

Minutes of the Board of Governors of the Federal Reserve System
on Monday, March 30, 1959. 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. Sherman, Secretary
Mr. Young, Director, Division of Research
and Statistics
Mr. Hexter, Assistant General Counsel
Mr. O'Connell, Assistant General Counsel
Mr. Nelson, Assistant Director, Division
of Examinations
Mr. Benner, Assistant Director, Division
of Examinations
Mr. Hill, Assistant to the Secretary

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 County Trust Company, Elizabeth, New Jersey, approving the establish- ment of branches in Summit and Berkeley Heights incident to its proposed merger with the Citizens Trust Company of Summit. (For trans- mittal through the Federal Reserve Bank of New York)	1
Letter to the Deposit Guaranty Bank & Trust Company, Jackson, Mississippi, approving the establishment of two branches, one at West Capitol Street and Ellis Avenue and the other in Hinds County. (For transmittal through the Federal Reserve Bank of Atlanta)	2
Letter to the Bay City Bank, Bay City, Michigan approving the establishment of a branch at 908-910 Saginaw Street. (For transmittal through the Federal Reserve Bank of Chicago)	3

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	<u>Item No.</u>
Letter to the Wyandotte Savings Bank, Wyandotte, Michigan, approving the establishment of a branch in Taylor Township. (For transmittal through the Federal Reserve Bank of Chicago)	4
Letter to the Federal Deposit Insurance Corporation regarding the application of The Home State Bank of South Milwaukee, South Milwaukee, Wisconsin, for continuance of deposit insurance after withdrawal from membership in the Federal Reserve System.	5

With reference to Item No. 2, Mr. Nelson commented that while the Deposit Guaranty Bank was undercapitalized the Reserve Bank had secured a commitment for additional capital and that the bank's earnings and retained earnings record were good, and for these reasons favorable consideration was recommended.

The Meadow Brook National Bank. A possible violation of Regulation U, Loans by Banks for the Purpose of Purchasing or Carrying Stocks Registered on a National Securities Exchange, encountered in a recent examination of The Meadow Brook National Bank of Nassau County, West Hempstead, New York, was reported in a letter from the District Chief National Bank Examiner dated March 4, 1959, which was transmitted by the Office of the Comptroller of the Currency to the Board on March 11 with a request for the Board's comments. The matter involved questionable circumstances surrounding a loan which substantially exceeded the 10 per cent maximum loan value in effect under Regulation U

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at the time the loan was made. Governor Mills raised a question regarding the tone of the draft reply, and suggestions were made for changes in its wording. It was understood that a revised letter reflecting these suggestions would be prepared for the Board's consideration.

Mr. Farrell, Director, Division of Bank Operations, entered the room during the foregoing discussion, and at its conclusion Mr. Benner withdrew.

Study of speculation in Government securities market. Mr. Young distributed a list of the consultants and economists that had been invited to participate in the informal hearings to be held in Washington and New York April 6 through May 5 in connection with the Treasury-Federal Reserve study of the Government securities market.

Mr. Young commented on the progress that had been made in sending out questionnaires relating to the study and on the plans for the consultations. He stated that Under Secretary of the Treasury Baird planned to attend some of the consultation sessions in Washington, that Messrs. Hayes and Treiber of the New York Bank would attend some of the conferences to be held in New York, and that the Board members might also wish to attend some of those to be held either in Washington or New York.

Governor Mills stated that he felt it would be desirable that a Board member attend the consultations, and he suggested that Mr. Young

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prepare a schedule that would provide, so far as possible, that one Board member be present on each day when either Mr. Baird or Mr. Hayes did not attend. There was agreement with Governor Mills' suggestion.

Firstamerica Corporation. There had been distributed to the Board a memorandum from Mr. O'Connell dated March 30, 1959, regarding the intention of the Department of Justice to file a suit to enjoin Firstamerica Corporation, San Francisco, California, from acquiring the voting stock of California Bank, concerning which the Board issued an order on January 14, 1959, approving such acquisition under the Bank Holding Company Act.

Governor Robertson stated that on Friday afternoon, March 27, 1959, he was informed by the Legal Division that Mr. Gerhard Gesell, attorney for Firstamerica, called Mr. Hackley and commented on the eleventh-hour approach that had been made by the Department of Justice in connection with Firstamerica's acquisition of stock of California Bank. Mr. Gesell said that he understood that Governor Robertson had known about the contemplated procedure from the beginning and that he felt it somewhat unfair that the attorney for Firstamerica had not also had the opportunity to know what was coming. Governor Robertson went on to say that he had known nothing of the proposed proceedings until he was so informed Friday afternoon by Mr. Hexter and that he had not been approached by the Department of Justice in connection with its plans.

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There was a general discussion of the procedure that should be followed in responding to inquiries that might be made of the Board or its staff in connection with this case. During the course of the discussion, it was suggested that it would not be appropriate for the members of the Board's organization to comment on the matter other than to indicate that there was no question of double jurisdiction under the statute, and that the Board's decision under the Bank Holding Company Act would not deter the Department of Justice from exercising its jurisdiction under the Clayton Act.

It was understood that in response to any inquiries it could be stated that the published record of the Firstamerica application under the Bank Holding Company Act would be made available to anyone interested but that any other questions regarding the case, including inquiries as to whether the Board would cooperate with the Justice Department, should come back to the Board for consideration.

Messrs. Hexter, O'Connell, and Hill then withdrew from the meeting, Mr. O'Connell having received a note that Mr. Gesell wished to speak to him. Later during the meeting, Messrs. Hexter and O'Connell returned and reported that Mr. Gesell had informed them, after conferring with the Department of Justice, that he could state authoritatively that there would be no temporary restraining order issued today since counsel for the Department of Justice and Firstamerica Corporation had reached agreement that the latter might acquire the shares of California Bank--such transaction having been scheduled for completion tomorrow, March 31--and that

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the operations and corporate existence of California Bank and First Western Bank and Trust Company, San Francisco, would be kept entirely separate pending determination of the law suit that Department of Justice contemplated filing to prevent the merger of the two banks. Mr. O'Connell also reported that Mr. Gesell had informed him that Mr. Harry J. Harding of the Independent Bankers Association of the Twelfth District had made a formal protest against the proposed merger at the San Francisco Office of the Antitrust Division, Department of Justice.

Mr. O'Connell stated that Mr. Gesell had also presented two questions to which he would like to have answers. The first was whether the Board would take a position on the question of jurisdiction by the Department of Justice, and the second was whether a representative of the Board's Legal Division would accompany Mr. Gesell this afternoon to a conference with Mr. Robert A. Bicks, First Assistant, Antitrust Division, Department of Justice.

Governor Mills suggested that the response to these questions should be that the Board would stay at arm's length for the entire proceeding and that no representative of the Board should accompany Mr. Gesell this afternoon.

In regard to further questions by Mr. Hexter as to what response should be made if the Department of Justice requested that members of the Board's staff attend such a meeting, there was agreement with the suggestion by Governor Robertson that in the event of such a development the matter should be brought back to the Board for further consideration.

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All of the members of the staff excepting Messrs. Sherman, Young, and Farrell withdrew at this point.

Reprinting of System booklet, Purposes and Functions. Governor Shepardson referred to a memorandum dated March 16, 1959 from Mr. Kelleher, Director, Division of Administrative Services, recommending the reprinting of 120,000 copies of the 1954 edition of the System booklet, and pointing out that this reprinting would be in lieu of the printing of a revised edition that had been contemplated at the time the budget for 1959 was prepared. It was noted that a supply of 120,000 copies was expected to meet the demand until October 1960, when a revised edition of the booklet was now expected to become available.

Governor Shepardson stated that, unless some member of the Board objected, he planned to approve the recommendation for a reprinting of 120,000 copies of the booklet at a total cost of approximately \$35,000, it being understood that this cost would be in lieu of costs that might have been incurred in printing a new edition of the booklet as provided in the Board's 1959 budget. No objection to this procedure was indicated.

Use of Board's Computer for processing national bank and non-member insured bank reports. Governor Shepardson then referred to a memorandum dated March 3, 1959 from Mr. Kelleher recommending that the Division of Administrative Services be authorized to negotiate with the Office of the Comptroller of the Currency with respect to the processing of national bank condition and earnings and dividend reports on the

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Board's computer, as outlined in a more detailed memorandum from Mr. Langham of the Division of Bank Operations dated February 19, 1959, on a second- or third-shift basis, the rental and incidental costs to be paid for by the Comptroller's Office and the operator to be supplied by that Office. The memorandum further recommended that similar negotiations with the Federal Deposit Insurance Corporation be authorized for the processing of condition and earnings and dividend reports for insured nonmember banks.

Mr. Young stated that this proposal would enable the bank supervisory agencies to get out the summary of condition figures for all insured banks at call dates about 60 days earlier than was now the case. It would also enable the Board to prepare special study data for different categories of banks much more rapidly and efficiently than had been the case in the past.

During the ensuing discussion of this proposal, Governor Robertson suggested that the Board would be justified in making available its computer for this work without charge to the Office of the Comptroller of the Currency or the Federal Deposit Insurance Corporation on the grounds that the Board would be providing a service that would facilitate its work and would result in making data available earlier.

Governor Balderston raised the question whether, rather than rent the equipment to the Comptroller of the Currency and have personnel from the Comptroller's office operate the equipment on an additional

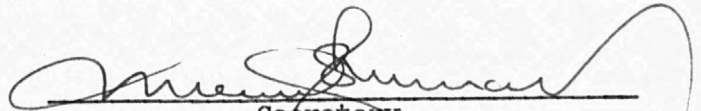
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shift basis, it would be preferable for the Board to provide a standby operator to use the equipment for this purpose.

After discussion of these questions, the recommendation in Mr. Kelleher's memorandum was approved with the exception that it was agreed that negotiations were to be on the basis that the Board's computer would be made available without charge for performing the stated work and that Governor Shepardson would give further consideration to the desirability of employing an additional operator of the equipment for the Board's staff.

The meeting then adjourned.


Secretary

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

Item No. 1
3/30/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 30, 1959.

Board of Directors,
Union County Trust Company,
Elizabeth, New Jersey.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of New York, the Board of Governors of the Federal Reserve System hereby approves the establishment of branches by Union County Trust Company, Elizabeth, New Jersey, at the following locations:

30-32 Maple Street, Summit, New Jersey,
372 Springfield Avenue, Berkeley Heights, New Jersey.

This approval is given provided:

- (a) the proposed merger with Citizens Trust Company of Summit, Summit, New Jersey, is effected substantially in accordance with the Agreement of Merger dated February 9, 1959;
- (b) the branches are established within six months from the date of this letter;
- (c) shares of stock acquired from dissenting stockholders shall be disposed of within six months from date of acquisition; and
- (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.

Item No. 2
3/30/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 30, 1959.

Board of Directors,
Deposit Guaranty Bank & Trust Company,
Jackson, Mississippi.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Atlanta, the Board of Governors of the Federal Reserve System approves the establishment of a branch at the intersection of West Capitol Street and Ellis Avenue, Jackson, Mississippi, and a branch in the Delta Mart shopping center at the intersection of Delta Drive and Whitfield Mills Road, Hinds County, Mississippi, provided the branches are established within six months from the date of this letter and the approval of the State authorities is in effect as of the date of the establishment of the branches.

It is noted that the capital structure of the bank has not kept pace with its rapid growth and the Board feels that this matter should receive your continued attention.

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
3/30/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



March 30, 1959.

Board of Directors,
Bay City Bank,
Bay City, Michigan.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Chicago, the Board of Governors of the Federal Reserve System approves the establishment of a branch at 908-910 Saginaw Street, Bay City, Michigan, by Bay City Bank, Bay City, Michigan, provided the branch is established within six months from the date of this letter, and approval of the State authorities is in effect as of the date of the establishment of the branch.

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
3/30/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 30, 1959.



Board of Directors,
Wyandotte Savings Bank,
Wyandotte, Michigan.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Chicago, the Board of Governors of the Federal Reserve System approves the establishment of a branch at Fairlane Village Shopping Center on Telegraph Road between Hayes and Champaign Avenues, Taylor Township, Wayne County, Michigan, by Wyandotte Savings Bank, Wyandotte, Michigan, provided the branch is established within six months from the date of this letter and approval of the State authorities is in effect as of the date of the establishment of the branch.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

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

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Item No. 5
3/30/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



March 30, 1959.

The Honorable Jesse P. Wolcott,
Chairman,
Federal Deposit Insurance Corporation,
Washington 25, D. C.

Dear Mr. Wolcott:

Reference is made to your letter of March 17, 1959,
concerning the application of The Home State Bank of South
Milwaukee, South Milwaukee, Wisconsin, for continuation of
deposit insurance after withdrawal from membership in the
Federal Reserve System.

No corrective programs have been urged upon the
bank or agreed to by it which, in the opinion of the Board
of Governors, it would be desirable to incorporate as
conditions to continuance of deposit insurance.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.