available, there does not appear to be sufficient need for the bank in the area at this time. After considering all the factors, the Board does not feel justified in recommending 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, with  
a copy to the Federal Reserve  
Bank of Kansas City.

Letter to Covington & Burling, Union Trust Building, Washington, D. C., (Attention Mr. Gerhard A. Gesell, Attorney for Transamerica Corporation), reading as follows:

This will acknowledge your letter of September 7, 1956, addressed to the Board's General Counsel, in which there is expressed your opinion in the matter of the making of loans by Transamerica Corporation's banking subsidiaries upon the security of the cash surrender value of life insurance policies issued by insurance companies which are also subsidiaries of Transamerica Corporation.

9/19/56

-5-

It is noted from your letter that you are not requesting a formal ruling from the Board with respect to this question. Accordingly, it should not be understood that the Board necessarily concurs in the position you have taken or that the practice described by you may not be a violation of the Bank Holding Company Act. If you should wish an expression by the Board on this matter and so advise us, the question will be presented to the Board for consideration.

The courtesy of your letter is appreciated.

Approved unanimously.

In connection with the proceeding under section 9 of the Federal Reserve Act against The Continental Bank and Trust Company, Salt Lake City, Utah, Counsel for Respondent had made motions (1) that the hearing be dismissed for lack of jurisdiction, (2) that proceedings be dismissed for failure to comply with the Administrative Procedure Act, (3) for production of records, and (4) for continuance of hearing. Special Counsel for the Board subsequently filed a memorandum in opposition with respect to each of these motions. Under date of September 15, 1956, Counsel for Respondent, having received copies of the memoranda in opposition, wrote to the Board requesting time to and including September 24, 1956, within which to submit additional material in connection with the motion for production of records and the motion for continuance.

Copies of each of the aforementioned documents had been distributed to the members of the Board along with a draft of telegram to Counsel for Respondent which would state that the Board granted the request to submit additional material on the motion for production of



9/19/56

-6-

records and the motion for continuance not later than September 24, 1956.

The suggestion was made that the wording of the proposed telegram be changed to indicate more clearly that except for the request contained in the letter of September 15 from Counsel for Respondent the Board would have acted by this time on the several motions filed by Counsel for Respondent that were now pending before the Board.

There being agreement with this suggestion, unanimous approval was given to a telegram to Mr. Peter W. Billings, Fabian, Clendenin, Moffat & Mabey, Salt Lake City, Utah, reading as follows:

This refers to your letter of September 15 requesting time before the Board rules within which to submit additional material in connection with Motion for Production of Records and Motion for Continuance. Except for your request Board would have acted by this time on these motions and other motions filed by you now pending before the Board. However, Board grants your request to submit additional material not later than September 24, 1956 in the nature of a reply to the memoranda in opposition filed by Counsel for the Board and will act upon motions now pending as soon as possible thereafter.

Chairman Martin and Governor Balderston joined the meeting at this point.

At the luncheon meeting of the Board with Senator Robertson on September 12, 1956, the request was made that the Senator be furnished with suggested language for two documents which might be used in connection with the study of the Federal laws relating to financial institutions and credit currently being made by the Banking and Currency

9/19/56

-7-

Committee under the acting chairmanship of Senator Robertson. The first document would be a preamble to the Committee hearings and the second would be a statement regarding the scope of the study by Senator Robertson, as Acting Chairman of the Committee, which it was understood might be used in a television appearance. Drafts of such statements, prepared by Governor Vardaman with the assistance of Messrs. Vest, Hackley, and Molony, had been distributed to the members of the Board before this meeting.

The drafts were discussed and agreement was reached on certain minor changes in them.

Thereupon, unanimous approval was given to statements reading as follows, with the understanding that they would be transmitted by Chairman Martin to Senator Robertson:

Preamble to Committee Hearings

The banking laws of the United States may be divided into two general categories:

- (1) Those laws which regulate and prescribe operational activities of the respective Federal agencies; and
- (2) those laws which promulgate policies of the Federal Government and, for the accomplishment thereof, prescribe the corporate structure and scope of authority of the respective agencies involved.

It is the intention of the Committee at this time to address itself only to the consideration of those laws which may be embraced in the first classification.



9/19/56

-8-

With reference to these laws, the Committee will endeavor to recommend to the Congress such actions as may be necessary to eliminate obsolete provisions and procedural processes that have been found to be unnecessary; and to amend or repeal those parts of the laws which have been found unworkable or impracticable; to amend such laws by adding authority which may be considered necessary to the more efficient and constructive operation of the Federal agencies and private industries involved; and to provide such restatements of authority as may be thought advisable to facilitate a clearer understanding of the laws on the part of the general public and of the administering agencies.

One of the most important matters with which the Committee will concern itself is the compilation and proper indexing of all Federal banking statutes, and other statutes governing the agencies which have been invited to testify before this Committee, with a view to establishing a basis for the codification of these laws and regulations into a consistent series which may be collated by the Congress as a Banking Code.

The Committee does not intend to concern itself at this time, but reserves for its future action, consideration of those laws which might come under the second classification, and which involve fundamental changes in philosophy, principles, theories, practices and overlapping authorities, or structural changes in the corporate entity of the respective agencies.

---

Suggested Statement by Senator Robertson as Acting Chairman  
of the Senate Banking and Currency Committee regarding  
the Committee's Study of the Banking Laws

The purpose of the Committee in undertaking this study is to compile and clarify, rather than change, the banking laws of the Nation. With that objective in mind, the study will be addressed primarily to a consideration of such matters as the elimination of obsolete provisions and the addition of such new

9/19/56

-9-

provisions as may seem desirable in order to modernize and streamline the banking laws. These matters, largely of a technical and noncontroversial nature, will relate primarily to the administrative functions of the banking agencies and to operational details of institutions affected.

The Committee will, of course, stand ready to consider any changes in the laws which may be needed at this time if such changes will be of assistance to the banking or industrial communities or will aid in the efficient functioning of the bank supervisory agencies. However, it is not intended to encroach on the field of credit and monetary policies, which were the subject of several Congressional Committee studies in recent years. Likewise it is not intended to consider fundamental changes in the law with respect to the structure of the bank supervisory agencies or of other lending and guarantee agencies, or the scope of their authority, or other questions of that character. Fundamental questions of this kind will be deferred until a later date for Committee consideration so that this Committee may presently proceed expeditiously with consideration of the more immediate needs to which its study is now directed.

When this study is completed, it is hoped that it will be possible to consider and prepare a codification of all the Federal laws relating to banking, including those now in the National Bank Act, the Federal Reserve Act, and the Federal Deposit Insurance Act.

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

The Secretary later was advised that during the executive session the Board considered a letter dated September 12, 1956, from Mr. Dawes, Vice President and Secretary of the Federal Reserve Bank of Chicago, which in addition to giving a list of proposed officers' salaries for 1957, as approved by the Board of Directors, also stated

9/19/56

-10-

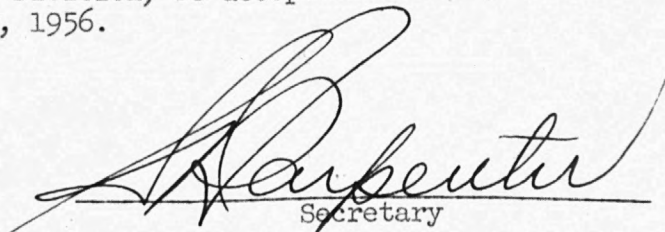
that the directors in a separate resolution had approved, subject to the approval of the Board of Governors, an increase in the annual salary of Mr. Harris, First Vice President, from \$27,500 to \$30,000 effective October 1, 1956. The Secretary was informed that the Board of Governors approved the payment of salary to Mr. Harris at the rate of \$30,000 per annum for the period October 1 through December 31, 1956, provided Governor Balderston ascertained from President-elect Allen of the Chicago Bank that the latter also approved the proposed salary.

Secretary's Note: Governor Balderston having ascertained from Mr. Allen that he approved the salary proposed for Mr. Harris, the following letter was sent to Mr. Prall, Chairman, Federal Reserve Bank of Chicago, on September 20, 1956:

In accordance with the action of your Board, as reported in Mr. Dawes' letter of September 12, 1956, the Board of Governors approves the payment of salary to Mr. E. C. Harris as First Vice President of the Federal Reserve Bank of Chicago for the period October 1, 1956, through December 31, 1956, at the rate of \$30,000 per annum.

The meeting then adjourned.

Secretary's Note: During the day Governor Shepardson approved on behalf of the Board the recommendation contained in a memorandum dated September 11, 1956, from Mr. Bethea, Director, Division of Administrative Services, that the resignation of Dolores A. Winkler, Secretary in that Division, be accepted effective September 12, 1956.



Secretary