

Minutes for January 26, 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>W</u>
Gov. Szymczak	x <u>MSJ</u>	_____
Gov. Mills	_____	x <u>[Signature]</u>
Gov. Robertson	x <u>R.</u>	_____
Gov. Balderston	x <u>CCB</u>	_____
Gov. Shepardson	x <u>[Signature]</u>	_____

Minutes of the Board of Governors of the Federal Reserve System
on Monday, January 26, 1959. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Fauver, Assistant Secretary
Mr. Thomas, Economic Adviser to the Board
Mr. Molony, Special Assistant to the Board
Mr. Hill, Assistant to the Secretary

Messrs. Young, Noyes, Robinson, Williams, Brill,
Eckert, Fisher, Gehman, Kalachek, Keir,
Manookian, and Weiner, and Miss Dingle of the
Division of Research and Statistics

Messrs. Marget, Furth, Hersey, Sammons, Irvine,
Katz, Maroni, Reynolds, and Summers of the
Division of International Finance

Economic review. The review by the Division of International Finance emphasized recent trends in United States exports and imports, with developments in selected foreign countries summarized especially from the standpoint of the effect that such developments might have on United States foreign trade. It was noted that the recent modest upturn in United States exports to Europe was being paralleled by a moderate expansion in industrial activity abroad. The fact that such expansion was no more than moderate was not regarded as a matter of concern because a rapid expansion would be less likely to be sustainable.

The review of domestic economic developments by the Division of Research and Statistics revealed continued improvement in industrial activity in most fields, which in the aggregate had brought gross national

1/26/59

product in the fourth quarter of 1958 to a record high in terms of dollars. In terms of physical output of goods and services, it was expected that the record high annual rate would be approached, or perhaps surpassed, in the first quarter of this year. The review also indicated some further forward movement in prices, the existence of less excess capacity than commonly believed, and a general increase in the structure of money market rates. At the same time, the employment and unemployment figures reflected little change from the levels that had prevailed since early in the fourth quarter.

After some discussion on the basis of the staff review, all of the members of the staff except Messrs. Sherman, Kenyon, Hill, Young, Noyes, and Fisher withdrew and Messrs. Hackley, General Counsel, Solomon, Assistant General Counsel, and Nelson, Assistant Director, Division of Examinations, entered the meeting.

Items circulated to the Board. The following items, which had been circulated to 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 Union Trust Company of Maryland, Baltimore, Maryland, approving the establishment of a branch in Timonium. (For transmittal through the Federal Reserve Bank of Richmond) | 1 |
| Letter to the Comptroller of the Currency recommending approval of an application to organize a national bank at Opa Locka, Florida. (With a copy to the Federal Reserve Bank of Atlanta) | 2 |

1/26/59

-3-

Item No.

Letter to The Chase Manhattan Bank, New York,
New York, consenting to a proposed merger with
the Clinton Trust Company, also of New York City,
and approving the establishment of four branches.
(For transmittal through the Federal Reserve Bank
of New York) 3

Letter to the Clearfield Trust Company, Clearfield,
Pennsylvania, approving the establishment of a
branch at North Second and Bridge Streets. (For
transmittal through the Federal Reserve Bank of
Philadelphia) 4

Letter to Wilmington Trust Company, Wilmington,
Delaware, consenting to a proposed merger with
The First National Bank and Trust Company of Milford,
approving the establishment of a branch in Milford,
and approving an additional investment in bank
premises. (For transmittal through the Federal
Reserve Bank of Philadelphia) 5

Letter to the Bureau of the Budget commenting on a
draft of a bill "To amend Section 5210 of the
Revised Statutes, as amended, relating to the
inspection by creditors and shareholders of the
shareholders list of a national bank." 6

With respect to the proposed establishment of a national bank
at Opa Locka, Florida (Item No. 2), Governor Robertson commented that
there appeared to be little actual difference between this application
and the one on which the Board recommended unfavorably in 1956 and 1957
except that the present application was sponsored by the Florida
National Group. He felt that in retrospect the Board's earlier recom-
mendation may have been erroneous if, as it now appeared, the local
circumstances were such as to warrant the establishment of a new bank.

With respect to the application for establishment of branches
incident to the proposed merger of The Chase Manhattan Bank with the

1/26/59

-4-

Clinton Trust Company (Item No. 3), Mr. Nelson reviewed the factual situation at the request of the Board, following which Governor Robertson commented that this was the kind of application where it was difficult to find a basis for objection, even though the transaction would enable a large organization to grow even larger through merger with a relatively small competing institution. He noted that the merger had been approved by the State banking authorities, the Board entered the picture only as far as the application for branches was concerned, and there seemed to be no substantial overlapping of branches.

With respect to the application of the Wilmington Trust Company for approval of its proposed merger with The First National Bank and Trust Company of Milford (Item No. 5), Governor Robertson drew attention to the substantial offer being made for the shares of the Milford bank, which he said had created a situation where a number of the remaining smaller banks in the State were entering into negotiations to sell out to the large banks in Wilmington. He noted that in the course of time this process was likely to result in disappearance of most, if not all, of the smaller independent banks outside of the city of Wilmington.

With respect to the draft bill to amend section 5210 of the Revised Statutes (Item No. 6), Mr. Hackley commented that this proposal, one of those made by the Comptroller of the Currency in connection with the promulgation of the Financial Institutions Act, seemed largely non-controversial and the Board had not indicated any objection to it when the Financial Institutions Act was under consideration.

1/26/59

-5-

Mr. Riefler, Assistant to the Chairman, entered at this point.

Request for report on S. 57. A memorandum from Mr. Young dated January 23, 1959, which had been distributed to the Board, submitted a draft of letter to the Senate Committee on Banking and Currency concerning S. 57, the proposed "Housing Act of 1959", along with an analysis of the measure.

Mr. Noyes mentioned that a number of other bills in the housing area had now been introduced and that the Senate Committee would like to have the Board's letter cover this whole group of bills. He felt that most of them could be incorporated by reference in a revised draft of letter which would be distributed for consideration by the Board on Wednesday, January 28, the day on which the Committee had indicated it would like to have the Board's report.

The general reaction of the members of the Board toward the content and tone of the current draft of letter was favorable, and it was understood that certain minor changes suggested at this meeting would be reflected in the revised draft.

The meeting then adjourned.

Secretary's Note: Governor Shepardson today approved on behalf of the Board the following items:

Memoranda dated January 20, 1959, from Mr. Kelleher, Director, Division of Administrative Services, recommending increases in the basic annual salaries of the following persons in that Division, effective January 26, 1959:

1/26/59

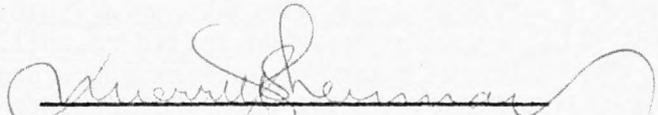
-6-

Andrew Fassino, Assistant Foreman, Laborers, from \$4,040 to \$4,325 per annum.

Lloyd F. White, Chauffeur, from \$3,445 to \$3,730 per annum.

Rebie A. Windsor, Chauffeur, from \$3,540 to \$3,730 per annum.

Memorandum dated January 9, 1959, from Mr. Johnson, Director, Division of Personnel Administration, recommending that basic hospitalization and surgical coverage be extended to past and future Board retirees under the Civil Service Retirement System by including them in the presently existing hospitalization "group" consisting of retirees under the Board Plan of the Retirement System of the Federal Reserve Banks, in accordance with an agreement reached with Group Hospitalization, Inc., and Medical Service of the District of Columbia.


Secretary

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

Item No. 1
1/26/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 26, 1959.

Board of Directors,
Union Trust Company of Maryland,
Baltimore, Maryland.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Richmond, the Board of Governors of the Federal Reserve System approves the establishment by Union Trust Company of Maryland of a branch on the northwest corner of York and Timonium Roads in Baltimore County, Maryland, instead of the location on the west side of York Road, four-tenths of a mile south of Seminary Avenue authorized in the Board's letter of January 2, 1958. This approval is given provided the branch is established within one year from the date of this letter, and approval of the State banking authorities is effective as of the date the branch is established.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 2
1/26/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 26, 1959.



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

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

Dear Mr. Comptroller:

Reference is made to a letter from your office dated August 22, 1958, enclosing copies of an application to organize a national bank at Opa Locka, Florida, and requesting a recommendation as to whether or not the application should be approved.

A report of investigation of the application made by an examiner for the Federal Reserve Bank of Atlanta discloses that the organizers have agreed to provide a capital structure of \$500,000 for the bank instead of \$275,000 shown in the application. This revised capital structure is believed to be adequate. It appears that the future earnings prospects of the bank are fairly favorable and that the management will be satisfactory. While the need for the proposed bank is not too well established, it is reported that its future prospects are good and that it will be a decided convenience to a relatively large number of people. Accordingly, the Board of Governors recommends favorable consideration of the application.

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) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

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

Item No. 3
1/26/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 26, 1959.

Board of Directors,
The Chase Manhattan Bank,
New York 15, New York.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of New York, 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, to the merger of Clinton Trust Company, New York, New York, with The Chase Manhattan Bank, New York, New York, under the charter and title of the latter, and approves the establishment of branches by The Chase Manhattan Bank at the present locations of Clinton Trust Company at the following addresses, all in the Borough of Manhattan, New York, New York:

857 Tenth Avenue,
330 West 42nd Street,
325 Spring Street,
625 Eighth Avenue.

This consent is given provided:

- (a) the proposed merger is effected substantially in accordance with the Plan of Merger dated November 26, 1958;
- (b) shares of stock acquired from dissenting shareholders are disposed of within six months from date of acquisition;
- (c) the merger and resultant establishment of branches are accomplished within six months from the date of this letter;
- (d) formal approval of State authorities is obtained.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

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

422

Item No. 4
1/26/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 26, 1959.

Board of Directors,
Clearfield Trust Company,
Clearfield, 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 the corner of North Second and Bridge Streets, Clearfield, Pennsylvania, by Clearfield Trust Company, Clearfield, Pennsylvania. 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
1/26/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



January 26, 1959.

Board of Directors,
Wilmington Trust Company,
Wilmington, Delaware.

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, to the merger of The First National Bank and Trust Company of Milford, Milford, Delaware, with and into Wilmington Trust Company, Wilmington, Delaware, and approves the establishment by the latter bank of a branch at North Walnut and Northwest Front Streets, Milford, Delaware, incident to the merger. This consent is given provided:

- (a) the merger is effected substantially in accordance with the terms of the Agreement of Merger dated December 4, 1958;
- (b) shares of stock acquired from dissenting shareholders are disposed of within six months after date of acquisition;
- (c) the branch is established within six months from the date of this letter; and
- (d) that formal approval of State authorities is effective as at the time the branch is established.

Wilmington Trust Company

- 2 -

The Board of Governors also approves, under the provisions of Section 24A of the Federal Reserve Act, an additional investment in banking premises not to exceed \$72,000.

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
1/26/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



January 26, 1959.

Mr. Phillip S. Hughes,
Assistant Director for
Legislative Reference,
Bureau of the Budget,
Washington 25, D. C.

Dear Mr. Hughes:

This is in response to your Legislative Referral Memorandum of January 9, 1959, requesting the Board's views with respect to a draft of a bill, submitted by the Treasury Department, "To amend Section 5210 of the Revised Statutes, as amended, relating to the inspection by creditors and shareholders of the shareholders list of a national bank."

1. The proposed bill would delete from section 5210 (12 U.S.C. 62) the provision that every creditor of a national bank is entitled to inspect the list of the names and residences of all shareholders of the bank and the number of shares held by each. As pointed out in the draft of a proposed letter from the Secretary of the Treasury to the Speaker of the House of Representatives, which you enclosed, the reason for permitting creditors of a national bank to inspect the list of its shareholders disappeared with the elimination of the double liability of national banks' shareholders.

2. In its present form, section 5210 also provides that the list of shareholders "shall be subject to the inspection of all the shareholders". The proposed revision would provide that a shareholder would be entitled to inspect such list only "for a proper purpose not inimical to the interests of the bank". In the opinion of the Board, it is probable that such a limitation on the shareholders' right to inspect is implicit in the present law. However, the proposed amendment would make such limitation explicit and thereby remove any doubt that might exist regarding this matter.

The Board of Governors favors the enactment of the proposed bill.

Very truly yours,

(Signed) Merritt Sherman
Merritt Sherman,
Secretary.