

Minutes for November 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	B
Chm. Martin	x <u>WM</u>	_____
Gov. Szymczak	x <u>MS</u>	_____
Gov. Vardaman	x _____	_____
Gov. Mills	x _____	_____
Gov. Robertson	x <u>R</u>	_____
Gov. Balderston	x <u>AB</u>	_____
Gov. Shepardson	x <u>SS</u>	_____

Minutes of the Board of Governors of the Federal Reserve System
on Friday, November 14, 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. Sherman, Secretary
Mr. Fauver, Assistant Secretary
Mr. Hackley, General Counsel
Mr. Masters, Director, Division of Examinations
Mr. Solomon, Assistant General Counsel
Mr. Nelson, Assistant Director, Division of
Examinations

Discount rates. Unanimous approval was given to telegrams to the following Federal Reserve Banks approving the establishment without change by those Banks on November 13, 1958, of the rates on discounts and advances in their existing schedules:

New York	Chicago
Cleveland	St. Louis
Richmond	Dallas
Atlanta	

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 Zeeland State Bank, Zeeland, Michigan, approving its application for full fiduciary powers. (For transmittal through the Federal Reserve Bank of Chicago)	1
Letter to the Comptroller of the Currency recommending approval of an application to organize a national bank at Kermit, Texas.	2

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Wachovia Bank and Trust Company matter. Governor Szymczak said that in response to a call from the Chairman's Office yesterday afternoon he had received a visit from Mr. Archie Davis, Chairman of the Board of Wachovia Bank and Trust Company. Mr. Davis, who had been informed of the Board's decision yesterday to disapprove the application for merger of Wachovia with The Wilmington Savings & Trust Company, stated that representatives of both institutions would appreciate an opportunity to have a hearing before the Board at which they could present directly to the Board additional evidence as to why they believed the proposed merger was in the public interest. Because the proposed merger had been tentatively scheduled to be completed on November 17, and public announcement had been made of that plan, Mr. Davis was anxious to learn as soon as possible whether the banks would be granted the hearing in order to assist them in preparing their announcement that the merger would not take place on the 17th. Governor Szymczak went on to say that at his request the Secretary had checked informally with the available members of the Board yesterday afternoon to ascertain whether they would wish to indicate at that time whether to accord Wachovia the requested hearing. Upon being informed by the Secretary that at least one of the Board Members did not wish to discuss the matter except at a meeting, Governor Szymczak said that he informed Mr. Davis that his oral request would be presented to the Board today. It was Mr. Davis' hope that when the announcement

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was made that the merger would not take place on November 17, it would be possible for the bank to state that it would have a hearing before the Board concerning the matter.

Governor Mills said that presumably the regular procedure had been followed and that the Federal Reserve Bank of Richmond had been notified of the Board's decision and was conveying that information officially to Wachovia Bank and Trust Company. If this were not the case, he felt that it would be highly irregular for the Board to deviate from the established administrative procedure and to open itself to the charge that it had been unduly influenced by a party at interest in a case before the Board. In Governor Mills' opinion Mr. Davis would expose himself to serious charges for having injected his person into this proceeding in any but a normal course.

Mr. Masters said that following the meeting yesterday Mr. Wayne of the Richmond Reserve Bank called at his office and was told of the Board's decision in this matter. Usually, he said, in cases such as this where the time element was important, the Reserve Bank would have been notified of the Board's action by telephone and the customary letter would follow, but in this case since Mr. Wayne was in the building he was informed of the Board's action in the manner indicated. Mr. Masters also said that the formal letters of notification to the Reserve Bank and to Wachovia had been prepared yesterday afternoon but he did not know whether they had been mailed. The Secretary stated that the letters reached his office late in the afternoon, but they had not yet actually been put into the mail.

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Chairman Martin stated that the question before the Board was whether or not the request for a hearing should be granted. One thing to consider was whether there was the remotest chance that the Board would change its view in regard to this merger. The fact that shares of stock of the two banks concerned had already been affected because plans for the merger had become public compounded the difficulties that might arise if there were further uncertainty as to the Board's position. Under normal circumstances, he felt that the Board should try to hear any party affected by one of its decisions, especially where there were practical difficulties as there were in this case. He then inquired of Governor Mills whether it was his feeling that the Board should not grant the Wachovia and Wilmington banks the requested hearing.

Governor Mills stated his view that the Board should carry through in the normal course. If, after the Board's decision had been conveyed formally to Wachovia, it saw fit to ask for a hearing, the Board presumably should take up the request on its merits. It was Governor Mills' feeling that no indication should be given to Wachovia at this time as to whether the Board would grant the requested hearing, and he expressed regret that the letter formally advising Wachovia of the Board's denial of its application had not gone forward last night.

Governor Robertson said that, with respect to the sending of the letters advising the Richmond Reserve Bank and Wachovia of yesterday's Board action, the Secretary had called him on the telephone about 5:30 p.m. last evening to say that the letters had just reached his

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office and to inquire as to his personal judgment on whether it would be preferable to mail them then or to hold them over until the Board had had an opportunity to consider the oral request by Wachovia for an opportunity to appear before the Board and to seek reconsideration of the Board's decision to deny approval of the merger. Governor Robertson said he commented to the Secretary that he thought it made little difference whether the letters were mailed at that time or after the Board had considered the request for a hearing, although he would lean slightly on the side of holding the letters until the Board had considered this request. Perhaps this personal opinion had been a factor in the Secretary's decision not to mail the letters last evening, especially since the Secretary had seemed inclined to mail them then.

With respect to the request that Mr. Davis had made for a hearing, it was Governor Robertson's opinion that the Board should grant to anyone an opportunity to come in and to discuss a problem such as Wachovia was faced with. He doubted that the bank would be able to present facts that would cause the Board to change the decision that it had reached, but he would favor granting Wachovia and Wilmington Savings & Trust the requested hearing. In acting on this request, he could not see that it made any difference whether the letters were mailed last night or today: the Richmond Bank had been informed yesterday that the Board had denied Wachovia's application, and the First Vice President of that Bank had informed Wachovia of the decision; everybody concerned knew that the Board had taken action and, because

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of the time element, Wachovia had made this oral request for a hearing. He felt that the Board should be perfectly willing to let representatives of Wachovia and Wilmington Savings come in and discuss the matter as they wished to do so, and he thought that the Board would look a little bit stuffy if it declined to consider the request when everybody concerned knew what the facts of the Board's decision were.

Governor Vardaman said he did not understand that Governor Mills was objecting to the idea of a hearing but that he wanted the formalities to be observed, a view in which he (Governor Vardaman) concurred.

Chairman Martin said he thought the letters regarding yesterday's Board action should be sent immediately so that there should be no doubt concerning the position that had been taken. Personally, he had no objection to the requested hearing. He suggested that Governor Szymczak call Mr. Davis on the telephone and inform him that if a formal request for a hearing was received in time, the Board would be prepared to grant the request and that it could be set for 10 a.m. on Wednesday, November 19.

There was agreement with Chairman Martin's suggestion, although Governor Vardaman indicated that he would not be present on November 19.

Proposal of Congressman Celler regarding restricted stock options.

Prior to the meeting there had been distributed a memorandum dated November 5, 1958, from Mr. Solomon, regarding a proposal of Congressman Celler that restricted stock options be exempted from Regulation U.

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The Chairman asked that this matter be deferred until a later date inasmuch as Senator Williams had talked with him concerning the same subject and might wish to submit a brief indicating his position on this matter.

Access to Board's records by Mr. Robert E. Dunne. The Secretary reported that in accordance with the Board's action yesterday, Mr. Robert E. Dunne, Assistant Counsel for the Senate Permanent Subcommittee on Investigations, had called at his office yesterday afternoon and that the records authorized by the Board had been made available to Mr. Dunne for his inspection.

Conference with representatives of The Michigan Bank. The Secretary reported that, in accordance with the Board's action on November 3, representatives of The Michigan Bank would like to appear before the Board at 2:30 p.m. on Monday, November 24, 1958, with respect to that bank's application for approval of the establishment of two branches. The date was acceptable to the members of the Board, and the Secretary was authorized to advise The Michigan Bank accordingly and to notify it that an official reporter would prepare a transcript of the conference and that the bank might obtain a copy of the transcript if it wished.

Thereupon the meeting adjourned.

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Secretary's Note: Pursuant to the recommendations contained in memoranda from appropriate individuals concerned, Governor Shepardson today approved on behalf of the Board the following items affecting the Board's staff:

Transfer and salary increase

Gordon B. Grimwood, from the position of Economist in the Division of International Finance, to the position of Economist in the Office of Defense Planning, with an increase in his basic annual salary from \$10,370 to \$11,355, effective November 16, 1958.

Salary increases, effective November 16, 1958

Bessie McCrae, Statistical Clerk, Division of Research and Statistics, from \$4,135 to \$4,230 per annum.

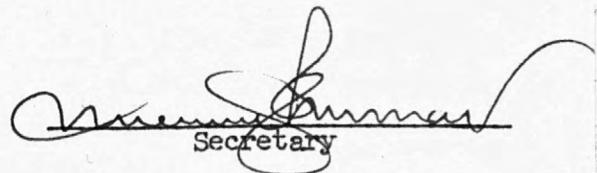
Ellen Carpenter, Statistical Clerk, Division of Bank Operations, from \$3,495 to \$3,590 per annum.

Abraham Rose, Cafeteria Laborer, Division of Administrative Services, from \$3,245 to \$3,340 per annum.

Eleanor W. Yates, Cafeteria Laborer, Division of Administrative Services, from \$2,960 to \$3,055 per annum.

Acceptance of resignation

Mary V. Malarkey, Clerk-Stenographer, Division of Personnel Administration, effective November 14, 1958.


Secretary

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

Item No. 1
11/14/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 14, 1958



Board of Directors,
Zeeland State Bank,
Zeeland, Michigan.

Gentlemen:

This refers to your request for permission, under applicable provisions of your condition of membership numbered 1, to exercise fiduciary powers.

Following consideration of the information submitted, the Board of Governors of the Federal Reserve System grants permission to the Zeeland State Bank to exercise the fiduciary powers now or hereafter authorized by its charter and the laws of the State of Michigan.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 2
11/14/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 14, 1958



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

Attention Mr. G. W. Garwood,
Deputy Comptroller of the Currency.

Dear Mr. Comptroller:

Reference is made to a letter from your office dated September 13, 1957, enclosing copies of an application to organize a national bank at Kermit, Texas, 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 Dallas discloses generally favorable findings with respect to the factors usually considered in connection with such proposals. Accordingly, the Board of Governors recommends approval of the application to organize a national bank at Kermit, Texas.

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) Merritt Sherman

Merritt Sherman,
Secretary.