

Minutes for April 28, 1958

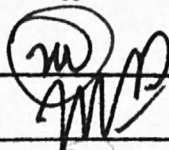

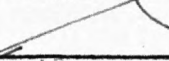

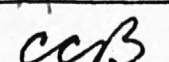
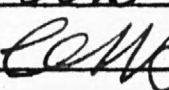
To: Members of the Board

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

Minutes of the Board of Governors of the Federal Reserve System
on Monday, April 28, 1958. The Board met in the Board Room at 10:00 a.m.

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

Mr. Carpenter, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Riefler, Assistant to the Chairman
Mr. Thomas, Economic Adviser to the Board
Mr. Leonard, Director, Division of Bank Operations
Mr. Young, Director, Division of Research and
Statistics
Mr. Hackley, General Counsel
Mr. Masters, Director, Division of Examinations
Mr. Molony, Special Assistant to the Board
Mr. Solomon, Assistant General Counsel
Mr. O'Connell, Assistant General Counsel

Oral argument in First New York Corporation matter (Items 1 and 2).

At the time the exceptions and brief of applicants on the supplemental report and recommended decision of the Hearing Examiner in connection with the applications of First New York Corporation and others under the Bank Holding Company Act were filed with the Board, the applicants requested that the matter be set down for oral argument. Counsel for applicants requested, however, that the setting of a date for oral argument be deferred pending receipt from the applicants of a statement of convenience in this connection. The matter had now been discussed orally by counsel for the applicants and counsel for the Board. In a memorandum dated April 24, 1958, which had been distributed to the members of the Board, Mr. O'Connell suggested certain dates which might be considered.

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After discussion of the information presented by Mr. O'Connell, the Board agreed to set down the matter for oral argument at 10:00 a.m. on May 21, 1958, in Room 1202 of the Federal Reserve Building. While it appeared that Mr. William R. Brennan, Jr., Deputy Superintendent and Counsel of the New York State Banking Department, was otherwise committed on that date, it was understood that another representative of that Department would be present. A copy of the order sent to the appropriate parties pursuant to this action of the Board is attached as Item No. 1.

Mr. O'Connell's memorandum also discussed a request from the Independent Bankers Association that the President of that Association be permitted to participate in the oral argument. After setting forth reasons which might be given for and against granting this or any other request of a similar nature, the memorandum stated that in the opinion of members of the Board's legal staff who had considered the matter there would be justification for receiving oral argument from a member of Congress desiring to appear for that purpose, but in refusing such right to any other person except parties to the proceeding, regardless of whether they had previously appeared as witnesses. Submitted with the memorandum was a draft of reply to the Independent Bankers Association in line with that position. The letter would point out, however, that the oral argument was to be public and that representatives of the Association might wish to attend.

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There followed a discussion of the question raised by the request of the Independent Bankers Association and, in response to questions, Mr. O'Connell expressed the opinion that refusal of any request made by a person other than a party to the proceeding to participate in the oral argument would be sustained by a reviewing court in the absence of exceptional circumstances. With respect to permitting members of the Congress the right to appear and argue, he brought out that upon appeal the applicants might allege that the Board had committed prejudicial error in permitting persons other than parties to the proceeding to appear in opposition to the granting of the applications. However, in view of the public responsibilities of members of the Congress, he would not hesitate to argue that a distinction could be made between such members and other individuals who were not parties to the proceeding.

At the conclusion of the discussion, it was agreed unanimously that members of the Congress who might express a desire to appear and argue should be accorded that privilege, but that no other person not a party to the proceeding should be permitted to appear for the purpose of making an oral argument. A copy of the letter sent to the Secretary of the Independent Bankers Association pursuant to this decision of the Board is attached as Item No. 2.

Mr. O'Connell then withdrew from the meeting and Messrs. Koch, Associate Adviser, and Dembitz, Research Associate, Division of Research and Statistics, entered the room.

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Reserve requirement legislation. Pursuant to a previous understanding, there had been distributed to the members of the Board, with a memorandum from Mr. Thomas dated April 4, 1958, a draft of a staff report giving background information regarding the bill on reserve requirements introduced in the Congress at the Board's request. The report included chapters on the existing structure of reserve requirements, the purposes of reserve requirements, the appropriate level of reserves, the basis for differentials in reserve requirements, and the reasons for the proposed changes. Appendices presented a history of changes in the structure of reserve requirements and material relating to the designation of central reserve and reserve cities.

The general content of the staff report was regarded as satisfactory, with the understanding that the report would be revised in certain respects to take into account suggestions already received by Mr. Thomas from various sources along with such other comments and suggestions as the members of the Board might make to him. Accordingly, the principal discussion related to the use to be made of the document. While it was agreed that there would be no objection to furnishing copies of the report to the staffs of the interested Congressional committees if a request should be received from them for information of this kind, question was raised regarding the desirability of distributing the report outside the Federal Reserve System at this time, there being some feeling that the detailed treatment therein of various aspects of the subject of reserve

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requirements might lead to discussion which would not be entirely pertinent to the Board's legislative proposal. In favor of distributing the document to parties such as the members of the Federal Advisory Council, the members of the Committee on Legal Reserve Requirements of the American Bankers Association and the staff of the Committee, it was pointed out that inquiries had been received by members of the Board and the staff which were of such a nature as to indicate the existence of some suspicion that a motive of the Board was to obtain authority which would permit it to establish reserve requirement classifications in addition to the existing three. It was suggested that a detailed memorandum of this kind furnishing full information on the background of the Board's proposal might serve to alleviate any such suspicions within the ranks of the banking fraternity or in other quarters. Accordingly, it was agreed that when the background memorandum was revised, it would be sent to the Federal Reserve Banks, the members of the Federal Advisory Council, and the Chairman of the Committee on Legal Reserve Requirements.

Following further discussion, the suggestion also was made that a shorter memorandum be prepared which would explain the legal effect of the proposed legislation. Such a memorandum would serve to amplify the statement previously furnished to the Congress in connection with the introduction of the bill but would not deal with the reasons why the proposed changes in the existing legislation were considered desirable. In order that this suggestion might be explored further, the legal staff was requested to prepare a document of this kind for the Board's consideration.

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Chairman Martin indicated that hearings possibly would be held on the bill before the House Banking and Currency Committee during the week of May 12 and before the Senate Banking and Currency Committee the following week. With regard to the statement which might be presented at such hearings, he expressed the view that the substance of the introductory section of the memorandum submitted by Mr. Thomas would be generally appropriate as to content but that some revision would be desirable.

In accordance with this comment, it was understood that Messrs. Thurston and Molony would prepare for the Board's consideration a draft of statement which might be presented in connection with the hearings, using as a basis the introductory section of the draft report.

The discussion concluded with a suggestion by Governor Robertson that there be prepared, for use as a working paper in the event of questions, a statement summarizing the statutes of the respective States with respect to bank reserve requirements.

The meeting then adjourned.


Secretary

Item No. 1
4/28/58

UNITED STATES OF AMERICA

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

In the Matter of the Applications of
 FIRST NEW YORK CORPORATION,
 THE FIRST NATIONAL CITY BANK OF NEW YORK,
 and
 INTERNATIONAL BANKING CORPORATION

DOCKET NUMBERS

BHC - 1
 BHC - 2
 BHC - 3

for prior approval of action to become
 bank holding companies under Section 3
 of the Bank Holding Company Act of 1956

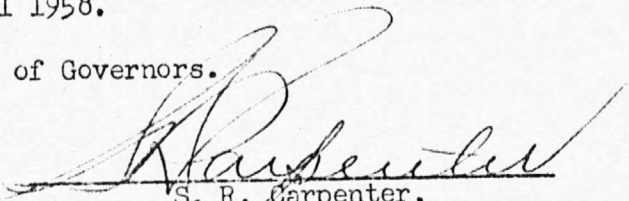
ORDER GRANTING REQUEST AND SETTING
DATE, TIME AND PLACE FOR ORAL ARGUMENT

This matter coming on this day for consideration on
 Applicants' request for Oral Argument, it is ORDERED that:

This matter be set down for Oral Argument before the
 Board on Wednesday, May 21, 1958, in Room 1202, Federal Reserve
 Building, Washington, D. C., at 10:00 a.m.

This 28th day of April 1958.

By order of the Board of Governors.


 S. R. Carpenter,
 Secretary.

(SEAL)

Washington, D. C.
 April 28, 1958

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

Item No. 2
4/28/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 28, 1958

Mr. Ben DuBois, Secretary,
The Independent Bankers Association,
Sauk Centre, Minnesota.

Dear Ben:

This refers to your letter of April 17, 1958, advising that at such time as the Board sets a date for oral argument on the applications of The First National City Bank, et al., your Association's President, Mr. R. E. Gormley, desires to appear before the Board and present a statement.

The Board's Rules of Practice for Formal Hearings provide that the Board may order oral argument only upon the written request of "any party or of counsel to the Board". The primary purpose of such a provision is to provide the parties with an opportunity to discuss orally the major points, both factual and legal, raised in briefs previously submitted for the Board's consideration. It also affords the Board an opportunity to have clarified any questions of fact or law raised in the exceptions or briefs of the parties. In proceedings such as that involving The First National City Bank of New York, the Board deems it advisable to limit participation in oral argument to the parties to the proceeding unless circumstances appear to require an exception. This position seems justified for at least two reasons.

First, unless the appearances were so limited, achievement of the primary purpose of oral argument previously mentioned might well be made unduly difficult and a conclusion of the administrative proceeding perhaps unduly protracted. Secondly, the Board has available to it in the record of the proceedings the views and expressions of persons and organizations, such as yours, having a legitimate interest in the outcome of the proceeding.

Mr. Ben DuBois

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For these reasons, participation in oral argument, today ordered by the Board to be held on May 21, 1958, in Room 1202, Federal Reserve Building, Washington, D. C., at 10 A.M., will be limited in the manner above set forth. However, the Board has ordered that oral argument be open to the public, and you and your associates are invited to attend, if you so desire.

Your expression of interest in this matter is appreciated.

Sincerely yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.