The attached minutes of the Board of Governors for May 6, 1957, which you have initialed, have been amended at page 5, to change the last sentence of the first paragraph, and at page 6, to change the second complete sentence, these changes having been made to correct certain technical inaccuracies.

Chairman Martin
Minutes for May 6, 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.

Chm. Martin
Gov. Szymczak
Gov. Vardaman
Gov. Mills
Gov. Robertson
Gov. Balderston
Gov. Shepardson

A

B

Initials

Initials
Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, May 6, 1957. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Balderston, Vice Chairman
Mr. Vardaman
Mr. Mills
Mr. Robertson
Mr. Shepardson
Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Kenyon, Assistant Secretary
Mr. Fauver, Assistant Secretary
Mr. Riefker, Assistant to the Chairman
Mr. Thomas, Economic Adviser to the Board
Mr. Molony, Special Assistant to the Board
Messrs. Young, Garfield, Noyes, and Williams,
Miss Burr, and Messrs. Koch, Dembitz,
Brill, Eckert, Jones, Miller, Weiner, Allen,
Altmann, Trueblood, Wernick, and Wood of the Division of Research and Statistics
Messrs. Marget, Bangs, Furth, Katz, Sammons,
Wood, and Reynolds of the Division of International Finance

Review of economic developments. The members of the Division of International Finance presented a summary of significant international financial developments from which it appeared that in general the problems confronting monetary authorities abroad continued to be those of an inflationary character that on balance would tend to strengthen inflationary pressures within the United States.

The staff of the Division of Research and Statistics then reviewed domestic economic and financial developments. In substance, these comments reflected a continuation of high-level economic activity, but with actual or potential downward movements in a few sectors.
All of the members of the staff except Messrs. Carpenter, Sherman, Kenyon, Riefler, Young, and Molony then withdrew from the meeting and Messrs. Sloan, Director, Division of Examinations, Hackley, General Counsel, and Solomon and O'Connell, Assistant General Counsel, entered the room.

Hearing on applications of First National City Bank of New York and others under the Bank Holding Company Act (Item No. 1). In a memorandum distributed to the members of the Board under date of May 2, 1957, Mr. Hackley presented certain questions which had been raised by developments at the most recent sessions of the hearing being held under the Bank Holding Company Act in connection with the applications of First National City Bank of New York and others filed pursuant to the Act. The first question related to a statement by the Hearing Examiner that he would expect briefs from counsel for the various parties as to both the effect of the New York "freeze" statute and the merits of the applications by May 22, 1957, and that counter-findings or proposals might be submitted not later than June 3, 1957. On this point Mr. Hackley's memorandum recommended that, in accordance with the position previously taken by the Board, no views be expressed by the Board's Counsel as to the effect of the New York legislation on these proceedings; that the Board's Counsel state that this was a matter which would be determined by the Board in the light of the whole record, including the views expressed by counsel for the parties and by the Hearing Examiner in his recommended decision; that no proposed findings or conclusions as to the merits of the case be
submitted by the Board's Counsel; but that he be authorized, if he
deemed it necessary, to submit counter-findings after May 22 and
before June 3, 1957.

Following a discussion, during which it was brought out that
the submission of counter-findings would be consistent with the Board's
decision at the beginning of the hearing that its Counsel should take
such actions as appeared necessary to make a full and complete record
available to the Board, unanimous agreement was expressed with the
foregoing recommendations.

The second question raised in the memorandum was whether it
would be appropriate for the Board's Counsel, pursuant to the direction
of the Hearing Examiner, to send a letter to the Comptroller of the
Currency inquiring whether, in the light of the New York legislation, he
wished to modify the views with respect to the applications contained in
his letter of December 13, 1956. Pursuant to the Hearing Examiner's
request, the Comptroller would also be asked to give his opinion as to
the effect of Section 34a of Title 12 of the United States Code, which
provides that no consolidation of a State bank with a national bank
shall be "in contravention of State law". A draft of proposed letter to
the Comptroller which would be signed by Mr. O'Connell was submitted
with the memorandum.

It being noted that the proposed letter to the Comptroller
would indicate clearly that it was being sent by Mr. O'Connell at the
request of the Hearing Examiner, it was the unanimous opinion of the
Board that there would be no objection to his sending the letter. A copy is attached to these minutes as Item No. 1.

Messrs. Riefler, Young, Sloan, Molony, Solomon, and O'Connell then withdrew from the meeting and Messrs. Johnson, Controller, and Director, Division of Personnel Administration, and Sprecher, Assistant Director, Division of Personnel Administration, entered the room.

Proposed changes in Retirement System. At the meeting on April 18, 1957, it was stated that, at the suggestion of Governor Robertson, certain additional information bearing on the proposals of the Special Joint Committee for changes in the Bank Plan of the Federal Reserve Retirement System was being obtained by the Division of Personnel Administration in order to facilitate further consideration of the matter by the Board. Subsequently, there was distributed to the members of the Board, with a memorandum from the Division of Personnel Administration dated April 30, 1957, certain material prepared by the Retirement Office of the Retirement System showing approximate annual retirement allowances which would be payable on retirement at age 65 to members of the Retirement System falling in various categories as to salaries and years of service. The data covered the Presidents and First Vice Presidents of the Federal Reserve Banks, all persons in the Retirement System earning salaries of $20,000 per annum, and test cases of persons receiving salaries of $5,000, $7,500, and $10,000, respectively. The total benefits payable in each case were broken down to show benefits payable under the existing plan, those payable under the proposed plan if benefits
were made retroactive for all service prior to the date of change, and those payable under the proposed plan if the new benefits were effective only from the date of change. In an attached memorandum dated April 18, 1957, Mr. Johnson discussed the actions that had been taken to amend certain limitations on salaries and pensions which were incorporated in the Bank Plan of the Retirement System when it was adopted in 1934. The memorandum stated that when the Bank Plan was first approved, it contained a limitation providing that for purposes of determining both benefits and contributions, salaries in excess of $12,000 were to be considered as $12,000. In 1943 this limitation was increased to $15,000, and in 1946 it was eliminated entirely. In 1946, also, the limitation on the normal pension payable from the Reserve Banks' contributions was increased from $3,750 to $6,000, and in 1949 this limitation was eliminated and replaced by a provision limiting the normal pension and annuity to 75 per cent of final average salary.

At the request of the Board, Mr. Sprecher commented on the material received from the Retirement Office and pointed out that in certain respects its value for analytical purposes was limited. Governor Robertson then made a statement in which he said that, recognizing these limitations, the material raised certain questions which seemed to deserve further exploration. As a general observation, the material did not serve to dispel his original doubt as to whether the proposed changes in the Retirement System were equitable for employees in the lower salary brackets. In this connection, he first pointed out that in the lower brackets the major portion of the total retirement
allowance consists of Social Security benefits, the premiums on which are paid in equal proportions by the employer and employee. Hence, it seemed that a large part of the cost involved in the new proposals would go to provide increased retirement allowances for higher salaried personnel. As a second point, although the Bank Plan of the Retirement System currently provides a limitation on the normal pension and annuity of 75 per cent of the final average salary, this limitation does not take into consideration Social Security benefits. Therefore, as exemplified by certain of the cases on which material was provided by the Retirement Office, the total retirement allowance, including Social Security benefits, would exceed 75 per cent of final average salary.

Governor Robertson then referred to the observation of Industrial Relations Counselors Service, quoted in the report of the Special Joint Committee, that "while there is no ready yardstick of adequacy, pension plans generally are regarded as reasonably adequate to facilitate retirements without friction or resistance if they provide employees having about 30 years of service with retirement incomes, including Federal old age benefits, amounting to about 50 per cent of final pay, or at least within the range from 60 per cent for lower paid employees to 40 per cent for higher paid employees". The plan proposed by the Special Joint Committee, he noted, would provide retirement incomes of about 56 per cent of final average salary for persons in all salary brackets except those in certain portions of the lower range, where the allowance would be only slightly in excess of 50 per cent of final average salary.
Governor Robertson went on to comment that Industrial Relations Counselors Service had recommended that no credit be given for service beyond 30 years, while the proposals of the Special Joint Committee would make no limitation. Since the Special Joint Committee had cited the Counselors Service as providing the guidelines under which the Committee formulated its recommendations, he felt that the Board should ask the counseling firm to go over the recommendations and provide the benefit of its views before the Board acted on the proposed changes in the Retirement System.

Chairman Martin then suggested that the Board designate Governor Robertson to take the matter up with President Johns, Chairman of the Special Joint Committee, with a view to obtaining the comments of Industrial Relations Counselors Service.

Governor Mills made the further suggestion that Governor Robertson should enter into his discussion with President Johns on the basis that the other members of the Board joined with him in entertaining some reservations concerning the proposed changes in the Bank Plan and shared his judgment that the study should be carried forward by obtaining the comments of Industrial Relations Counselors Service.

Along the same lines, Governor Balderston stated that although he could understand why the Special Joint Committee wanted to have the general feeling of the Board before further steps were taken, the Board should have at its disposal all of the information and advice that was available. Therefore, it would appear advisable to arrange for a
representative of the counseling firm to meet with the Board and President Johns to explore the questions which had been raised. In any such discussion, Governor Balderston said, the Board might wish to confine its questions mostly to the pension portion of the benefits payable under the proposed plan, since the annuity is paid for entirely by the employee.

After further discussion, Chairman Martin suggested that Governor Robertson's comments to Mr. Johns be in terms that the Board had certain questions which it wished to explore further, but that it was not taking a position at this time one way or the other concerning the proposals of the Special Joint Committee.

Governor Mills having indicated that this would meet the point which he had raised, it was understood that Governor Robertson would take the matter up with President Johns on the basis which had been suggested.

In this connection, Governor Mills mentioned that a meeting of the Investment Committee of the Retirement System was held last week in Chicago and that in developing the investment program for the present fiscal year certain problems had come up which involved the effective date of the proposed changes in the Bank Plan of the Retirement System. He said that he had explained to the Committee the current status of the Board's consideration of the matter and the reasons why some delay might be involved.
Application by Transamerica Corporation for voting permit (Item No. 2). In a memorandum dated April 25, 1957, the Division of Examinations recommended favorably concerning an application by Transamerica Corporation, San Francisco, California, for a limited voting permit authorizing it to vote its stock of The Casper National Bank, Casper, Wyoming, solely for the purpose of amending the articles of association of such bank to change its name to First National Bank of Casper, Casper, Wyoming.

On the basis of the recommendation by the Division of Examinations, unanimous approval was given to the telegram to the Federal Reserve Agent at San Francisco of which a copy is attached to these minutes as Item No. 2.

The meeting then adjourned.

Secretary's Note: Pursuant to the recommendation contained in a memorandum from Governor Vardaman dated May 6, 1957, Governor Shepardson today approved on behalf of the Board the transfer of Iola B. Morgan from the position of Secretary in the Division of Research and Statistics to the position of Secretary in Governor Vardaman's Office, with an increase in her basic salary from $4,210 to $4,350 per annum, effective the date she assumes her new duties.
May 7, 1957

The Honorable Ray M. Gidney,
Comptroller of the Currency,
Washington 25, D. C.

Dear Mr. Gidney:

As you will recall, in your letter of December 13, 1956, in response to the Board's letter of November 14, 1956, you submitted your views and recommendations with respect to applications filed with the Board by First New York Corporation, The First National City Bank of New York and International Banking Corporation, pursuant to the Bank Holding Company Act of 1956.

On January 24, 1957, pursuant to an order of the Board a hearing in the matter of the above applications was commenced. On that date there was introduced in evidence your letter of December 13, 1956, which concluded with the recommendation that the Board approve these applications.

During the latest session of this hearing, May 1, 1957, a representative of the New York State Banking Department, offered in evidence an attested copy of a law of the State of New York, effective May 1, 1957. This Act, characterized as a "stop-gap" Act, is an amendment to the Banking Law of the State of New York in relation to bank holding companies and was signed into law on April 22, 1957. The Act defines a "bank holding company" as any company organized under the laws of the State of New York, or doing business in New York which owns or controls 25 per cent of the stock, or acquires all or substantially all of the assets of each of two or more banks located in different banking districts. Section 142 provides in part that beginning May 1, 1957, to and including May 1, 1958, no bank holding company or subsidiary thereof shall acquire, directly or indirectly, stock in any banking institution except stock dividends and additional stock acquired in the exercise of pre-emptive rights as a stockholder. Further, the Act prohibits any company, as that term is defined, prior to May 1, 1958, from acquiring, directly or indirectly, 25 per cent of the stock of two or more banks unless they are located in the same banking district. Any action taken which results in an acquisition contrary to these provisions is made a criminal offense.
During the course of the May 1 session of the Board's hearing, Mr. Charles W. Schneider, Hearing Examiner, expressed concern as to the possible effect of the New York statute on any decision which the Board may render. In this connection he stated, in substance, that any view expressed by the Comptroller on these applications might wish to reflect the effect of the New York statute and that "The record here ought to reflect that the Comptroller has been advised of the existence of the New York legislation, and an inquiry be made as to whether he feels that, in view of it, he wishes to modify his views as expressed in your letter of December 13, 1956 or whether he wishes to adhere to them". The Examiner then requested me, as Board's counsel, to communicate with you, conveying his expression of view to you. I agreed to do so on his behalf.

Further, in connection with the New York statute, Mr. Schneider directed the attention of all parties to a portion of section 34a of Title 12 of the United States Code, which provides that "No such consolidation of a State bank with a national bank shall be in contravention of the law of the State under which such bank is incorporated". He requested that in my communication to you on his behalf, there be included a further request for the transmission of your views to him on the effect, if any, of section 34a on the arrangement contemplated by these applications. The proposed consolidation agreements provide for the consolidation under section 34a of County Trust Company with County Trust National Bank under the charter and name of County Trust National Bank, and further, that First New York Corporation will issue to the present shareholders of County Trust Company shares of its own stock against surrender of their stock in County Trust Company, in the ratio of one share of First New York Corporation stock for one share of County Trust stock.

It is respectfully suggested that should you desire to express a view on either of the two points above discussed, or in the event no such expression is felt necessary, you communicate directly with the Examiner in care of the Board. I assume that he intends that any such communication would be a part of the hearing record.

Very truly yours,

/s/ Thomas J. O'Connell

Thomas J. O'Connell,
Assistant General Counsel.
TELEGRAM

May 6, 1957

BRAWNER - SAN FRANCISCO

KECEA

A. Transamerica Corporation, San Francisco, California
B. The Casper National Bank, Casper, Wyoming
C. None
D. At any time prior to August 1, 1957, to act upon a proposal to amend the articles of association of such bank to change its name to First National Bank of Casper, provided all actions taken shall be in accordance with plans satisfactory to the Comptroller of the Currency.

(Signed) Merritt Sherman

SHERMAN

KECEA- The Board authorizes the issuance of a limited voting permit, under the provisions of section 5144 of the Revised Statutes of the United States, to the holding company affiliate named below after the letter "A", entitling such organization to vote the stock which it owns or controls of the bank(s) named below after the letter "B", subject to the condition(s) stated after the letter "C". The permit authorized hereunder is limited to the period of time and the purposes stated after the letter "D". Please proceed in accordance with the instructions contained in the Board's letter of March 10, 1947, (S-964).