

Minutes for January 8, 1959


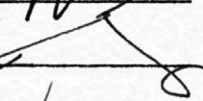
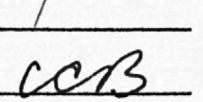
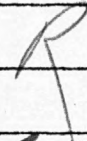
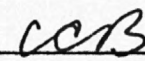
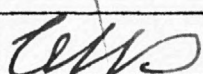
To: Members of the Board

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

Minutes of the Board of Governors of the Federal Reserve System  
on Thursday, January 8, 1959. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman  
Mr. Balderston, Vice Chairman  
Mr. Szymczak  
Mr. Mills

Mr. Sherman, Secretary  
Mr. Kenyon, Assistant Secretary  
Mr. Thomas, Economic Adviser to the Board  
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. Shay, Legislative Counsel  
Mr. Nelson, Assistant Director, Division of  
Examinations  
Mr. Hill, Assistant to the Secretary

Discount rates. Unanimous approval was given to a telegram to the Federal Reserve Bank of Kansas City approving the establishment without change by that Bank on January 7, 1959, of the rates on discounts and advances in its existing schedule.

Items circulated or distributed to the Board. The following items, which had been circulated or distributed 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 Norfolk County Trust Company, Brookline, Massachusetts, granting an extension of time within which to establish a branch in Dedham. (For transmittal through the Federal Reserve Bank of Boston)	1
Letter to The First Pennsylvania Banking and Trust Company, Philadelphia, Pennsylvania, approving the establishment of a branch at 476-78 Conarroe Street. (For transmittal through the Federal Reserve Bank of Philadelphia)	2

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	<u>Item No.</u>
Letter to the Jenkintown Bank and Trust Company, Jenkintown, Pennsylvania, granting an extension of time within which to establish a branch in Abington Township. (For transmittal through the Federal Reserve Bank of Philadelphia)	3
Letter to the Bank of Delaware, Wilmington, Delaware, approving the establishment of a branch in New Castle County. (For transmittal through the Federal Reserve Bank of Philadelphia)	4
Letter to The Dollar Savings and Trust Company, Youngstown, Ohio, granting an extension of time within which to establish a branch in Boardman Township. (For transmittal through the Federal Reserve Bank of Cleveland)	5
Letter to the Federal Reserve Bank of Chicago interposing no objection to a change proposed by the State Bank and Trust Company, Ann Arbor, Michigan, in the method of financing its rebuilding and expansion program.	6
Letter to The Detroit Bank and Trust Company, Detroit, Michigan, granting an extension of time within which to establish a branch in Nankin. (For transmittal through the Federal Reserve Bank of Chicago)	7
Letter to the Carroll County Trust Company, Carrollton, Missouri, waiving the requirement of six months' notice of withdrawal from membership in the Federal Reserve System. (For transmittal through the Federal Reserve Bank of St. Louis)	8
Letter to Congressman Celler regarding the proposed merger of Guaranty Trust Company and J. P. Morgan & Co.	9
Order granting an extension of time for filing of exceptions and brief to the Hearing Examiner's Report and Recommended Decision on applications of Bank Shares, Incorporated, under the Bank Holding Company Act.	10
Memorandum from Mr. Solomon dated January 6, 1959, recommending that the Board concur in an extension of the time for filing the record in connection with the petition by First Bank Stock Corporation for review of the Board's order denying that corporation's application to acquire shares of the First Eastern Heights State Bank.	11

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With respect to the foregoing Item No. 6, Governor Balderston observed that under the program originally approved by the Board the State Bank and Trust Company of Ann Arbor, Michigan, proposed to finance its rebuilding and expansion program in part through the organization of an affiliate which would borrow \$500,000 from outside sources, but the Michigan State Banking Department had expressed a preference that the total investment be carried directly on the bank's books rather than partially by an affiliated corporation. He raised the question whether the Board should not have taken the same position as that taken by the State banking authorities when the proposition originally came before it. In this connection, he cited instances from his personal recollection where banks, through affiliates, had engaged in extensive building programs which tended to place them in the real estate business, sometimes with unfortunate consequences.

Comments by Messrs. Masters and Nelson indicated agreement on the part of the Division of Examinations that the direct financing of banking quarters was the cleaner method. They brought out, however, that sometimes tax or other advantages argue for the use of an affiliate and that the statutes permit investment by a member bank in a corporation set up solely to hold bank premises.

Governor Mills commented that the Division of Examinations, in studying applications under section 24A of the Federal Reserve Act, gives attention to total direct and indirect investment in bank premises in relationship to the applicant's capital stock as well as its capital

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structure as a whole. He suggested that the Board might wish to be cautious about objecting to programs for financing bank premises if they were permissible under the law and permission had been obtained from the appropriate State banking authorities.

At the conclusion of the discussion, Chairman Martin suggested that the problem be borne in mind.

Mr. Nelson then withdrew from the meeting.

Speculation in the Government securities market. Reference was made to staff memoranda distributed to the Board on November 19 and December 19, 1958, respectively, with regard to the speculation in the Government securities market last summer and possible methods of avoiding a recurrence. Pursuant to the discussion yesterday, this topic was on the agenda to ascertain whether any reason was seen why the two memoranda should not be handed to the Treasury as items of information. The Secretary reported that no comments had been received from Governor Robertson in this respect.

Governor Balderston expressed concern about furnishing the second memorandum to the Treasury in a form containing tables based on confidential daily reports made to the Federal Reserve Bank of New York by Government securities dealers. He suggested clearance with the Management of the System Open Market Account before such information was distributed outside the Board's offices.

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After discussion of this point, it developed that neither of the two memoranda had as yet been made available to the Federal Reserve Bank of New York for review, and it was agreed that this should be done before either was handed to the Treasury.

Legislation. In the light of an inquiry made of Chairman Martin by a representative of the American Bankers Association concerning legislation on reserve requirements, there was discussion as to what steps, if any, should be taken by the Board with regard to the introduction at this session of Congress of legislative proposals relating to reserve requirements and amendments to the Bank Holding Company Act.

At the conclusion of the discussion, it was understood that Mr. Shay would ascertain whether it would be desirable for the Board to write to the Banking and Currency Committees expressing its interest in the enactment of those items of proposed legislation.

Report on litigation. Mr. Hackley reported as a matter of information that Wachovia Bank and Trust Company, Winston-Salem, North Carolina, had filed suit on January 7, 1959, in the United States District Court for the District of Columbia asking for a declaratory judgment as to the authority of the Board to disapprove branches acquired by Wachovia through its recent merger with Wilmington Savings and Trust Company and asking also that the Court set aside the Board's order denying approval of the application for such branches. He also reported that Counsel for The Michigan Bank, Detroit, Michigan, had

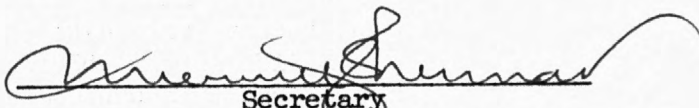
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indicated in a visit to the Board's offices yesterday that the bank intended to file suit against the Board shortly with regard to the condition laid down by the Board that the bank must issue additional common stock in an amount not less than \$1 million prior to the establishment of certain branches for which it had applied.

The meeting then adjourned.

Secretary's Note: Acting in the absence of Governor Shepardson, Governor Robertson today approved on behalf of the Board a letter to the Federal Reserve Bank of Cleveland (attached Item No. 12) approving the designation of 56 persons as special assistant examiners.

  
Secretary

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

Item No. 1  
1/8/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

January 8, 1959

Board of Directors,  
Norfolk County Trust Company,  
Brookline, Massachusetts.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Boston, the Board of Governors extends to July 27, 1959, the time within which Norfolk County Trust Company, under the authority granted in the Board's letter of February 26, 1958, may establish a branch at the corner of Washington and Elm Streets, Dedham, Massachusetts.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.



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

Item No. 2  
1/8/59



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

January 8, 1959

Board of Directors,  
The First Pennsylvania Banking  
and Trust Company,  
Philadelphia, Pennsylvania.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Philadelphia, the Board of Governors approves the establishment of a branch at 176-178 Conarroe Street, Philadelphia, Pennsylvania, by The First Pennsylvania Banking and Trust Company, Philadelphia, Pennsylvania. This approval is given provided the branch is established within six months from the date of this letter and that formal approval of State authorities is effective at the time the branch is established.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.

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

Item No. 3  
1/8/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

January 8, 1959

Board of Directors,  
Jenkintown Bank and Trust Company,  
Jenkintown, Pennsylvania.

Gentlemen:

In accordance with the request submitted by the Federal Reserve Bank of Philadelphia, the Board of Governors extends to April 29, 1959, the time within which Jenkintown Bank and Trust Company may, under the authority granted in the Board's letter of July 29, 1957, establish a branch in the vicinity of the intersection of Old York and Township Line Roads, Abington Township, Montgomery County, Pennsylvania.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.

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

Item No. 4  
1/8/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

January 8, 1959



Board of Directors,  
Bank of Delaware,  
Wilmington, Delaware.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Philadelphia, the Board of Governors approves the establishment of a branch in the vicinity of the intersection of Marsh, Silverside and Wilson Roads in Brandywine Hundred, New Castle County, Delaware, by Bank of Delaware, Wilmington, Delaware. This approval is given provided the branch is established within one year from the date of this letter and that formal approval of State authorities is effective at the time the branch is established.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.

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

Item No. 5  
1/8/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

January 8, 1959



Board of Directors,  
The Dollar Savings and Trust Company,  
Youngstown, Ohio.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Cleveland, the Board of Governors extends to March 16, 1959, the time within which The Dollar Savings and Trust Company, under the authority granted in the Board's letter of November 20, 1957, may establish a branch in the vicinity of 7600 Market Street Extension, Boardman Township, Ohio.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.

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

Item No. 6  
1/8/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD



January 8, 1959

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

Dear Mr. Diercks:

Reference is made to your letter of December 19, 1958, with regard to the approval, under Section 24A of the Federal Reserve Act, by the Board on December 3, 1958, of an additional investment in bank premises of not to exceed \$850,000, by State Bank and Trust Company, Ann Arbor, Michigan.

The Board's approval was given with the understanding that the bank's rebuilding and expansion program was to be financed in part through the organization of a wholly-owned affiliate, which would borrow \$500,000 from outside sources. The bank's two present branches and a new branch building were to be retained on its books at approximately \$250,000.

It is understood that the State Banking Department has no objection to the proposed investment in bank premises in an amount not to exceed \$1,250,000, but would prefer that the total investment be carried directly on the bank's books rather than partially by an affiliated corporation.

The Board will interpose no objection to the proposed change in financing the rebuilding program.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.

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

Item No. 7  
1/8/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

January 8, 1959

Board of Directors,  
The Detroit Bank and Trust Company,  
Detroit, Michigan.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Chicago, the Board of Governors of the Federal Reserve System extends until August 1, 1959, the time within which The Detroit Bank and Trust Company, Detroit, Michigan, may establish a branch on the north side of Ann Arbor Trail near and to the east of Merriman Road, Nankin Township, Michigan, under the authorization contained in the Board's letter dated April 16, 1958.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.

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

Item No. 8  
1/8/59



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

January 8, 1959

Board of Directors,  
Carroll County Trust Company,  
Carrollton, Missouri.

Gentlemen:

The Federal Reserve Bank of St. Louis has forwarded to the Board of Governors your letter, together with the accompanying resolution dated December 10, 1958, 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 St. Louis 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 St. Louis.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON

Item No. 9  
1/8/59

OFFICE OF THE CHAIRMAN

January 8, 1959

The Honorable Emanuel Celler,  
House of Representatives,  
Washington 25, D. C.

Dear Mr. Celler:

This will acknowledge your letter of December 19, referring to the proposal to merge Guaranty Trust Company of New York and J. P. Morgan & Co., New York, in which you request advice to the Anti-trust Subcommittee of the Committee of the Judiciary of the action this Board takes with respect thereto.

The Board is, of course, much interested in this matter. However, at this writing, in the absence of information as to the form of the proposed transaction, it is not known in what way the responsibilities of the Board may bear upon the proposed merger. As you know, the applicability of section 7 of the Clayton Act will depend upon the form of the transaction; and if, as newspaper accounts indicate, it should take the form of an exchange of stock by shareholders of the merging institutions, the transaction would not be subject to the Clayton Act.

If there would be no diminution in the combined capital or combined surplus of the merging institutions, Board approval of the merger would not be required under section 18(c) of the Federal Deposit Insurance Act. However, establishment by the continuing bank of branches at locations of former offices of the absorbed institution would require the Board's approval.

We appreciate having your views and you may be assured that they will receive careful consideration in connection with any action by the Board regarding this matter. When an application with respect to this proposed merger is submitted to and acted on by this Board we will be happy to advise you promptly.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.



UNITED STATES OF AMERICA

Item No. 10  
1/8/59BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTON, D. C.

In the Matter of the Applications of  
BANK SHARES, INCORPORATED  
for determinations pursuant to section 4(c)(6) of the Bank Holding Company Act of 1956

DOCKET NOS.  
BHC-38, 39,  
40 and 41

ORDER EXTENDING TIME FOR FILING EXCEPTIONS AND  
BRIEF TO THE HEARING EXAMINER'S REPORT AND RECOMMENDED  
DECISION BY BANK SHARES, INCORPORATED

Additional time having been requested by Bank Shares, Incorporated, within which to file with the Secretary of the Board its exceptions and brief to the Hearing Examiner's Report and Recommended Decision and it appearing to the Board that such request should be granted, it is hereby ORDERED that the time within which Bank Shares, Incorporated, may file such exceptions and brief be, and the same hereby is, extended to and including February 15, 1959.

This 8th day of January, 1959.

By order of the Board of Governors.

(SEAL)

(signed) Merritt Sherman

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Merritt Sherman,  
Secretary.

Item No. 11  
1/8/59

January 6, 1959.

TO: Board of Governors

SUBJECT: First Bank Stock Corporation -  
Appeal from Board's denial of applica-  
tion to acquire First Eastern Heights  
State Bank, St. Paul, Minnesota.

FROM: Frederic Solomon

There is attached a copy of a letter of December 24, 1958 from the Department of Justice to counsel for First Bank Stock in the above matter. It will be noted that the letter follows the views previously concurred in by the Board. It states that the appeal is believed to be moot and that the Department of Justice would feel obligated to bring such mootness to the attention of the court. It also states that the record here consists of (1) the application, (2) correspondence between the Board and the Minnesota Bank Supervisor and (3) the Board's Order and related Statements. It then suggests (1) that First Bank Stock stipulate to dismissal of its appeal, (2) that the Board would stipulate that the above record would be part of First Bank Stock's pending application to acquire the existing bank, and (3) that if First Bank Stock should seek review of the Board's decision on the pending application, the record on both applications would then be certified to the Court of Appeals.

There is also attached the reply of December 29, 1958 from counsel to First Bank Stock Corporation. The letter states that time will be required to consider the suggestion for stipulation of dismissal, and it suggests that meanwhile the time for filing the record be extended for 30 days from January 10, 1959.

Such an extension of time seems reasonable in the circumstances, and Messrs. Slade and Laughlin of the Department of Justice are inclined to go along with it. It is recommended that we be authorized to advise them that the Board concurs in such an extension.

Attachments

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

Item No. 12  
1/8/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD



January 8, 1959

Mr. Paul C. Stetzelberger, Vice President,  
Federal Reserve Bank of Cleveland,  
Cleveland 1, Ohio.

Dear Mr. Stetzelberger:

In accordance with the request contained in your letter of December 31, 1958, the Board approves the designation of the following employees as special assistant examiners for the Federal Reserve Bank of Cleveland:

James Bloede	Josephine A. Hansinger	R. H. Pollock
Michael Caplice	Grant Kirchhoff	Ellis Powell
J. Cebuly	Henry Kwiatkowski	Mrs. E. Y. Roberts
P. V. Cost	Robert Long	J. J. Ukrin
Donald Cruse	G. Maurer	D. Walters
Lydia P. Erbacher	Calvin Meyers	John M. Weber
Edward S. Frindt	P. Monholland	L. Weideman
V. Galyas	George Polak	Eleanor Zahour

The Board also approves the designation of the following employees as special assistant examiners for the Federal Reserve Bank of Cleveland for the purpose of participating in examinations of The Cleveland Trust Company only:

Raymond Beeke	George Hancox	B. H. Shutack
Donald Benjamin	O. O. Hanser	Joseph Stoner
Frank Carrell	Howard Hendricksen	F. J. Stull
Alan Crouch	William Hoek	W. A. Thorn
T. DeMorbis	Mary D. Jankowski	Richard Tomchak
Robert DeWard	Anna Krazel	Walter F. Voelzow
George Forrest	R. Newbacher	Wm. Weikamp
Robert Green	A. R. Schwede	Clifford Woike
Erroll L. Parks	Les Selby	Henry A. Bolster
John M. Fleming	Mrs. Mildred L. Dickman	Samuel L. McNeilly
Karl C. Quinn, Jr.	Sylvester B. Schoemer	

Appropriate notations have been made on our records of the names to be deleted from the list of special assistant examiners.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.