

Minutes for January 4, 1957



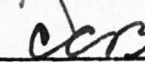
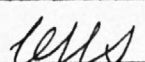
To: Members of the Board

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"/> 	_____
Gov. Szymczak	<input checked="" type="checkbox"/> _____	_____
<u>1/</u> Gov. Vardaman	_____	<input checked="" type="checkbox"/> _____
Gov. Mills	<input checked="" type="checkbox"/> _____	_____
Gov. Robertson	<input checked="" type="checkbox"/> 	_____
Gov. Balderston	<input checked="" type="checkbox"/> 	_____
Gov. Shepardson	<input checked="" type="checkbox"/> 	_____

1/ The attached set of minutes was sent to Governor Vardaman's office in accordance with the procedure approved at the meeting of the Board on November 29, 1955. The set was returned by Governor Vardaman's office with the statement (see Mr. Kenyon's memorandum of February 12, 1957) that hereafter Governor Vardaman would not initial any minutes of meetings of the Board at which he was not present. Therefore, with Governor Shepardson's approval, these minutes are being filed without Governor Vardaman's initial.

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, January 4, 1957. The Board met in the Board Room at 10:00 a.m.

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

Mr. Carpenter, Secretary
 Mr. Kenyon, Assistant Secretary
 Mr. Vest, General Counsel
 Mr. Sloan, Director, Division of Examinations
 Mr. Marget, Director, Division of International Finance
 Mr. Hackley, Associate General Counsel
 Mr. Solomon, Assistant General Counsel
 Mr. O'Connell, Assistant General Counsel
 Mr. Masters, Associate Director, Division of Examinations
 Mr. Hostrup, Assistant Director, Division of Examinations
 Mr. Cherry, Legislative Counsel
 Mr. Furth, Chief, International Financial Operations Section, Division of International Finance

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:

Telegram to Mr. Perrin, Federal Reserve Agent at the Federal Reserve Bank of Minneapolis, authorizing the issuance of a limited voting permit, under the provisions of section 5144 of the Revised Statutes of the United States, to Montana Shares, Incorporated, Havre, Montana, entitling such organization to vote the stock which it owns or controls of The Miners National Bank of Butte, Butte, Montana, and First State Bank of Chinook, Chinook, Montana, at any time prior to April 1, 1957, to elect directors of such banks at the annual meetings of shareholders, or any adjournments thereof, and to act thereat upon such matters of a routine nature as are ordinarily acted upon at the annual meetings of such banks. The telegram stated that "Items numbered 1, 3, and 4 in Applicant's letter, dated December 20, 1956, are regarded as matters of a routine nature".

Approved unanimously.

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

This refers to your letter, dated December 17, 1956, transmitting the application of Old Dominion Bank, Arlington, Virginia, for an extension of time to March 15, 1957, in which it may register with the Board as a bank holding company, pursuant to section 5(a) of the Bank Holding Company Act of 1956. The Board has granted the requested extension of time.

It was noted that in his letter dated December 14, 1956, Mr. Edwin T. Holland, President of Old Dominion Bank, stated that the filing of the bank's registration statement at this time may react unfavorably so far as public relations are concerned. It is suggested that you advise Mr. Holland that the fact that Old Dominion Bank has not filed its registration statement will not necessarily prevent an identification of that bank as a bank holding company in any data which the Board may be required or may deem proper to furnish to appropriate authorities or to others.

Approved unanimously.

There were presented telegrams proposed to be sent to the following Federal Reserve Banks approving the establishment without change on the dates indicated of the rates of discount and purchase in their existing schedules:

Boston	December 31
Atlanta	December 31
New York	January 3
Philadelphia	January 3

Approved unanimously.

There had been sent to the members of the Board copies of a memorandum dated January 3, 1957, from Mr. Young, Assistant Counsel, Legal Division, regarding an informal request from the Bureau of the Budget for the Board's views with respect to a proposal to extend the life of the Export-Import Bank until June 30, 1963. Under existing law the Bank's

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life would expire on June 30, 1958. In a letter to the Budget Bureau dated March 16, 1956, concerning a draft bill containing the same proposal, the Board stated that it was in favor of the objectives and purposes of the Export-Import Bank and would favor extension of its life until June 30, 1963.

Following a brief discussion, it was agreed unanimously that the Budget Bureau should be informed that there had been no change in the Board's position as stated in its letter of March 16, 1956.

Secretary's Note: In accordance with this action, the following letter was sent today to Mr. Roger W. Jones, Assistant Director, Legislative Reference, Bureau of the Budget:

In response to your informal request, you are advised that, as stated in the Board's letter of March 16, 1956, it is in favor of the objectives and purposes of the Export-Import Bank and would favor extension of its life until June 30, 1963.

Messrs. Marget, Hostrup, and Furth then withdrew from the meeting and Messrs. Riefler, Assistant to the Chairman, and Young, Director, Division of Research and Statistics, entered the room.

Consideration was given to a memorandum from Mr. Vest dated January 3, 1957, regarding the recent receipt by the Board of (1) a request from General Contract Corporation, St. Louis, Missouri, that some 20 of its subsidiaries engaged in financial, fiduciary, or insurance business be determined by the Board to be "so closely related to the business of banking or of managing or controlling banks as to be a proper incident thereto" and thus in effect exempted from the separation provisions

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of the Bank Holding Company Act of 1956; and (2) a similar request from Transamerica Corporation, San Francisco, California, with respect to its subsidiary, Occidental Life Insurance Company of California. The memorandum, copies of which had been sent to the members of the Board, pointed out that under section 4(c)(6) of the Act, a hearing with respect to each of these requests for Board determination was mandatory. With regard to arrangements for conducting such hearings, the suggestion was made that it might be desirable to borrow another hearing examiner from the National Labor Relations Board. It was stated that that Board would be willing to loan the Board of Governors another examiner for a six-month period, the Board of Governors to pay his expenses and his compensation during such time as he was actually needed by the Board but not otherwise. Under such an arrangement, the hearing in the General Contract Corporation matter would be set, after consultation with respondent and publication of a notice of hearing in the Federal Register, for the earliest convenient time, but with not less than three weeks' formal notice to the Corporation. The hearing in the Transamerica matter would be set, also after consultation with the respondent and publication of a notice in the Federal Register, for a convenient time some two or three weeks after the beginning of the General Contract hearing. Under such a schedule, it was believed that both hearings could be started before the end of February 1957 and both completed shortly thereafter so far as the actual taking of testimony was concerned.

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In a discussion of the indicated degree of complexity of the issues involved, question was raised by Chairman Martin as to the qualifications that should be sought in an examiner who would conduct hearings of this kind. He asked in particular whether experience in financial relationships would not be desirable.

While there was general agreement that, as Chairman Martin had suggested, it would be helpful if hearing examiners with banking and financial experience could be obtained, it was stated that men with such experience were seldom available from the Civil Service roster of hearing examiners. With respect to the possibility of employing a hearing examiner, two principal difficulties were cited. First, the period necessary to obtain such a person, provide for his training, and qualify him for the Civil Service roster probably would be rather substantial, and second, it appeared that the volume of hearings under the Bank Holding Company Act might diminish appreciably after a period of 18 months or two years.

At the conclusion of the discussion, it was agreed unanimously that, as recommended in Mr. Vest's memorandum, the staff should continue its negotiations with the National Labor Relations Board and the Civil Service Commission with a view to borrowing an additional hearing examiner, with the understanding that the matter would be brought again to the attention of the Board at a time when formal letters could be exchanged with those agencies to consummate the arrangements and the name of the examiner had become known.

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With further reference to the same subject, Mr. Vest suggested the desirability of borrowing counsel from Federal Reserve Banks for the conduct of the forthcoming hearings on behalf of the Board. Under this plan Mr. Lamphere, Assistant General Counsel for the Federal Reserve Bank of Chicago, who spent some time at the Board's offices last year working on matters under the Bank Holding Company Act, would be sought to conduct the General Contract Corporation hearing with the assistance of Counsel for the St. Louis Reserve Bank, and to assist and collaborate with the General Counsel for the San Francisco Reserve Bank in conducting the Transamerica hearing.

It was agreed unanimously
to proceed on the basis outlined
by Mr. Vest and he was authorized
to make the necessary arrangements.

During the foregoing discussion Mr. Thomas, Economic Adviser to the Board, entered the room.

Reference then was made to the following draft of letter to Mr. Kroner, Vice President of the Federal Reserve Bank of St. Louis, which had been circulated to the members of the Board:

This is to acknowledge receipt of your letter of December 19, 1956, transmitting requests by General Contract Corporation, St. Louis, Missouri, for a hearing pursuant to section 4(c)(6) of the Bank Holding Company Act of 1956 with respect to 24 of the Corporation's subsidiaries, together with a duplicate signed copy of the Corporation's transmittal letter to your Bank.

It will be appreciated if you will advise General Contract Corporation that the Board will notify it in due

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course of the place and time to be fixed for the holding of a hearing on this matter in accordance with the statute and the Board's Regulation Y.

It was agreed unanimously that it would be appropriate to send the acknowledgment, even though it might be possible to furnish General Contract Corporation more definite information regarding the hearing within a relatively short time in view of the action taken by the Board at this meeting. Accordingly, the letter was approved unanimously, with the understanding that a similar letter would be sent to the Federal Reserve Bank of San Francisco concerning the request of Transamerica Corporation for a determination pursuant to section 4(c)(6) of the Bank Holding Company Act.

With respect to the forthcoming hearing regarding the formation of a bank holding company involving The First National City Bank of New York, City Bank Farmers Trust Company of New York, and County Trust Company, of White Plains, New York, Mr. Vest referred to the request of Representative Emanuel Celler of New York to testify and to the Board's response that it would be glad for him to do so at a convenient time. He said that Mr. Celler had written again under date of December 28, 1956, requesting to be called, if possible, early on the morning of January 24, 1957, the date set for the commencement of the hearing. He then referred to a draft of reply which had been prepared which would bring out that arrangements for the hearing contemplated that on January 24 only certain formal steps would be taken, that the taking of oral

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testimony would not commence until Monday, January 28, and that it was appropriate that the applicants have the first opportunity to put on such testimony as they wished in support of their applications. The suggestion would be made that Mr. Celler, if he wished, might testify on the first day of the hearings after the conclusion of testimony for the applicants, and the letter would state that he would be given as much notice as possible.

Agreement was expressed with the substance of the proposed reply but certain suggestions with regard to changes in phraseology were made by members of the Board.

At the conclusion of the discussion, it was agreed un-
animously to send the letter to
Congressman Celler when in a
form satisfactory to Governor
Robertson in the light of the
comments made at this meeting.

Secretary's Note: Pursuant to this action,
a letter reading as follows was sent to
Congressman Celler under date of January 7,
1957, over the signature of Vice Chairman
Balderston:

This will acknowledge receipt of your letter of December 28, 1956, with reference to the hearing regarding the formation of a bank holding company involving The First National City Bank of New York, City Bank Farmers Trust Company of New York, and County Trust Company of White Plains, New York. We note your request to be called, if possible, early on the morning of January 24, the date set for the commencement of the hearing.

While we wish to accommodate you in every way possible, the arrangements for the hearing contemplate that on January 24 only certain formal steps will be taken, such as presentation

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of various documents to the hearing officer for the record, and that the taking of oral testimony will not commence until Monday, January 28. Following normal procedures, the applicants will have the first opportunity to put on such testimony as they may wish in support of their applications. In these circumstances, we assume you will wish to select a subsequent date to present your testimony. We do not know at present how long it will take for the applicants to present their case, but we will plan to give your office as much notice as possible and will endeavor in every way to meet your convenience. We hope that this arrangement will be satisfactory to you.

It was also agreed that a similar letter should be sent as a matter of information to Representative Abraham Multer of New York, who likewise had requested that he be called to testify at the hearing, and that the letters should be delivered to the offices of both Congressmen by Mr. Cherry.

At this point Mr. Leonard, Director, Division of Bank Operations, entered the room.

With further reference to the First National City Bank matter, Mr. O'Connell reported having been advised by telephone yesterday by a member of the legal staff of the Federal Reserve Bank of New York that an attorney purporting to represent certain stockholders of the Bank had asked to review the applications under the Bank Holding Company Act at the Reserve Bank. The questions raised were whether the request should be granted and, if so, whether the applicants should be notified of the circumstances.

Mr. Vest stated that in his opinion the entire docket on the matter should be regarded as available to anyone who might inquire at

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the Board's offices, and that it would therefore seem reasonable for the New York Reserve Bank to comply with the current request.

Agreement was expressed that the request should be granted and that the New York Reserve Bank should advise the First National City Bank of the circumstances as a matter of information.

In this connection the suggestion was made that the practice be followed of making the appropriate papers available upon request at any Federal Reserve Bank. The thought was expressed, however, that in a case such as that involving the First National City Bank this would require the duplication of a substantial quantity of records. Accordingly, the alternative suggestion was made that any such request be responded to by a statement that the papers could be reviewed at the Board's offices or at the most convenient Reserve Bank where they were available.

There was unanimous agreement with the alternative suggestion.

Regarding the same proceeding, Mr. Vest referred to an informal indication that at least one party might wish to testify at the hearing without being subjected to cross examination. It was pointed out that it was anticipated that the hearing examiner would swear in the witnesses at the hearing before taking their testimony and also that all witnesses would normally be subject to cross examination.

There was agreement with a suggestion by Mr. O'Connell that

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an effort be made to work out any procedural questions of this kind by means of stipulation between counsel.

There had been sent to the members of the Board copies of a request from the Bureau of the Budget for the views of the Board with respect to an attached draft bill "To establish a National Monetary and Financial Commission".

In response to a question by the Chairman, Mr. Vest stated that the draft bill, which spelled out in detail the functions of the proposed commission, was generally in line with the position taken last week by the Board informally.

At the conclusion of a discussion of the draft bill, it was understood that a draft of reply to the Budget Bureau would be prepared in the light of the comments made at this meeting for consideration at the meeting on Monday, January 7.

Mr. Carpenter reported that the Executive Director of the Consumer Bankers Association had inquired whether a visit to the Federal Reserve Building by officers of the Association might be arranged this year, on a mutually convenient date, for an informal discussion with members of the Board along the lines of the discussion held last year.

It was agreed unanimously that arrangements should be made for a visit on a mutually convenient date.

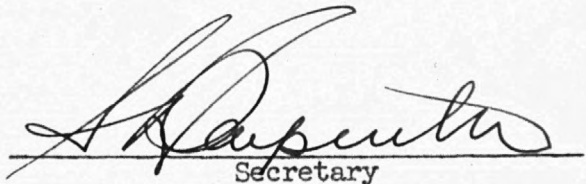
The meeting then adjourned.

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Secretary's Note: Inasmuch as Mr. Pierre B. McBride had accepted appointment as a Class C director of the Federal Reserve Bank of St. Louis for the three-year term beginning January 1, 1957, and had submitted his resignation as a director of the Louisville Branch effective December 31, 1956, a letter was sent to him today, in accordance with the action of the Board on December 12, 1956, advising him of the Board's acceptance of his resignation as a director of the Louisville Branch and of his designation as Chairman and Federal Reserve Agent at the St. Louis Bank for the year 1957, with compensation on the same honorarium basis as his predecessor; i.e., the same amounts as paid to other directors of the Bank for attendance corresponding to his at meetings of the board of directors, executive committee, and other committees of the board of directors.

Secretary's Note: In accordance with the authority given by the Board at the meeting on December 7, 1956, Governor Robertson today approved on behalf of the Board the designation of Daniel J. Clifford, Examiner for the Federal Reserve Bank of New York, as a Federal Reserve Examiner for the purpose of examining Bankers Company of New York, New York, New York, a corporation operating under agreement with the Board pursuant to the provisions of section 25 of the Federal Reserve Act.



Secretary