

Minutes for January 17, 1957

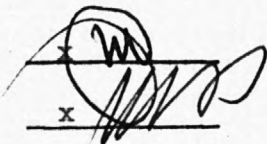
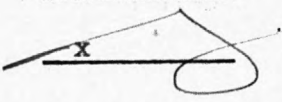

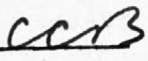
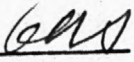
To: Members of the Board

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		_____
Gov. Szymczak	x _____	_____
<u>1/</u> Gov. Vardaman	_____	x _____
Gov. Mills		_____
Gov. Robertson	_____	x 
Gov. Balderston	x 	_____
Gov. Shepardson	x 	_____

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 Thursday, January 17, 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. Shepardson

Mr. Carpenter, Secretary  
Mr. Kenyon, Assistant Secretary  
Mr. Vest, General Counsel  
Mr. Sloan, Director, Division of Examinations  
Mr. Solomon, Assistant General Counsel  
Mr. Goodman, Assistant Director, Division of Examinations

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. Treiber, First Vice President, Federal Reserve Bank of New York, reading as follows:

The Board of Governors approves the payment of salary to Mr. Carl H. Madden as a Manager assigned to the Public Information Department for the period January 3, 1957, through December 31, 1957, at the rate of \$10,500 per annum which is the rate fixed by the Board of Directors as reported in your letter of January 3, 1957.

Approved unanimously.

Letter to the Board of Directors, The Cleveland Trust Company, Cleveland, 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 in a shopping center to be constructed at the southwest corner of Pleasant Valley and Broadview Roads, Parma, Ohio, by

1/17/57

-2-

The Cleveland Trust Company, Cleveland, Ohio, provided the branch is established within one year from the date of this letter and the approval of the State authorities is in effect as of the date the branch is established.

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

Telegrams to Mr. Mitchell, Federal Reserve Agent, Federal Reserve Bank of Atlanta, authorizing the issuance of limited voting permits, under the provisions of section 5144 of the Revised Statutes of the United States, to Citizens and Southern Holding Company, Savannah, Georgia, and The Citizens and Southern National Bank, also of Savannah, entitling each organization to vote the stock which it owns or controls of Augusta National Bank, Augusta, Georgia, at any time prior to April 1, 1957, at the annual meeting of shareholders of such bank, or any adjournments thereof, (1) to elect directors and act upon such matters of a routine nature as are ordinarily acted upon at the annual meetings of such bank, and (2) to vote on the adoption of the Pension and Profit Sharing Plans of The Citizens and Southern National Bank.

Approved unanimously.

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

Pursuant to your request submitted through the Federal Reserve Bank of Chicago, the Board of Governors approves the establishment of a branch by City Bank in the vicinity of the corner of Mack Avenue and Cadieux Road in Detroit, Michigan, provided the branch is established within nine months 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 Chicago.

Letter to the Board of Directors, First National Bank of Freeport, Freeport, Illinois, reading as follows:

The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary

1/17/57

-3-

powers 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 Illinois, 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 Freeport 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 Mr. Millard, Vice President, Federal Reserve Bank of San Francisco, reading as follows:

Reference is made to your letter of January 2, 1957, and its enclosure concerning a proposal by Wells Fargo Bank, San Francisco, California, to open a branch in temporary quarters at 1124 "B" Street, Hayward, California. This is less than two blocks from "A" Street between Foothill Boulevard and Second Street where the establishment of a branch was approved by the Board on October 18, 1956. Inasmuch as it is understood the temporary location will be abandoned as soon as quarters can be erected at the permanent location, the Board will interpose no objection to the proposal.

Approved unanimously.

There had been circulated to the members of the Board a memorandum from the Division of Examinations dated January 8, 1957, regarding a request from The Chase Bank, New York, New York, that the Board approve a further investment in Arcturus Investment & Development, Ltd. in

1/17/57

-4-

form to be decided upon by The Chase Bank, up to an amount which, with the existing investment, would not exceed \$7,500,000. The memorandum commented on the approvals previously given by the Board to The Chase Bank to purchase stock in Arcturus, a company organized under the Companies Act of Canada, up to an amount not exceeding \$1,300,000; the total investment of The Chase Bank in Arcturus as of December 10, 1956 (\$1,291,650.73); the balance sheet of Arcturus as of November 30, 1956, and the investments reflected therein; a change in the original plan of The Chase Bank so that it would continue as the sole stockholder of Arcturus rather than bringing in other organizations or individuals; the investment aims and purposes of Arcturus, as stated by the management of The Chase Bank during a recent examination of that organization; and the financial condition of The Chase Bank, as disclosed by examination as of December 10, 1956.

The memorandum also commented on the recommendation of the Federal Reserve Bank of New York that the use of funds from the requested increased investment in Arcturus be made subject to the same limitations on loans and investments as apply to The Chase Bank itself. It was reported to be the feeling of the Division of Examinations, however, that if any limitations were to be prescribed they might more appropriately be related to the capital and surplus of Arcturus than The Chase Bank. Accordingly, the Division recommended that the requested authority be granted without indicating specific limitations but with the understanding that The Chase Bank would be expected to dispose of the stock of Arcturus as promptly as practicable in the event that it should appear at any

1/17/57

-5-

time that Arcturus was engaging in loan, investment, or other activities and operations which could be regarded as being inconsistent with the provisions of section 25(a) of the Federal Reserve Act or regulations thereunder.

Following a review by Mr. Goodman of the facts developed in the memorandum, during which he explained the reasons for the position taken by the Division of Examinations, Governor Mills made a statement in which he said that when the proposal of The Chase Bank to invest in Arcturus was presented to the Board originally it was his impression that Arcturus was to engage in the field of distributing securities. From a study of the current proposal, he said, it appeared that the intent as to the activities of Arcturus was far beyond that of investment distribution and that the company intended to engage in equity ownership in manufacturing or other types of enterprise. While it had been his opinion that the initial proposal was consistent with the provisions of Regulation K as it then existed, this did not hold with respect to the current proposal. Having been among the minority of the Board that voted against adoption of the revised Regulation K, he would wish to abstain from voting on the current application.

In response to a question by Governor Balderston, Governor Mills recalled that he had looked with disfavor on the recent request of American Overseas Finance Corporation for permission to invest in a corporation organized to handle chrome ore deliveries to ports. He said that

1/17/57

-6-

he regarded the current proposal as even more questionable because he understood the status of The Chase Bank to be that of a "banking corporation" rather than a "financing corporation". If this was not the case, he suggested that it would be in order for The Chase Bank to request a change in title which would eliminate the word "bank".

In view of Governor Mills' comments, Mr. Goodman discussed the activities of The Chase Bank. He also stated that there had been some indication that the corporation was considering making a request of the Board for permission to be a financing corporation under Regulation K and for permission to change its name.

Governor Szymczak then inquired of Mr. Goodman whether in his opinion approval of the increased investment by The Chase Bank would be consistent with the provisions of the revised Regulation K, as adopted by the Board effective January 15, 1957.

Mr. Goodman responded that he thought the answer would depend somewhat on the manner in which one interpreted the changes made in the draft of the regulation in the light of the suggestions made by Governor Robertson. It was a matter of judgment, he said, whether favorable action, with the language proposed to be included in the letter to The Chase Bank, would conform broadly to the pertinent provisions of the regulation in the form in which it was adopted by the Board.

In further discussion of the matter, Governor Balderston said that he shared to some extent Governor Mills' concern about the possibility of an Edge corporation being enabled to take a permanent equity

1/17/57

-7-

position rather than making temporary investments for the purpose of engaging in the distribution of securities. He suggested that equity investments might develop in such a way as to result in injury to the parent banking institutions.

Chairman Martin said that he would be inclined to agree so far as permanent holdings were concerned, but that on the other hand he did not think that Edge corporations could engage in foreign financing business without having "some room in which to turn around". He felt that there would be no real point in going into activities such as contemplated by Arcturus if the investments were going to be regarded as permanent. He went on to express views similar to those he had stated on previous occasions concerning the difficulty in operating in the field of foreign financing under banking regulations, particularly if such regulations were given a narrow interpretation.

Governor Szymczak then suggested that the current request be held over for further consideration in the light of the questions raised at this meeting and that Mr. Goodman be requested to ascertain whether The Chase Bank was considering a request to the Board for permission to be a financing corporation under Regulation K and for permission to change its name.

There was unanimous agreement with these suggestions.

Chairman Martin said that it had been ascertained that it would be agreeable to the Reserve Bank Presidents if the meeting of the Federal



1/17/57

-8-

Open Market Committee now scheduled for the morning of Tuesday, January 29, were held on Monday morning, January 28, with necessary adjustments in the schedule for the meeting of the Presidents' Conference and the joint meeting of the Presidents and the Board.

No objection was interposed to the proposed changes.

Governor Shepardson referred to recent interagency meetings in which he had participated having to do with relief for drought-stricken areas and said that several of the recommendations were in the field of credit. He went on to say that while it was possible to obtain modification of some of the proposals, others still appeared to contemplate relaxation of credit standards to take care of situations that might more appropriately be dealt with through other forms of assistance. The draft recommendations of the conference having been referred to the participants for further suggestions prior to final review by the Department of Agriculture, he inquired whether the Board would wish to have its staff go over them to ascertain whether any comments should be submitted to the Department.

Chairman Martin replied to Governor Shepardson that he should feel free to have the staff review the draft recommendations and to submit to the Department of Agriculture any comments that he saw fit, and that if Governor Shepardson so desired the Board would be glad to consider the matter before any such comments were transmitted.

1/17/57

-9-

The meeting then adjourned.

Secretary's Note: Pursuant to recommendations contained in memoranda from appropriate individuals, Governor Shepardson today approved on behalf of the Board the following matters relating to the Board's staff:

Appointment

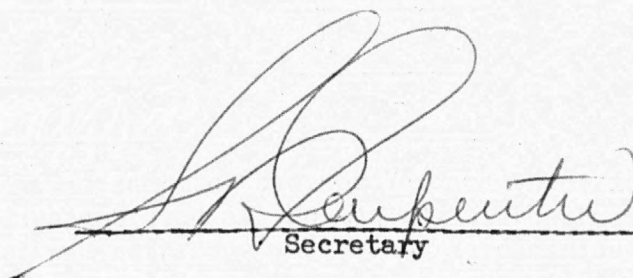
Gertrude H. Price, as Cafeteria Helper in the Division of Administrative Services, with basic salary at the rate of \$2,600 per annum, effective the date she assumes her duties.

Salary increase and transfer

Florence A. Norman, from the position of Assistant Baker to the position of Relief Cook in the Division of Administrative Services, with an increase in her basic annual salary from \$3,000 to \$3,125, effective the date she assumes her new duties.

Acceptance of resignation

Samuel D. Everett, Assistant Federal Reserve Examiner in the Division of Examinations, effective January 28, 1957.

  
Secretary