

Minutes for October 1, 1957

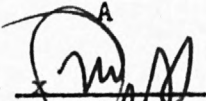


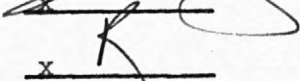
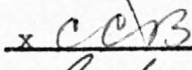
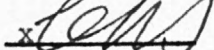
To: Members of the Board

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 	_____
Gov. Szymczak	x 	_____
Gov. Vardaman	x 	_____
Gov. Mills	x 	_____
Gov. Robertson	x _____	_____
Gov. Balderston	x 	_____
Gov. Shepardson	x 	_____

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, October 1, 1957. The Board met in the Board Room at 3:00 p.m.

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

Mr. Carpenter, Secretary
 Mr. Sherman, Assistant Secretary
 Mr. Kenyon, Assistant Secretary
 Mr. Hackley, General Counsel
 Mr. Masters, Director, Division of Examinations
 Mr. Molony, Special Assistant to the Board
 Mr. Solomon, Assistant General Counsel
 Mr. Hexter, Assistant General Counsel
 Mr. Hostrup, Assistant Director, Division of Examinations
 Mr. Davis, Assistant Counsel
 Mr. Thompson, Supervisory Review Examiner, Division of Examinations

Application of Baystate Corporation. The purpose of this meeting was to consider further the application of Baystate Corporation, Boston, Massachusetts, filed pursuant to section 3(a) of the Bank Holding Company Act of 1956, to acquire shares of Union Trust Company of Springfield, Springfield, Massachusetts.

After reference had been made to the minutes covering the meeting with Messrs. Erickson and Groot of the Federal Reserve Bank of Boston on September 27, 1957, which reflected a consensus that the Board should hold the matter in abeyance pending the public hearing to be held pursuant to the recently enacted Massachusetts Bank Holding Company Act and receipt of advice concerning the action taken by the State authorities, Chairman Martin said that he wished to be sure,

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at a time when all of the members of the Board were present, that this disposition of the matter was agreeable.

Governor Mills then made a further explanation of the reasons which led him to believe that it would be preferable for the Board to act on the application without awaiting developments at the State level. As he read the Bank Holding Company Act of 1956, he understood that the Board was required to consider five factors in acting upon applications involving the expansion of bank holding companies, and that in the process of considering such an application involving the acquisition of shares of a State bank the Board was also required to obtain the views and recommendation of the appropriate State banking authorities. In this case, he pointed out, the favorable recommendation of the State Commissioner of Banks had been received. The Board's staff had then proceeded with its analysis of the application and a memorandum from the Division of Examinations had been submitted and considered by the Board. In the meantime, however, the State Legislature of Massachusetts passed legislation pertaining to bank holding companies, the effect of which was to require that applications such as the one submitted by Baystate Corporation must also receive the approval of the State authorities. If at this juncture the Board were to defer its decision awaiting the outcome of a State hearing, or if it were to ask another opinion from the Commissioner of Banks, he felt that the Board would in a sense be ignoring the study that it had already made of the matter.

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It seemed to him, Governor Mills said, that the Board would be clearly within the terms and spirit of the Bank Holding Company Act if it were to make a decision at this time in its best judgment. If the decision should be favorable, he felt that it should be announced, which would mean that Baystate Corporation then would be obliged to go to the proper authorities in Massachusetts for a similar finding. Should the decisions of both the Board and the State authorities be favorable, that would settle the matter; but if there was a conflict between the two decisions, that would be the proper juncture for Baystate Corporation to seek a determination in the Federal courts, by way of a declaratory judgment, as to whether the Federal or State law should be the decisive factor. If the Board should defer action pending a determination by the State authorities, it would, in his judgment, be delaying action to permit a decision by the State in an area of jurisdiction vested in the Board by the Bank Holding Company Act of 1956, and he felt that this would be tantamount to acknowledging that the State law in such a case was superior to the Federal law. It would constitute action on the Board's part, without guidance from the courts, bearing upon the interpretation of section 7 of the Bank Holding Company Act in relation to decisions by the Board under the Act. It appeared to him that such a determination was within the province of the Federal courts and not within the province of the Board of Governors.

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Governor Vardaman stated that he agreed entirely with the views expressed by Governor Mills. He felt that the Board should proceed to act on the Baystate application without regard to the passage of the new bank holding company legislation in Massachusetts, and he said that to him the enactment of the State legislation had no weight at all. To defer action, he thought, would be equivalent to putting a retroactive clause into the new State legislation because the Baystate application had been pending for a number of months.

In response to a question by Chairman Martin, Mr. Hackley said that there was no legal reason why the Board could not act on the application immediately. It was solely a question whether, as a matter of policy, the Board might wish to wait for a few days, obtain the benefit of any additional information growing out of the public hearing, and see how the State authorities acted on the application. The only possible legal reason for deferring action would have to rely on the provision of the Bank Holding Company Act which requires the Board to obtain the views of the appropriate State authorities. In this case, however, as had been pointed out, the views and recommendation of the State Commissioner of Banks had already been obtained.

Chairman Martin stated that developments had placed the Board in a rather unfortunate position. If it acted now, the action might be held to prejudice the public hearing. On the other hand, if the

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Board waited and then found itself in disagreement with the State decision, the considerations mentioned by Governor Mills would come into the picture.

Following a further statement by Governor Vardaman in support of his feeling that the Board should act without additional delay, Governor Robertson said that by deferring action the Board would simply be taking advantage of whatever information might be brought out in the course of the hearing. Admittedly, the application had been pending for a rather long period, but he did not think that another few days would be of any great significance. It was his conclusion that the Board would put itself in a much stronger position by waiting than if it acted now.

Chairman Martin said that he had felt it important to have this discussion with all of the Board members present, particularly because he doubted whether the agreement to defer action represented as formal a decision as the minutes of the meeting on September 27 might have indicated. He then emphasized that the Baystate application presented difficult questions both in terms of general policy and the circumstances of the particular case. The case itself was a close one, and some aspects had come up in the discussion last week that he had not thought of previously. In the circumstances, he would not want to make a quick decision one way or the other, for he was not

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sure enough in his own mind. Therefore, he would prefer to delay action until after the hearing in Massachusetts had been held.

When Governor Vardaman pointed out that he would not be available again for a Board meeting until October 25, Chairman Martin said that he saw no harm in waiting that long, if necessary, before a decision was made.

Governor Vardaman then said that he would like the record to show clearly that he was in favor of voting on the application at this time. However, if it was the consensus of the Board that this should not be done, he would go along with the decision.

At this point the Secretary referred to a letter in opposition to the proposed merger of Union Trust Company and the Springfield National Bank which had been received from a stockholder in the latter institution under date of September 19, 1957. A copy is attached to these minutes as Item No. 1.

Governor Shepardson, who had first suggested at the meeting on September 27 that action on the part of the Board be deferred pending the public hearing, said that the present situation seemed to put the Board in an unavoidable dilemma. Although he considered it unfortunate that there must be so long a delay in handling a case of this kind, the delay had already occurred. Therefore, all things considered, it was his feeling that, in a very close case which had important implications from the standpoint of precedent, there was

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more to be gained than lost by waiting to get the advantage of whatever information the public hearing might develop.

Governor Mills said it was for the very reason mentioned by Governor Shepardson, namely, the establishment of a pattern, that he took a different view. It was his opinion that the Board, as the administering agency in which the Congress had vested authority to reach decisions under the Bank Holding Company Act, had an obligation to act on its own right and according to its own discretion when the information before it seemed adequate as a basis for action. Accordingly, he felt that the Board should act promptly on this matter rather than delay until it obtained information from a State body which might not be authorized under the law to intervene in this area.

Chairman Martin said that the point of view expressed by Governor Mills was one which merited consideration. If the Board were not divided in this case, he might be inclined to go ahead and act, but in view of the differences of opinion within the Board it was his feeling that it would be wiser to postpone action until the hearing in Massachusetts had been held.

After Governor Szymczak had expressed agreement with the Chairman, Governor Vardaman again said that, having placed himself on record as favoring action, he would go along with the majority of the Board. Governor Mills, however, said that he could not go along with a decision to defer action because this would be, in his opinion, a first step in abdicating the authority of the Board under the Bank Holding Company Act.

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Accordingly, it was understood that the record would reflect the views of Governors Vardaman and Mills and would show that the majority of the Board favored postponing a decision on the Baystate application pending the results of the hearing in Massachusetts. It was also understood that the matter would be considered further by the Board upon the return of Governor Vardaman later this month.

Application of Pascagoula-Moss Point Bank for membership in the Federal Reserve System. Governor Vardaman referred to the file currently in circulation to the members of the Board concerning the application of Pascagoula-Moss Point Bank, Moss Point, Mississippi, for membership in the Federal Reserve System and stated that he had discussed the matter with President Bryan of the Federal Reserve Bank of Atlanta. In view of certain questions which had been raised about conditions of membership, he said that if the Board should be disposed to act unfavorably on this application or to make approval contingent upon substantial conditions, Mr. Bryan would like to have an opportunity to be heard by the Board before action was taken.

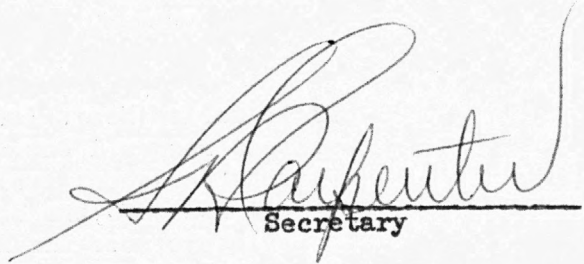
The meeting then adjourned.

Secretary's Notes: Pursuant to the recommendation contained in a memorandum from the appropriate staff member concerned, Governor Shepardson approved on behalf of the Board on September 30, 1957, the appointment of James A. McIntosh, Jr., as Analyst, Division of Bank Operations, with basic annual salary at the rate of \$4,485, effective the date he assumes his duties.

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Pursuant to the suggestion made in a memorandum dated September 27, 1957, from Mr. Fauver, Assistant Secretary, Governor Shepardson today approved on behalf of the Board a luncheon in the Board's dining rooms on November 6 or 7, 1957, for a group of foreign trainees now studying at the International Monetary Fund, in connection with the group's visit to the Federal Reserve Building for a two-day program on the functions of the Federal Reserve System.



Secretary

Item No. 1
10/1/57

J. WILLIAM CUNLIFFE

3 Elm Street
Springfield, Massachusetts

September 19, 1957

Mr. William McC. Martin, Chairman
Federal Reserve Board
Washington, D. C.

Dear Mr. Martin:

RE: Merger
Springfield National
Bank and Union Trust
Company

I am the largest individual stock holder of the Springfield National Bank and I oppose the merger mainly because I believe the present dividend rate will be impaired and the fact that the Springfield National Bank has been organized as a National Bank since their inception which, I think, was in 1894.

I feel that they are giving up a good name and if the merger goes through they will lose their identity. I also feel that the Union Trust is over-staffed at the present time. This merger would throw the control in the hands of the Bay State Corporation, a holding Company in Boston.

Many years have been spent in building up the two names.

I certainly object to the name that they intend to adopt which is Valley Trust Company.

I am a Director of the Security National Bank of Springfield, number 14816 and this merger would leave three Banks in Springfield.

This merger talk has been going on for over six months and I think that this has caused damage to the two Banks concerned.

J. WILLIAM CUNLIFFE

3 Elm Street
Springfield, Massachusetts

Mr. William McC. Martin

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I hope that you will treat my argument in a confidential manner as I am known in banking circles and the Union Trust Company of Springfield has a branch bank in one of my buildings.

Respectfully yours

J. WILLIAM CUNLIFFE

JWC:S

BY: (Signed) J. William Cunliffe

P. S. My holdings are about 4200 shares.