# Minutes for May 14, 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	В
Chm.	Martin		* 200
Gov.	Szymczak	×	
Gov.	Vardaman 1/	(00	<u>x</u>
Gov.	Mills	× 2	,
Gov.	Robertson	×	
Gov.	Balderston	· CCB	
Gov.	Shepardson	x (0110)	- v

1/ In accordance with Governor Shepardson's memorandum of March 8, 1957, these minutes are not being sent to Governor Vardaman for initial.

Minutes of the Board of Governors of the Federal Reserve System on Wednesday, May 14, 1958. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Balderston, Vice Chairman

Mr. Szymczak Mr. Mills Mr. Robertson Mr. Shepardson

Mr. Carpenter, Secretary

Mr. Kenyon, Assistant Secretary

Mr. Masters, Director, Division of Examinations

Mr. Molony, Special Assistant to the Board

Mr. Shay, Legislative Counsel

Mr. Solomon, Assistant General Counsel Mr. O'Connell, Assistant General 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:

	Item No.
Letter to The Pickerington Bank, Pickerington, Ohio, Waiving the requirement of six months' notice of Withdrawal from membership in the Federal Reserve System. (For transmittal through the Federal Reserve Bank of Cleveland)	1
Letter to the Federal Reserve Bank of Richmond regarding the eligibility of Mr. James P. Casbarian, a director of The Bank of Maryland, Seat Pleasant, Maryland, to serve also as a director of a proposed new bank in Silver Spring, Maryland.	2
Letter to Northwest Bancorporation, Minneapolis, suggesting that an opinion be sought from the Comptroller of the Currency as to the eligibility of shares of Downtown Auto Park for investment by a national bank. (For transmittal through the Federal Reserve Bank of Minneapolis)	3

	Item No.
Letter to Wellington State Bank, Wellington, Texas, granting consent, under the provisions of Section 18(c) of the Federal Deposit Insurance Act, for that bank to Purchase the assets and assume the liabilities of First National Bank, Wellington, Texas. (For transmittal through the Federal Reserve Bank of Dallas)	4
Letter to the Bank of Belmont Shore, Long Beach, California, denying its request for an extension of time within which to establish a branch at Seal Beach, California. (For transmittal through the Federal Reserv Bank of San Francisco) 1	5 re
Letter to the Comptroller of the Currency recommending approval of an application to organize a national bank in Silver Spring, Maryland. (With a copy to the Federal Reserve Bank of Richmond)	6
Letter to the Comptroller of the Currency recommending approval of the application of The Farmers State Bank of Worland, Worland, Wyoming, to convert into a national banking association. (With a copy to the Federal Reservant Bank of Kansas City)	

No. 8). In a letter dated May 12, 1958, copies of which had been distributed to the members of the Board, Congressman Celler, Chairman of the House Committee on the Judiciary, referred to the applications of the First New York Corporation, The First National City Bank of New York, and International Banking Corporation under the Bank Holding Company Act,

Since the recommendation of the Federal Reserve Bank of San Francisco had been to hold the matter in abeyance rather than to deny the request for extension of time, the letter was approved with the understanding that before it was sent the Secretary would get in touch with the President of the Reserve Bank to determine whether the Bank wished to express any further Views. President Mangels subsequently informed the Secretary that he approved the proposed method of handling the matter, and therefore the letter was sent.

on which oral argument was to be held on May 21, 1958, and asked to be furnished copies of the correspondence between the Board and the Department of Justice dealing with the Justice Department's investigation of the competitive aspects of the proposal to form a bank holding company. This letter had been written to the Board following telephone conversations between Mr. O'Connell and Mr. Herbert Maletz, Chief Counsel for the Antitrust Subcommittee of the House Judiciary Committee.

Conversations with Mr. Maletz, in which the latter initially requested information as to what steps had been taken to place in the hearing record the results of investigation by the Department of Justice regarding certain competitive aspects of the applications. Mr. O'Connell said he told Mr. Maletz that such material had not been placed in the record, for the Department of Justice had declined to come into the hearing as a witness and had shown the Board's Counsel neither the introductory material to its investigative file nor its conclusions. Mr. Maletz had stated that he would be in touch with the Department of Justice to ascertain what the Department intended to do to cause its opinions to be reflected in the record and then inquired whether in the meantime the Board would furnish copies of its correspondence with the Justice Department, which caused Mr. O'Connell to suggest that a letter be sent to the Board in Order that it might consider the request.

Mr. O'Connell then stated reasons which might be given for and against complying with the request.

The reasons against compliance included the fact that in considering the applications in the light of the hearing record the Board was acting under mandate of the statute as an independent adjudicatory body and should not lay itself open to any suggestion of urging or tampering while the matter was still pending before it. In this connection, it might be assumed that Mr. Celler would use material taken from the correspondence in his statement at the time of the oral argument, which would raise a question whether, if the correspondence were supplied, the parties to the proceeding should not be notified and perhaps have the correspondence made available to them also, so that they could prepare any rebuttal they might wish to present. Furthermore, compliance with the request might establish a precedent for similar demands by others in future cases.

In concluding, Mr. O'Connell brought out that the possibility that the correspondence might be subject to subpoena should be given some consideration.

Mr. Solomon stated that there was nothing in the requested correspondence which would reflect any discredit upon the Board. However, after considering the question along other lines, particularly in terms of its broad aspects, it was the view of the legal staff that it would be preferable not to release the desired material.

unanimously in agreement with the position of the Legal Division,
particularly since it appeared that it would be more logical for
Congressman Celler to request the information from the Department of
Justice than from the Board. Although Mr. Maletz had informed Mr.
O'Connell that a source in the Department of Justice had orally
authorized making the information available, it was the view of the
Board that any such authorization should be received in writing over
an appropriate signature.

While agreeing with the view that the request should not be complied with, Governor Szymczak suggested that it might be desirable for Vice Chairman Balderston to meet with Congressman Celler in order to explain the Board's position. The other members of the Board concurred in this suggestion, with the understanding that Governor Balderston would take with him an appropriate letter to complete the record.

Mr. O'Connell then distributed a draft of letter which might be used for the purpose. Certain suggestions were made for changes in the draft, following which unanimous approval was given to a letter to Congressman Celler in the form attached as Item No. 8, with the understanding that a copy would be sent to the Department of Justice.

While the letter in the form in which it was approved did not make reference to the oral authorization from the Department of Justice for release of the correspondence, it was understood that Governor Balderston would make reference to that situation in his meeting with Congressman Celler if it seemed appropriate to do so. It was further understood that Governor Balderston would make it clear in his conversation with Mr. Celler that after a decision on the First New York Corporation matter had been rendered, the Board would not be reluctant to furnish from its files copies of the correspondence with the Justice Department, if appropriate authorization was received from that Department.

The meeting then adjourned.

## Secretary's Notes:

On May 13, 1958, Governor Shepardson approved on behalf of the Board a letter to the Federal Reserve Bank of Philadelphia approving the appointment of William W. Deemer as assistant examiner. A copy of the letter is attached as Item No. 9.

Pursuant to recommendations contained in memoranda from appropriate individuals, Governor Shepardson also approved on behalf of the Board on May 13, 1958, increases in the basic annual salaries of the following persons on the Board's staff in the amounts indicated, effective May 18, 1958:

5/14/58	-7-		
Name and title	Division	Basic a	nnual salary To
Pearl S. Thompson, Records Clerk	Office of the Secretary	\$3,585	\$3,670
Edward R. Fry, Economist	Research and Statistics	5,980	6,390
Kathryn E. Ridgway, Statistical Clerk	Research and Statistics	3,840	3,925
Marcia G. Patz, Secretary	International Finance	3,805	3,940
C. A. Zimmerman, Assista Federal Reserve Examin	nt Examinations	4,660	4,795
Rosemarie H. Smith, Clerk (half-time basis	Dowgonnol Administration	1,758	1,800
Vera Dulin, Cashier, Cafeteria	Administrative Services	3,385	3,470
Nina L. Marcey, Cafeteria Helper	Administrative Services	2,600	2,675
John M. Pope, Guard	Administrative Services	3,300	3,385

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#### BOARD OF GOVERNORS

OF THE

#### FEDERAL RESERVE SYSTEM

WASHINGTON 25, D. C.

Item No. 1 5/14/58

ADDRESS OFFICIAL CORRESPONDENCE

May 14, 1958

Board of Directors, The Pickerington Bank, Pickerington, Ohio.

Gentlemen:

The Federal Reserve Bank of Cleveland has forwarded to the Board of Governors letters of April 18 and 22, 1958, together with the accompanying resolution signifying your intention to withdraw from membership in the Federal Reserve System and requesting waiver of the six months, notice of such withdrawal.

In accordance with your request, the Board of Governors waives the requirement of six months' notice of withdrawal. Upon surrender to the Federal Reserve Bank of Cleveland of the Federal Reserve Bank stock issued to your institution, such stock will be canceled and appropriate refund will be made thereon. Under the provisions of section 10(c) of the Board's Regulation H as amended effective September 1, 1952, your institution may accomplish termination of its membership at any time within eight months from the date the notice of intention to withdraw from membership was given.

It is requested that the certificate of membership be returned to the Federal Reserve Bank of Cleveland.

Attention is invited to the fact that if your bank is desirous of continuing deposit insurance after withdrawal from membership in the Federal Reserve System, it will be necessary that application be made to the Federal Deposit Insurance Corporation.

Very truly yours,

(Signed) S. R. Carpenter



### FEDERAL RESERVE SYSTEM

WASHINGTON 25, D. C.

Item No. 2 5/14/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 14, 1958

Mr. Aubrey N. Heflin, Vice President and General Counsel, Federal Reserve Bank of Richmond, Richmond 13, Virginia.

Dear Mr. Heflin:

Careful consideration has been given to your letter of April 28, 1958, and enclosures, relating to the question whether Mr. James P. Casbarian, a director and president of The Bank of Maryland, Seat Pleasant, Maryland, a nonmember bank, could serve as a director of a proposed new national bank in Silver Spring, Maryland, in view of the provisions of section 8 of the Clayton Act. The specific provision involved is paragraph 5 of section 8, Which provides that a director or an officer of a member bank may serve as a director or an officer of another bank not situated in the same town as the member bank, or in any city, town, or village "contiguous or adjacent thereto".

It appears from the information submitted that Silver Spring and Seat Pleasant are both "contiguous" to the District of Columbia and readily accessible to it, being, in fact, both parts of the Washington Metropolitan Area. However, it appears that the distance between Silver Spring and Seat Pleasant is 12-1/2 or 13 miles by road; that one possible route would be to go through the District except for a short stretch in Silver Spring at one end and in Seat Pleasant at the other; that another possible route, along the northeast boundary of the District, would go through 13 other incorporated communities; that one of the most direct routes would pass 24 traffic lights and 7 stop signs; and that, in view of the size and location of the banks, it seems unlikely that there would be any competition be ween them.

Under the circumstances, it appears that Silver Spring and Seat Pleasant are not "contiguous" to each other, because their boundaries do not touch, and it likewise appears that they are not "adjacent" to each other, because they are not "in such close proximity [or] so readily accessible to each other as to be in practical effect a single city, town or village".

In your letter you refer to the situation existing between St. Louis and Normandy, Missouri, in 1953. However, it appeared that Normandy was a suburb of St. Louis, readily accessible to St. Louis by a six-lane thoroughfare, the distance being only 1.6 miles. There were intervening suburbs, but this was thought not to affect the result, in view of footnote 8 in Regulation L, which refers to "a suburb of a city separated from that city only by an intervening suburb" as being "contiguous" to the city within the meaning of section 8.

Although questions of this kind are seldom free from doubt, it would appear that section 8 of the Clayton Act would not prevent Mr. Casbarian from serving the proposed national bank.

Very truly yours,

(Signed) S. R. Carpenter

OF THE

#### FEDERAL RESERVE SYSTEM

WASHINGTON 25, D. C.

Item No. 3 5/14/58

ADDRESS OFFICIAL CORRESPONDENCE

May 14, 1958

Mr. H. Raymond Horn, Senior Vice President, Northwest Bancorporation, Minneapolis 2, Minnesota.

Dear Mr. Horn:

This refers to your letter of April 25, 1958, which, among other things, requested a ruling by the Board that Northwest Bancorporation's indirect ownership of shares of Downtown Auto Park, Minneapolis, Minnesota, is exempt from the divestment requirements of the Bank Holding Company Act.

It is understood that 750 voting shares of Downtown Auto Park are owned by the Northwestern Bank Building Company, a wholly-owned subsidiary of the Northwestern National Bank of Minneapolis which itself is a subsidiary of Northwest Bancorporation. It is further understood that 185 voting shares of Downtown Auto Park are owned by the Midland National Bank of Minneapolis, also a subsidiary of Northwest Bancorporation.

As you know, section  $\mu(c)(\mu)$  of the Bank Holding Company Act exempts from the prohibitions of section  $\mu$  "shares which are of the kinds and amounts eligible for investment by National banking associations under the provisions of section 5136 of the Revised Statutes". In this connection the Board has expressed the opinion that shares held or acquired in accordance with section  $2\mu$ A of the Federal Reserve Act are exempt from the prohibitions of section  $\mu$  of the Bank Holding Company Act by virtue of the above-quoted provisions of section  $\mu(c)(\mu)$ .

Accordingly, if the shares of Downtown Auto Park are of a kind and amount which would be eligible for investment by a national bank under the law, the indirect ownership or control of such shares by a bank holding company would be exempt from the prohibitions of section 4 of the Act. Since the Comptroller

Mr. H. Raymond Horn.

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of the Currency has primary jurisdiction with respect to determining whether a given investment by a national bank is permissible under the law, it would seem appropriate for Northwest Bancorporation to request an opinion from the Comptroller as to the eligibility of shares in Downtown Auto Park for investment by a national bank.

Very truly yours,

(Signed) S. R. Carpenter

OF THE

#### FEDERAL RESERVE SYSTEM

WASHINGTON 25, D. C.

Item No. 4 5/14/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 14, 1958

Board of Directors, Wellington State Bank, Wellington, Texas.

Gentlemen:

The Board of Governors of the Federal Reserve System hereby gives its written consent, under the provisions of Section 18(c) of the Federal Deposit Insurance Act, for Wellington State Bank, Wellington, Texas, to purchase the assets and assume the liabilities of First National Bank, Wellington, Texas. This consent is given provided

- a. the purchase of assets and assumption of liabilities are effected substantially in accordance with the terms of the sales contract dated April 19, 1958;
- b. that fixed assets and securities acquired from the First National Bank are not placed on the books of the Wellington State Bank at amounts in excess of the depreciated value for income tax purposes and the current market value, respectively;
- c. the transaction is concluded within six months from the date of this letter, and
- d. that formal approval of the State authorities is obtained.

Very truly yours,

(Signed) S. R. Carpenter

OF THE

### FEDERAL RESERVE SYSTEM

WASHINGTON 25. D. C.

Item No. 5 5/14/58

ADDRESS OFFICIAL CORRESPONDENCE

May 14, 1958

Board of Directors, Bank of Belmont Shore, Long Beach, California.

Gentlemen:

Reference is made to the request contained in a letter dated March 21, 1958, to the Federal Reserve Bank of San Francisco, for an extension of time in which the Bank of Belmont Shore may establish a branch in the vicinity of the intersection of Main Street and Pacific Coast Highway, Seal Beach, California.

On April 3, 1957, the establishment of the above branch was approved by the Board of Governors, provided the branch was established within six months, and this time was subsequently extended to April 3, 1958. At the time of approval of this branch, it was understood that in order to comply with a requirement prescribed by the Superintendent of Banks of the State of California, capital funds of the bank would be increased by not less than \$200,000 through sale of additional common stock.

Subsequent to the extension of time granted by the Board, were disclosed which have resulted in certain changes in management. Moreover, it does not appear that definite arrangements for establishing the branch have progressed sufficiently that it is yet possible to estimate with some accuracy when the branch could be opened for business. In view of the problems confronting the bank, the Board of Governors does not feel justified in extending the time to establish this branch. However, when these matters are resolved, and after another examination of the bank, the Board would be willing to consider a branch application in the light of conditions existing at that time.

Very truly yours, (Signed) S. R. Carpenter

OF THE

## FEDERAL RESERVE SYSTEM

Item No. 6 5/14/58

WASHINGTON 25, D. C.

ADDRESS OFFICIAL CORRESPONDENCE TO THE BOARD

May 14, 1958

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

> Attention Mr. W. M. Taylor, Deputy Comptroller of the Currency.

Dear Mr. Comptroller:

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Reference is made to a letter from your office dated January 30, 1958, enclosing copies of an application to organize a national bank at Silver Spring, Maryland, and requesting a recommendation as to whether or not the application should be approved.

Information contained in a report of investigation of the application made by an examiner for the Federal Reserve Bank of Richmond discloses that a capital structure of \$750,000, instead of \$500,000 as shown in the application, would be provided for the bank and this revised amount of capital is regarded as adequate. While there appears to be no lack lack of banking facilities and services in the community at the present time, it is reported that the proposed bank under good management could attract to reported that the proposed bank under good management could attract the reported that the proposed bank under good management could be attracted to the connection. attract sufficient business to function profitably. In this connection, the information with respect to the proposed management is favorable. However, one of the proposed directors, Mr. Conroy, would not be eligible under the proposed directors, Mr. Regulation L to Under the provisions of the Clayton Act and the Board's Regulation L to serve the provisions of the Clayton Act and the Board's Regulation L to serve the proposed bank as well as a bank which he is serving in the District of Columbia. The Board of Governors is of the opinion that favorable consideration should be given the application.

any aspects of this case with representatives of your office if you so The Board's Division of Examinations will be glad to discuss desire.

Very truly yours,

(Signed) S. R. Carpenter



OF THE

#### FEDERAL RESERVE SYSTEM

WASHINGTON 25, D. C.

Item No. 7 5/14/58

ADDRESS OFFICIAL CORRESPONDENCE

May 14, 1958

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

Attention Mr. W. M. Taylor,
Deputy Comptroller of the Currency.

Dear Mr. Comptroller:

March 5, 1958, enclosing copies of an application of The Farmers State Bank of Worland, Worland, Wyoming, to convert into a national banking association and requesting a recommendation as to whether or not the application should be approved.

This bank has been a member of the Federal Reserve System since March 27, 1933, and, in view of the Reserve Bank's knowledge of the institution and the latest report of examination as of September 11, 1957, a field investigation of the application was not regarded as necessary. Information in the records of the Board of Governors and that supplied by the Federal Reserve Bank of Kansas City is favorable with respect to the financial history of the bank, adequacy of capital structure, future earnings prospects, general character of management, and services to the community. Accordingly, the Board of Governors recommends approval of the application of The Farmers State Bank of Worland to convert into a national banking association.

The Board's Division of Examinations will be glad to discuss any aspects of this case with representatives of your office if you so desire.

Very truly yours,

(Signed) S. R. Carpenter



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 8 5/14/58

OFFICE OF THE VICE CHAIRMAN

May 14, 1958.

The Honorable Emanuel Celler, Chairman, Committee on the Judiciary, House of Representatives, Washington 25, D. C.

Dear Chairman Celler:

This will acknowledge receipt of your letter of May 12, requesting, in connection with the applications of the Mirst New York Corporation, The First National City Bank of New York and International Banking Corporation under the Bank Holding Company Act of 1956, that you be furnished with a copy of the correspondence between the Board and the Department of Justice dealing with the Department's investigation of the competitive aspects of the transaction proposed under these applications.

Pursuant to section 3 of the Bank Holding Company Act, this or not to approve any acquisition or merger or consolidation under section 3, taking into consideration the factors enumerated in that section. In performing this function the Board's independence of and action is considered essential. At the same time, fair under the Act, as well as disclosure to the public to an extent compatible with the rights of the parties, has been maintained.

Consistent with this policy, the Board is of the opinion above—mentioned proceeding and not a part of the public hearing record, while this matter is still pending before the Board, would constitute an improper action on the Board's part. This conclusion stems from the Board's view of its adjudicatory function and its responsibility to assure a fair hearing for all parties. Further, this decision reflects the Board's concern that such action might establish a precedent for a demand by others during the course of future hearings.

Chairman Emanuel Celler

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For these reasons the Board feels that it would be inappropriate at this time to furnish a copy of the above-mentioned correspondence between the Board and the Department of Justice. When the Board has rendered a decision in this matter, if you should still desire this correspondence, the Board, with the written consent of the Department of Justice, would be glad to furnish you with a copy of all correspondence of the nature you requested.

Sincerely yours,

(Signed) C. Canby Balderston

C. Canby Balderston, Vice Chairman.



OF THE

#### FEDERAL RESERVE SYSTEM

WASHINGTON 25, D. C.

Item No. 9 5/14/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 13, 1958

Mr. E. C. Hill, Vice President, Federal Reserve Bank of Philadelphia, Philadelphia 1, Pennsylvania.

Dear Mr. Hill:

In accordance with the request contained in Your letter of May 9, 1958, the Board approves the appointment of William W. Deemer as an assistant examiner for the Federal Reserve Bank of Philadelphia. Please advise as to the date upon which the appointment is made effective.

Very truly yours,

(Signed) S. R. Carpenter