

Minutes for January 15, 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	x <u>W</u>	_____
Gov. Szymczak	_____	x <u>[Signature]</u>
1/ Gov. Vardaman	_____	x _____
Gov. Mills	x <u>[Signature]</u>	_____
Gov. Robertson	x <u>R</u>	_____
Gov. Balderston	x <u>CCB</u>	_____
Gov. Shepardson	_____	x <u>[Signature]</u>

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 Tuesday, January 15, 1957. The Board met in the Board Room at 10:30 a.m.

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

Mr. Carpenter, Secretary
Mr. Vest, General Counsel
Mr. Hackley, Associate General Counsel
Mr. O'Connell, Assistant General Counsel

This morning Messrs. Schapiro and Hickey called at the Chairman's office and since he was occupied and at his suggestion they went to see Governor Robertson. Mr. Schapiro is Chairman of the Advisory Council to the Joint Legislative Committee on the Revision of the Banking Laws of the State of New York and he and Mr. Hickey are two of the 17 members of the Council established to study the banking structure of the State, two of the five members of the Council who are not members of the banking profession, and two of the three members of the Council not connected with banks.

Governor Robertson stated that after referring to the report in today's issue of the New York Times that the Governor of New York had sent a message to the State Legislature in which he asked for a freeze until May 1, 1958 on further expansion of bank holding companies within the State, Mr. Schapiro made substantially the following statement:

Pursuant to the Governor's message the Council on last Saturday (with Senator Pierce present) discussed a proposed bill which would provide that until May 1, 1958

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no holding company could be formed within the State, no existing holding company could expand outside the banking district in which it was operating, and no holding company operating in more than one banking district could expand in any manner. It is probable that the Legislature will act on January 23 to adopt the proposed bill unless something is done.

The Council would like to oppose a freeze and would recommend against its adoption if it could get a letter from the Board of Governors stating that the hearing on the holding company applications involving the First National City and the County Trust Company were postponed or held open until after the end of the legislative session in April of this year. That would give the Legislature time to consider the action that should be taken and in that event it was not likely that a freeze law would be enacted. We (Messrs. Schapiro and Hickey) were asked by the Council and Senator Pierce to call on the Board and ascertain if it would be willing to postpone the hearing or keep it open until after the end of the legislative session.

(In response to a question from Governor Robertson regarding the implication of the suggested postponement in view of the Governor's message to the Legislature). The Council would like to avoid any freeze and since the Board has authority to determine the extent of a hearing under the Bank Holding Company Act and the length of such a hearing the Board had ample ground on which to keep the hearing open and it would be a mistake to bring about a situation which would force the Legislature into taking fast action which could not be as well considered as more leisurely action and therefore lead to bad instead of good legislation. The Council is in a hurry because it is proposed to start processing the bill tomorrow.

Mr. Molony, Special Assistant to the Board, joined the meeting at this point.

Governor Robertson said he told Messrs. Schapiro and Hickey that he would bring the matter to the attention of the Board and see if there were any other questions to ask and that he would try to get an answer

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by tomorrow. He added that he then called in Messrs. Hackley and O'Connell and repeated the substance of Mr. Schapiro's statement to assure that he had a correct understanding of the Council's proposal and to give Messrs. Hackley and O'Connell an opportunity to ask any questions that they might have so that the Board would be in a position to come to a conclusion on the matter.

During the consideration of the questions presented in Mr. Schapiro's statement there was a discussion, among other points, of (1) whether the proposed New York statute would be valid to prevent the operation or expansion in the State of New York of any bank holding company pursuant to authorization given by the Board of Governors under the authority of the Bank Holding Company Act of 1956, (2) the authority of the Board to postpone or hold open the contemplated hearing and the propriety of such action, (3) the actions that might be taken by the Board, and (4) whether the Board should take the Schapiro proposal up with the First National City group.

Governor Mills held to the view that the Board should take no action other than to proceed with the hearing in the normal course and invite the appropriate representatives of the Advisory Council to present their views at the hearing. At the conclusion of the hearing, he said, the Board could withhold a decision for any reasonable length of time pending the outcome of the debate in the New York State Legislature on the question of legislative policy. He felt that if the

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Advisory Council wished to pursue the suggestion presented by Mr. Schapiro it should take the matter up directly with the First National City group.

During the discussion, Mr. O'Connell presented briefly his observations during the recent hearings in New York on proposed changes in the New York banking laws.

At the conclusion of the discussion it was agreed (1) that Chairman Martin should call Mr. Sheperd, Chairman of the First National City Bank, and tell him of the suggestion made by Mr. Schapiro and that the Board would act on the suggestion on Friday of this week and he and his associates were at liberty to present to the Board any comments that they might wish, (2) that Governor Robertson would tell Mr. Schapiro that there would be no decision on the matter until Friday, and (3) that the Board would decide on Friday what if any other steps should be taken. On this action Governor Mills voted "no".

The meeting then adjourned.

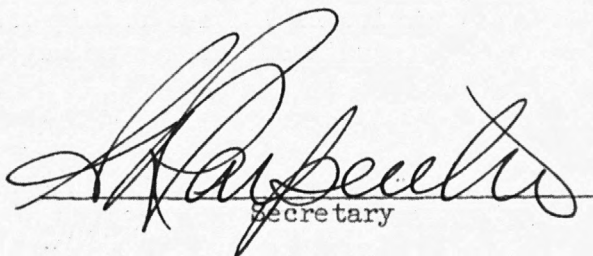
Secretary's Note: During the day Governor Balderston, acting as alternate to Governor Shepardson, approved on behalf of the Board a memorandum dated January 10, 1957, from Mr. Sloan, Director, Division of Examinations, recommending that the official headquarters of Charles E. Aikens, Assistant

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Federal Reserve Examiner in that Division,
be changed from Philadelphia, Pennsylvania,
to Washington, D. C.

Secretary's Note: The resignation of Mr.
Shannon Crandall, Jr., as a director of the
Los Angeles Branch, Federal Reserve Bank of
San Francisco, having been received in a
letter dated January 10, 1957, a letter over
the signature of Chairman Martin was sent
to Mr. Crandall today accepting the resig-
nation.


Secretary