



Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, November 1, 1957. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Assistant Secretary  
 Mr. Kenyon, Assistant Secretary  
 Mr. Young, Director, Division of Research and Statistics  
 Mr. Masters, Director, Division of Examinations  
 Mr. Solomon, Assistant General Counsel  
 Mr. Koch, Assistant Director, Division of Research and Statistics  
 Mr. Hexter, Assistant General Counsel  
 Mr. Hostrup, Assistant Director, Division of Examinations  
 Mr. Davis, Assistant Counsel

Items circulated to the Board. The following items, which had been circulated to the members of the Board and copies of which are attached to these minutes under the respective item numbers indicated, were approved unanimously:

	<u>Item No.</u>
Letter to the Federal Reserve Bank of Boston extending the time within which Bristol County Trust Company, Taunton, Massachusetts, may establish an in-town branch on Broadway opposite Avon Street.	1
Letter to the Federal Reserve Bank of Richmond concurring in the view that a proposed change in the location of the East Durham Branch of Wachovia Bank and Trust Company, Winston-Salem, North Carolina, would constitute the mere relocation of an existing branch.	2

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	<u>Item No.</u>
Letter to the Federal Reserve Bank of Kansas City authorizing waiver of a penalty incurred by Hutchinson National Bank and Trust Company, Hutchinson, Kansas, because of a deficiency in required reserves.	3
Letter to the Federal Reserve Bank of Chicago regarding the examination of the Bank made as of November 23, 1956.	4
Letter to the Comptroller of the Currency regarding a proposal to merge the National Bank of Washington, Tacoma, Washington, and The Washington National Bank of Ellensburg, Ellensburg, Washington.	5

In a discussion preceding approval of the foregoing Item No. 5, Governor Shepardson noted that the proposal to merge the National Bank of Washington, Tacoma, Washington, and The Washington National Bank of Ellensburg under the charter and title of the first-named bank, which is controlled by Transamerica Corporation, would not come within the purview of the Bank Holding Company Act because it would involve no acquisition of stock by the national bank or by Transamerica Corporation. He then raised the question whether this pointed up a problem which should be the subject of a recommendation by the Board in submitting suggested amendments to the Bank Holding Company Act.

After Mr. Solomon had stated that this matter was to be included in the list of possible amendments that the Legal Division would submit to the Board for consideration, Governor Robertson recalled that this point was an issue in the hearings on the Bank Holding Company Act and that the wording of the statute on this point was intentional in order to avoid a situation which would put one Federal agency over another.

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Since a merger of this kind must be approved by the Comptroller of the Currency, it was felt that there was no reason for injecting another agency into the situation. Of course, as he pointed out, this left open the problem of how to achieve uniformity of positions as between agencies of the Federal Government.

At this point Mr. Johnson, Controller, and Director, Division of Personnel Administration, entered the room.

Discount rates. Telegrams to the following Federal Reserve Banks approving the establishment without change, concerning which they had advised the Board on the dates indicated, of the rates on discounts and advances in their existing schedules were approved unanimously:

Minneapolis	October 28 and 31
Chicago	October 31
Kansas City	October 31

Application of Northwest Bancorporation. In accordance with the discussion at the meeting of the Board on October 30, 1957, there had been distributed prior to this meeting copies of a memorandum from Mr. Solomon dated October 31, 1957, submitting for consideration drafts of (1) a statement and order and (2) a letter and order, either of which might be used in connection with the Board's decision to deny the application of Northwest Bancorporation, Minneapolis, Minnesota, for approval of the acquisition of shares of the proposed Northwestern State Bank, Rochester, Minnesota.

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In commenting on the matter, Mr. Solomon said that, as requested by the Board, the staff had inquired into the procedural practices of Governmental administrative agencies in handing down decisions, that in general it appeared to be the practice to use a statement and order in connection with a matter of substance and consequence, but that some of the agencies used a letter for what they considered relatively minor matters such as procedural items. To the extent required by the Administrative Procedure Act, such a letter would give reasons for the decision. Strictly from a legal standpoint, Mr. Solomon said, the matter could be handled either way, but in practice most of the agencies appeared to favor a statement and order in matters of substance. This would have the advantage that if the decision should come before a reviewing court, it would be easier for the court to have the matter presented in the usual form. Therefore, it might create a somewhat better impression to follow what was considered to be the usual method.

Asked by Governor Vardaman for his recommendation, Mr. Solomon said that upon consideration of the arguments pro and con he would feel that the advantage lay in using the statement and order. Although he could not say that this was required by law, it would seem more likely to be well received by a reviewing court. Such a court, he noted, might prefer to have a statement and order available rather than to have to look at several pieces of paper.

The members of the Board then expressed agreement with Mr. Solomon's recommendation. As to the recording of votes, it was understood

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that Governor Vardaman wished to have his dissent from the adverse decision on the application of Northwest Bancorporation entered in the record of the case and that a final decision on this aspect of the matter would await the return of Governor Mills, who also had dissented from the adverse decision.

Discussion then turned to the question whether the decision should be made a matter of public information, and Mr. Solomon recalled that this general subject was reviewed in a memorandum from the Legal Division which was considered by the Board at its meeting on November 5, 1956. At that time it was the tentative conclusion of the Board that whenever there was a public hearing on an application under the Bank Holding Company Act there would obviously be publication of whatever decision might result, that even when there was no public hearing an approval by the Board would be published because at least in principle someone aggrieved by the decision should know of it in order to take an appeal, but that denials would not be published. This tentative decision was, of course, subject to reconsideration by the Board at any time if it so desired.

Governor Vardaman indicated that he would now lean toward publication of denials. He suggested that an application ceased to be a matter of personal property when it was submitted to the Board and that in some instances, such as the Rochester case, it might be of interest to others than the applicant to know what disposition had been made of the matter.

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Governor Robertson mentioned, as a possible consideration in the other direction, that if the Board were to reach a decision in a particular case on the basis of a factor such as incompetent management it might not want to be in the position of publishing that fact. When Governor Vardaman suggested the possibility of publishing the order but not the statement of reasons, Governor Robertson commented that this might create some difficulty in answering questions as to why the application was denied. The Board, he pointed out, might turn down an application because in its judgment the management of the applicant was not sufficiently competent to warrant authorizing the acquisition of another bank. Yet the Board would hope that the management would improve, and publication of the reason for the denial might not contribute to such improvement.

Governor Vardaman then stated that he would recommend always publishing the Board's order, whether the decision was affirmative or negative, since he did not think that the Board should publish the one and conceal the other.

In response to a request for his views, Mr. Solomon said that he doubted whether, from a legal point of view, he could throw much light on the problem. He did not believe there was any legal requirement for publication, and he was sure there was no legal prohibition. One could make quite a good case in favor of a legal requirement for publication of affirmative decisions so that aggrieved parties could take appeal, but the possibility of a person other than the applicant

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being able to demonstrate that he was aggrieved by an adverse decision seemed much more remote. From the point of view of the public interest, he thought it was probably true that there was a general presumption in favor of publication. In this connection, he commented that the Administrative Procedure Act looks in the direction of publication, with nonpublication being the exception rather than the general principle. On the other hand, the field of banking had been viewed by the Board and by the banking agencies generally as being one involving an unusual degree of confidentiality. As Governor Robertson had mentioned, if a case were turned down on grounds of management, publication of the reason would cast a reflection which the Board might prefer not to cast. He was not sure how one would reconcile a general policy of not publishing unfavorable decisions with a situation where a public hearing was held and where publication of the decision would be required even if the decision was adverse and a matter of management was involved.

Governor Shepardson inquired whether publication of a decision would automatically imply that the reasons for the decision would have to be made public, and Mr. Solomon replied that he did not think so. The reasons could be given to the applicant and would not necessarily have to be given to anyone else.

Governor Shepardson then said that he had been bothered by the same question that Governor Vardaman raised. For example, if other parties were interested in establishing a bank in Rochester, they might feel that they were estopped by the existence of Northwest's application



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and it would seem that they should have an opportunity to know that the application had been denied. It had not occurred to him, Governor Shepardson said, that the Board would have to give the reasons for the order.

Mr. Solomon observed that in cases where applications were approved the Board had not stated any reasons, even to the applicant. He suggested that the Board could publish its order separately, although the order would have to be more self-contained than the one which had been drafted for use with the suggested statement in the Northwest Bancorporation case.

With regard to the point raised by Governor Robertson, Governor Balderston said it was very clear to him that the Board, in connection with ordinary bank supervisory matters, ought not to reveal to the public its reasons for denying applications, for that would be apt to do damage. However, he had the feeling that in cases under the Bank Holding Company Act the Board perhaps must depart, particularly in the light of the Administrative Procedure Act, from practices that it liked to follow in bank supervision and move to a slightly more formal procedure. For example, he was thinking that in the Rochester case the needs of the community should be met in some manner, and perhaps this was a factor that the Board should not ignore. If the Board did not make its decision public in this instance, those interested in establishing a bank in Rochester might feel that there was always an overhanging threat.

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Governor Szymczak expressed the view that the Board should be as consistent as possible and that if it published one decision it should publish the other. He indicated, however, that he doubted whether it was necessary to publish the reasons for the decision.

Governors Vardaman and Robertson likewise expressed doubt and suggested that a simple announcement of the decision might be sufficient.

At this point Mr. Thurston, Assistant to the Board, was called into the room and the foregoing discussion was summarized for him.

Mr. Thurston then said that he thought the situation could be handled satisfactorily if an announcement was made without a statement of reasons for the decision, for in the event of inquiry it could simply be said that publication of reasons was not the practice of the Board since it might do damage to some applicant.

Further discussion then ensued of the reasons which might be given for and against public disclosure of the Board's denial of an application under the Bank Holding Company Act, including the reasons for the adverse decision. The principal points against such a procedure were those which had been mentioned previously during the meeting, while the points mentioned in favor of full disclosure included, in addition to those already covered, the effect in some cases of making the reasons for a decision known to parties other than the applicant from the standpoint of the public interest, the advantage involved in

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having the Board's order and supporting statement available to the public and thus avoiding requests to interpret the decision, and the fact that full disclosure would appear to be in harmony with the general approach of the Administrative Procedure Act.

During the discussion, Mr. Hexter pointed out that one purpose of publishing a decision is to permit aggrieved parties to go to court if they wish. He noted that it would be more difficult for any such party to decide whether to take an appeal if he did not know the reasons which impelled the Board to make its decision, while knowledge of those reasons might persuade him that the Board's decision was justified. By the same token, publication of a dissenting opinion would let him know what reasons existed on the other side.

The question was raised whether, if a practice of publishing the Board's statement and order were followed, it would be possible to make exceptions when this seemed in the public interest, and Mr. Solomon expressed the view that it should be possible to find some way of taking account of the public interest.

Governor Balderston then suggested that inasmuch as a final decision on various aspects of procedure was not to be made until next Monday when Governor Mills had returned, it might be desirable to give further thought in the meantime to whether it would be preferable to follow the procedure which seemed to have been tentatively agreed upon earlier during this discussion or to swing over to the policy of publication of the Board's statement and order.

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Unanimous agreement was expressed with this suggestion.

Governor Vardaman added the suggestion that Counsel consider further between now and Monday how best to insert in the record the reference to votes cast. He then inquired whether the Legal Division was making a notation of procedures under the Bank Holding Company Act, as decided upon, with a view to preparing an outline of procedures for the benefit of the members of the Board.

Agreement was expressed with Governor Vardaman's suggestion for the preparation of a manual of procedures which could be supplemented from time to time, and the Legal Division was requested to undertake the preparation of such a manual.

The suggestion then was made by Governor Robertson that there be furnished to the members of the Board, on a current basis, a record of applications under the Bank Holding Company Act and the disposition of those applications.

Mr. Solomon indicated that such a record was maintained in the Legal Division and that distribution would be made to the members of the Board.

Messrs. Thurston, Hexter, Hostrup, and Davis then withdrew from the meeting.

Expenses incident to small business financing project. There had been distributed to the members of the Board copies of a memorandum from Mr. Young dated October 30, 1957, requesting, for reasons stated,

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authorization to spend up to \$40,000 for I.B.M. service work for the completion of the business loan survey material as part of the small business financing project. The memorandum also advised that the purchase of forms for the business loan survey actually involved an expenditure of \$1,795, or \$295 above the authorization granted for this purpose by the Board on September 20, 1957, due to the need for speed and some resulting overtime work. Mr. Young indicated in the memorandum that he hoped to be able to submit shortly an estimate of expenses for the survey of business concerns which would constitute the third and final phase of the small business financing project.

In a discussion of the matter, Governor Vardaman asked whether Chairman Martin was going to endeavor to clear the general proposal for a small business financing survey with the several Senators who had sent letters to the Board about the matter in response to the Board's letter to Senator Fulbright on August 22. When the response was made that the Chairman had been unable to contact the Senators, since they were out of town, Governor Vardaman stated that he was opposed to the survey until it was cleared with the Senators in question and that he would not favor allocating funds to the project until this was done.

In response, Mr. Young stated that the Board's staff had been in touch with the Congressional staff members who prepared the letters to which Governor Vardaman referred, that they had indicated following discussion that they considered the program a good one, and they thought communications from the Chairman of the Board to the Senators

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concerned would now receive a somewhat different or modified response. Mr. Young further stated that the persons contacted all had expressed interest in this area of study and had given assurances of cooperation.

Governor Robertson then said it was his recollection that the letters received from the Senators did not criticize the study but rather the fact that it would take such a long time to complete. That being so, he felt that the Board could not afford to delay and should expedite the study in every way possible. Accordingly, he thought the Board should not defer approving the request contained in Mr. Young's memorandum.

Governor Shepardson observed that the objections from the standpoint of timing grew out of the time required to complete the survey of business concerns, whereas the material contemplated in the present request for funds could be submitted during the next Congressional session.

Governor Vardaman said that in the circumstances he would go along with the recommendation made in Mr. Young's memorandum, and accordingly the authorization requested therein was granted by unanimous vote.

Possible amendments to the Federal Reserve Act. Governor Vardaman referred to the consideration given by the Board several years ago to possible amendments to Federal Reserve law which were submitted

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by the Legal Division. He expressed the view that this study should be revived and given further attention by the Board as quickly as seemed appropriate.

Governor Robertson recalled that one reason for delay was consideration of the Financial Institutions Act and also the suggestion that had been made for the creation of a national monetary commission. If such a commission should be established, with a review of Federal Reserve law as a part of its over-all assignment, he thought that the Board should be prepared.

Appointment of Class C director at St. Louis Bank. Governor Robertson referred to material which had been sent to the members of the Board by Mr. Fauver, Assistant Secretary, having to do with the appointment of a Class C director at the Federal Reserve Bank of St. Louis to succeed a director whose term would expire at the end of 1957 and who would be ineligible for reappointment under the Board's current rule. He suggested that consideration be given to branch directors who would be eligible for this appointment, stating that the movement of a director from a branch to the head office, when feasible, seemed more desirable than making the appointment from the outside.

The meeting then adjourned.

Secretary's Note: Governor Shepardson approved on behalf of the Board on October 31, 1957, letters to the Federal Reserve Bank of Chicago approving the appointment of Robert L. Mossburg, Jr., Jack M. Egertson,

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and Frank C. Henderson as examiners and the appointment of Richard V. Sherman and Jeremiah P. Ledwidge as assistant examiners. Copies of the letters are attached hereto as Items 6 and 7, respectively.

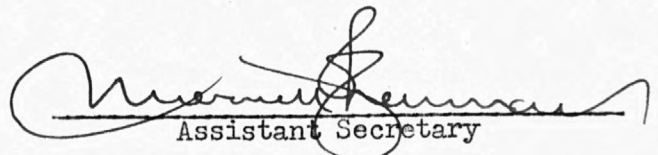
Pursuant to recommendations contained in memoranda from appropriate individuals concerned, Governor Shepardson today approved on behalf of the Board increases in the basic salaries of the following members of the Board's staff in the amounts indicated, effective November 3, 1957:

Elsie T. Nelson, from \$5,335 to \$5,575 per annum, with a change in title from Statistical Assistant to Economist, Division of Research and Statistics.

Mary V. F. Baker, from \$3,585 to \$3,670 per annum, with a change in title from Clerk to Senior Clerk, Division of International Finance.

Patricia C. Fitzmaurice, Clerk, Division of International Finance, from \$3,260 to \$3,415 per annum.

Jacquelyn Haas, from \$3,840 to \$3,940 per annum, with a change in title from Clerk to Senior Clerk, Division of International Finance.

  
Assistant Secretary



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON 25, D. C.

Item No. 1  
11/1/57

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

November 1, 1957



Mr. Benjamin F. Groot, Vice President,  
Federal Reserve Bank of Boston,  
Boston 6, Massachusetts.

Dear Mr. Groot:

In view of the circumstances outlined in your letter of October 22, 1957, and the Reserve Bank's favorable recommendation, the Board of Governors extends until April 10, 1958, the time within which Bristol County Trust Company, Taunton, Massachusetts, may establish an in-town branch on the eastern side of Broadway opposite Avon Street, under the authorization contained in its letter of April 10, 1957.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Assistant Secretary.

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON 25. D. C.

Item No. 2  
11/1/57

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

November 1, 1957



Mr. N. L. Armistead, Vice President,  
Federal Reserve Bank of Richmond,  
Richmond 13, Virginia.

Dear Mr. Armistead:

Reference is made to your letter of October 23, 1957, with regard to the request of Wachovia Bank and Trust Company, Winston-Salem, North Carolina, for permission to move its East Durham Branch in Durham, North Carolina, from 318 South Driver Avenue, to 2114 Angier Avenue, a distance of one city block.

It would appear that the proposal constitutes a mere relocation of an existing branch in the immediate neighborhood without affecting the nature of its business or customers served, and therefore, we concur in your view that the approval of the Board of Governors is not necessary.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Assistant Secretary.

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON 25. D. C.

Item No. 3  
11/1/57

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

November 1, 1957



Mr. Henry O. Koppang,  
First Vice President,  
Federal Reserve Bank of Kansas City,  
Kansas City 6, Missouri.

Dear Mr. Koppang:

This refers to your letter of October 21, regarding the penalty of \$431.11, incurred by the Hutchinson National Bank and Trust Company, Hutchinson, Kansas, on a deficiency of 9.5 per cent in its required reserves for the semimonthly period ended September 30, 1957.

It is noted that the deficiency resulted from the confusion and disruption in operations during and immediately following the consolidation of the American National Bank and the Hutchinson State Bank under the charter of the former and the new title on September 9, and that the reserves of the consolidated bank have, since the period ended September 30, been maintained in full.

In the circumstances and in view of the recommendation of the Discount Committee of your Bank, the Board authorizes your Bank to waive assessment of the penalty in this case.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Assistant Secretary.

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON 25, D. C.

Item No. 4  
11/1/57

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

November 1, 1957



Mr. Bert R. Prall, Chairman,  
Federal Reserve Bank of Chicago,  
Chicago 90, Illinois.

Dear Mr. Prall:

In order to complete its records regarding the report of the examination of the Federal Reserve Bank of Chicago made as of November 23, 1956, by the Board's examiners, the Board will appreciate advice that the report has been considered by the Board of Directors.

Any comments you may care to offer regarding discussions with respect to the examination, or as to action taken as a result of the examination, will also be appreciated.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Merritt Sherman".

Merritt Sherman,  
Assistant Secretary.

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON 25, D. C.

Item No. 5  
11/1/57

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

November 1, 1957



Comptroller of the Currency,  
Treasury Department,  
Washington 25, D. C.

Attention Mr. L. A. Jennings,  
Deputy Comptroller of the Currency.

Dear Sir:

The proposal to merge the National Bank of Washington, Tacoma, Washington, and The Washington National Bank of Ellensburg, Ellensburg, Washington, under the charter and title of the former, to which reference is made in your letter of October 15, 1957, does not appear to come within the purview of the Bank Holding Company Act of 1956. However, the enclosed information may be helpful in your consideration of the matter.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Assistant Secretary.

Enclosures

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON 25, D. C.

Item No. 6  
11/1/57

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

October 31, 1957



CONFIDENTIAL (FR)

Mr. W. R. Diercks, Vice President,  
Federal Reserve Bank of Chicago,  
Chicago 90, Illinois.

Dear Mr. Diercks:

In accordance with the requests contained in your letters of October 28, 1957, the Board approves the appointments of Robert L. Mossburg, Jr., Jack M. Egertson, and Frank C. Henderson as examiners for the Federal Reserve Bank of Chicago. Please advise us as to the date upon which the appointments are made effective.

It is noted that Mr. Henderson is indebted to the Bank of Naperville, Naperville, Illinois, a nonmember bank, in the amount of \$1,305. Accordingly, the Board's approval is given with the understanding that Mr. Henderson will not participate in any examination of the Bank of Naperville until his indebtedness has been liquidated or otherwise eliminated.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Assistant Secretary.

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON 25, D. C.

Item No. 7  
11/1/57

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

October 31, 1957

CONFIDENTIAL (FR)

Mr. W. R. Diercks, Vice President,  
Federal Reserve Bank of Chicago,  
Chicago 90, Illinois.

Dear Mr. Diercks:

In accordance with the requests contained in your letters of October 28, 1957, the Board approves the appointments of Richard V. Sherman and Jeremiah P. Ledwidge as assistant examiners for the Federal Reserve Bank of Chicago. Please advise us as to the date upon which these appointments are made effective.

It is noted that Mr. Ledwidge is indebted to the McPherson State Bank, Howell, Michigan, a nonmember bank, in the amount of \$283.52. Accordingly, the Board's approval is given with the understanding that Mr. Ledwidge will not participate in any examination of the McPherson State Bank until his indebtedness has been liquidated or otherwise eliminated.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Assistant Secretary.