

Minutes for July 14, 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>M</u>	_____
Gov. Szymczak	x <u>MS</u>	_____
Gov. Mills	x _____	_____
Gov. Robertson	_____	x <u>R</u>
Gov. Balderston	x <u>CB</u>	_____
Gov. Shepardson	x <u>SP</u>	_____
Gov. King	x <u>JK</u>	_____

Minutes of the Board of Governors of the Federal Reserve System
on Tuesday, July 14, 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. Shepardson
Mr. King

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Hackley, General Counsel
Mr. Farrell, Director, Division of Bank Operations
Mr. Noyes, Adviser, Division of Research and
Statistics
Mr. Hexter, Assistant General Counsel
Mr. Hostrup, Assistant Director, Division of
Examinations
Mr. Nelson, Assistant Director, Division of
Examinations
Mr. Benner, Assistant Director, Division of
Examinations
Mr. Smith, Assistant Director, Division of
Examinations
Mr. Daniels, Assistant Director, Division of
Bank Operations
Mr. Gehman, Chief, Business Conditions Section,
Division of Research and Statistics

Discount rates. The establishment without change by the Federal Reserve Bank of Boston on July 13, 1959, of the rates on discounts and advances in its existing schedule was approved unanimously, with the understanding that appropriate advice would be sent to the Bank.

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:

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	<u>Item No.</u>
Letter to the Manufacturers Trust Company, New York City, granting an extension of time to establish a branch at 1261-79 Avenue of the Americas.	1
Letter to the Ypsilanti Savings Bank, Ypsilanti, Michigan, granting an extension of time to establish a branch in Washtenaw County.	2
Letter to the Central Savings Bank and Trust Company, Monroe, Louisiana, approving the establishment of a branch in West Monroe.	3
Letter to The First State Bank & Trust Company of Lufkin, Lufkin, Texas, approving its request for permission to exercise fiduciary powers.	4
Letter to the Union Bank, Los Angeles, California, approving the establishment of a branch in Torrance.	5
Letter to the Comptroller of the Currency recommending unfavorably with respect to an application to organize a national bank in Garden City, New York.	6
Letter to the Federal Reserve Bank of Chicago approving the payment of salary during the period July 1-31, 1959, to an employee who attained retirement age earlier this year.	7

In discussion preceding approval of Item No. 6, relating to an application to organize a national bank at Garden City, New York, Governor Mills observed that the draft of letter to the Comptroller of the Currency, as circulated to the members of the Board, indicated that the board of directors of the proposed bank was generally unimpressive, a phrase suggested by the report of investigation of the New York Reserve Bank. While agreeing with the proposed unfavorable

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recommendation on the application, Governor Mills suggested that the directors, as a group, appeared reasonably satisfactory for a bank in an outlying community and that the Reserve Bank might be unduly influenced by the caliber of the directors at larger banks in New York City.

After discussion of this point in the light of the information contained in the report of investigation, it was agreed that the portion of the draft letter referring to the directors should be modified. Accordingly, the letter was sent in the form attached as Item No. 6.

Mr. Benner withdrew from the meeting at this point.

Electric power statistics. There had been circulated to the Board a memorandum from Mr. Young, Director of the Division of Research and Statistics, dated June 26, 1959, reviewing the results of efforts by members of the Federal Reserve staff since the summer of 1957 to obtain the cooperation of major utility companies in establishing a monthly series on industrial electric power use, classified according to the standard industrial classification. Submitted with the memorandum were (1) a report of the Bureau of the Budget recognizing the electric power undertaking as contributing directly to the Board's focal responsibility for the measurement of industrial production, and (2) a report dated June 16, 1959 by an ad hoc subcommittee of the

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System Research Advisory Committee recommending a national approach to the development of electric power statistics. In view of the potential usefulness of such statistics for analyzing changes in national economic activity and the substantial progress made by most of the Reserve Banks in developing working relationships with the utility companies, Mr. Young's memorandum suggested that data on electric power sales be made a regular part of the System's statistical program.

After commenting on the exploratory work done to date, Mr. Noyes stated that it seemed appropriate at this stage to decide whether the collection of electric power data should be made a formal System project, and the necessary clearances from the Budget Bureau obtained, or whether to abandon the project. The Board's staff was anxious to go forward and, as indicated by the report of the ad hoc subcommittee, it appeared that most, perhaps all, of the Reserve Banks would be both agreeable and enthusiastic. In addition to national totals, the program would provide regional data that the Banks should find helpful for their own purposes.

Mr. Noyes then suggested that it would be appropriate, if the Board was favorably disposed toward the program, to send a letter to the Reserve Banks in order to give them an opportunity to express their views before the Board made a formal decision. An approach to the Banks was suggested because on them would fall the burden of getting the power companies to report the statistics and of transmitting the statistics to the Board. On the other hand, the duties of the Board's staff would

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be relatively minor, consisting principally of consolidating the Reserve Bank reports and analyzing the data.

It was the unanimous view of the Board that it would be desirable to go forward with the project. Accordingly, it was understood that a letter such as suggested by Mr. Noyes would be sent to the Federal Reserve Banks.

Messrs. Noyes and Gehman then withdrew from the meeting.

Application by Firstamerica for voting permit (Items 8, 9, and 10). Firstamerica Corporation, with its principal office now located in Los Angeles, California, had applied for a general voting permit, under the authority of section 5144, Revised Statutes, entitling it to vote stock owned or controlled of California Bank, Los Angeles. Memoranda from the Division of Examinations and the Legal Division, dated June 8 and July 9, 1959, respectively, had been distributed to the Board. The Examinations Division recommended that the voting permit be granted unless the Board should decide that a different course was advisable in view of the pending suit against Firstamerica in which the Department of Justice alleged that Firstamerica's acquisition of stock of California Bank (and the proposed merger of that bank with First Western Bank and Trust Company) violated section 7 of the Clayton Act and section 1 of the Sherman Act. After reviewing the application in the light of the implications of the antitrust action, the Legal Division likewise suggested that the voting permit be granted. However, the Division

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submitted proposed letters which would make it clear to the applicant and the Department of Justice that in granting the permit the Board was not passing on any aspect of the pending antitrust litigation. The letters would also make it clear that the voting permit did not authorize or enable Firstamerica to take any action that would be barred under the terms of a letter from Counsel for Firstamerica to the Justice Department dated March 28, 1959, which stated that Firstamerica would not proceed with the proposed merger of California Bank and First Western during the pendency of the antitrust action except upon court approval and after notice to the Department.

Mr. Hostrup said that, except for the fact that the antitrust suit was pending, this case was not different from several other cases where requests for voting permits had been received and granted after the Board authorized a stock acquisition under the provisions of the Bank Holding Company Act. He pointed out that when the Board approved the acquisition of stock of California Bank by Firstamerica Corporation, it passed favorably, in terms of the Holding Company Act, on all of the factors required by the earlier holding company affiliate legislation to be considered in connection with the issuance of a voting permit.

Mr. Hackley said that in the view of the Legal Division the pendency of the antitrust suit did not legally prohibit granting the voting permit; in fact, it might be inappropriate to refuse to grant the permit simply because of the pendency of the antitrust proceeding.

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However, the Division felt that it would be desirable in granting the permit to send a letter to Firstamerica making it clear that the Board was not passing on questions relating to the antitrust suit, either procedurally or as a matter of substance. Copies of this letter would be sent to the Department of Justice and its Antitrust Division representative in San Francisco.

Mr. Hackley then commented that a letter had been received from Counsel for Firstamerica urging the Board to file a brief amicus curiae in support of Firstamerica's petition to the Supreme Court for certiorari. While Firstamerica did not expect the Board to take sides in the proceeding, it would like to have the Board support the petition for certiorari to obtain clarification of the issues.

Mr. Hexter agreed that in general principle there was little question but that the voting permit should be granted. The only difficulty was in the area of interdepartmental relationships, for conceivably the Justice Department might feel that the Board, in granting the permit, was in some way assisting Firstamerica from the standpoint of the current litigation. Therefore, the proposed letters to Firstamerica and the Justice Department had been prepared. In further reference to the proposed letters, Mr. Hexter reviewed certain changes suggested by Governor Mills for the purpose of eliminating repetitive material and expressed agreement with the view that the suggested

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deletions could appropriately be made. With regard to the petition for certiorari, he pointed out that if the Board were to accede to First-america's request and ask the Supreme Court to review the dismissal by the United States District Court of Firstamerica's motion for summary judgment, that also might be regarded by the Justice Department as an unfriendly action. However, the Board would have to take whatever position it deemed appropriate when the request came before it for determination.

Question was raised regarding the feasibility of contacting the Justice Department informally for discussion of the request for a voting permit, and reasons were stated why it was felt by the Legal Division that such a step would be unnecessary and perhaps serve only to complicate the matter.

In further discussion, Mr. Hackley referred to certain technical changes that the staff would like to make in the proposed letters to Firstamerica and the Department of Justice.

Thereupon, unanimous approval was given to a letter to the Federal Reserve Agent at San Francisco authorizing him to issue a general voting permit to Firstamerica Corporation entitling that Corporation to vote its stock of California Bank at all meetings of shareholders of that Bank. A copy of the letter is attached as Item No. 8. Unanimous approval was also given to letters to

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Firstamerica Corporation and to the Department of Justice in the form attached as Items 9 and 10, respectively.

Messrs. Hostrup, Hexter, and Nelson then withdrew from the meeting.

Atlanta building program (Item No. 11). There had been distributed to the Board copies of a memorandum from the Division of Bank Operations dated July 10, 1959, discussing a request from the Federal Reserve Bank of Atlanta for authorization to obtain bids for a proposed addition to and alterations of the head office building on the basis of contract drawings and specifications submitted by the Bank. Submitted with the memorandum was a proposed telegram to the Reserve Bank which would grant the requested authorization subject to certain qualifications.

At the Board's request, Mr. Farrell summarized the history of the head office building program, reviewed the program now contemplated, and outlined certain features of more than routine interest.

At the conclusion of Mr. Farrell's comments and discussion based thereon, unanimous approval was given to the proposed telegram of authorization to the Atlanta Reserve Bank, a copy of which is attached as Item No. 11.

Messrs. Daniels and Smith then withdrew and Mr. Johnson, Director, Division of Personnel Administration, entered the room.

Major medical insurance. By letter dated June 2, 1959, the Board advised the Reserve Banks of its approval of a major medical

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insurance program covering Bank personnel, with the understanding that all Banks would keep their programs within the maximum benefits provided under the approved plan. In a letter dated June 15, the New York Reserve Bank requested approval of certain coverage in addition to that provided by the uniform plan. The Bank pointed out that under its existing plan, paid for in full by the participants, non-hospital confined cases involving nervous and mental disturbances were covered to the same extent as any other illness, whereas the uniform plan provided only limited coverage in such cases. In these circumstances, and because full coverage would involve only modest additional cost, the New York Bank desired to continue the coverage provided by its existing plan. Copies of the letter from the Bank had been distributed to the Board along with a memorandum from the Division of Personnel Administration dated July 10, 1959, which recommended, for reasons stated, that the request not be approved. Submitted with the memorandum was a draft of reply to the New York Bank to such effect.

In an introductory comment, Chairman Martin stated that he had made a commitment to President Hayes of the New York Bank that the latter would have an opportunity to discuss the New York request with the Board before a final decision was reached in the event that the Board, after initial consideration of the matter, was inclined to feel that the request should not be granted.

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The Chairman then turned to the other members of the Board for comment, and Governor Mills expressed agreement with the recommendation of the Personnel Division, adding that he had not been enthusiastic about the increase in "lifetime" major medical coverage to a maximum of \$20,000, a change from the original proposal of the Subcommittee on Personnel that was agreed upon by the Presidents' Conference at the suggestion of the Federal Reserve Bank of New York.

Governor Shepardson likewise expressed agreement with the staff recommendation, which he felt was amply supported by the general view of the Presidents' Conference and by the views of competent insurance counselors who had advised the System on major medical insurance.

Governor King expressed the same view and stated that he did not favor a deviation from the uniform plan at any individual Reserve Bank at the present time. In his opinion, it was possible that the New York proposal might be subject to some abuse, as suggested by the number of claims that had arisen under the existing plan at that Bank.

There followed discussion as to the appropriateness of offering additional coverage if paid for fully by the participants, and it was noted that deviations from the uniform plan might have an adverse effect in obtaining the degree of employee participation that would be required in order to place the uniform plan in operation.

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Governor Balderston then commented that in his view the plan should be consistent throughout the Reserve Banks as a whole, regardless of whether suggested additions to the plan were to be paid for by the participants.

Question was raised as to whether it was clear that the insurance company handling the major medical plan would in fact be agreeable to providing the feature that the New York Bank was suggesting, and it was understood that Mr. Johnson would make appropriate inquiry regarding this point.

It being evident that the tentative position of the Board favored disapproval of the New York request, a final decision on the matter was deferred in order to provide Mr. Hayes an opportunity to meet with the Board for further discussion of the matter.

Secretary's Note: Arrangements subsequently were made for the meeting with Mr. Hayes to be held at 9:30 a.m. on July 28, 1959.

In this connection, Governor King stated that if he were not present at the meeting with Mr. Hayes or at such time as a final decision was reached by the Board, he would like the record to show that as a general principle he was opposed to a proposal such as suggested by the New York Bank on the basis that it would be likely to cause more trouble than it would alleviate.

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Messrs. Hackley, Farrell, and Johnson then withdrew from the meeting and Messrs. Riefler, Assistant to the Chairman, and Thomas, Economic Adviser to the Board, entered the room.

Interest rate ceilings (Item No. 12). At a meeting of the Board yesterday afternoon, there was preliminary discussion of a letter received by Chairman Martin under date of July 13, 1959, from Congressman Simpson, ranking Republican member of the House Ways and Means Committee, who referred to the recent hearings before that Committee, including hearings in executive session, pertaining to interest rate ceilings on securities of the Federal Government and requested an evaluation of the proposed expression of the Congress affecting Federal Reserve monetary operations. It was indicated that Chairman Martin's reply might be included as a part of any supplemental or minority views filed in connection with the report by the Committee on this legislation.

Pursuant to yesterday's discussion, a draft of possible reply had been prepared by Mr. Thomas for the Board's consideration and another draft of possible reply had been suggested by Governor Balderston.

Chairman Martin stated that upon further deliberation he had reached the conclusion that Congressman Simpson's letter was addressed to him personally and that the most appropriate form of reply might be a letter sent by him (Chairman Martin) as an individual rather than a

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Board reply. It appeared to him that the intent was to have placed on record the substance of the views that he (Chairman Martin) had expressed at the meetings of the Ways and Means Committee in executive session. Accordingly, he had put these views in the form of a draft letter which was now being duplicated for distribution.

It was the view of the other members of the Board that a personal response by Chairman Martin would be appropriate. At the Chairman's suggestion, the meeting then recessed in order that copies of the draft of letter to Congressman Simpson might be made available to all of the members of the Board.

The meeting reconvened at 11:15 a.m. with the same attendance on the part of the Board members. Messrs. Sherman, Thurston, Riefler, Hackley, and Molony were also present.

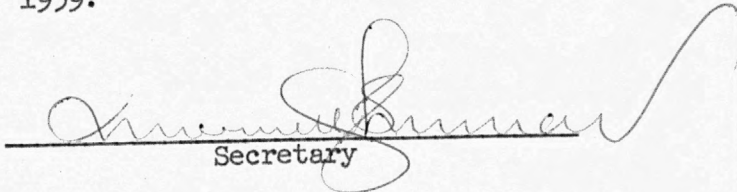
The draft of letter prepared by Chairman Martin for transmittal to Congressman Simpson on a personal basis had been distributed to the members of the Board and was considered at this time. After the discussion, the unanimous view was expressed that a handling of the matter along the lines suggested by Chairman Martin was appropriate and that the letter should be sent in a final form satisfactory to him. A copy of the letter subsequently sent to Mr. Simpson by Chairman Martin is attached as Item No. 12. A copy was sent by Chairman Martin to Chairman Mills of the Ways and Means Committee.

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The meeting then adjourned.

Secretary's Note: Governor Shepardson today noted on behalf of the Board a memorandum from Mr. Kelleher, Director, Division of Administrative Services, dated July 10, 1959, advising that the application for retirement filed by Richard Shaker, Sergeant, Guard Force, Division of Administrative Services, had been approved by the Retirement System, effective August 1, 1959.


Secretary



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

Item No. 1
7/14/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 14, 1959

Board of Directors,
Manufacturers Trust Company,
New York, New York.

Gentlemen:

The Board of Governors extends to
December 15, 1959, the time within which Manufacturers
Trust Company, New York, New York, may, under the
authority contained in the Board's letter of July 18,
1957, establish a branch at 1261-79 Avenue of the
Americas, New York, New York.

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
7/14/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 14, 1959

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

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Chicago, the Board of Governors extends the time within which Ypsilanti Savings Bank may establish a branch on the south side of East Michigan Avenue, near Harris Road, in Ypsilanti Township, Washtenaw County, Michigan, to November 5, 1959, under the authorization contained in the Board's letter dated November 7, 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. 3
7/14/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 14, 1959

Board of Directors,
Central Savings Bank and Trust Company,
Monroe, Louisiana.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Dallas, the Board of Governors of the Federal Reserve System approves the establishment of a branch at McGuire and Cypress Streets on Highway 80 in West Monroe, Louisiana, provided the branch is established within twelve months from the date of this letter.

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
7/14/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 14, 1959

Board of Directors,
The First State Bank & Trust
Company of Lufkin,
Lufkin, Texas.

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 First State Bank & Trust Company of Lufkin to exercise the fiduciary powers now or hereafter authorized by its charter and the laws of the State of Texas.

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
7/14/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 14, 1959

Board of Directors,
Union Bank,
Los Angeles, California.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of San Francisco, the Board of Governors of the Federal Reserve System approves the establishment of a branch in the vicinity of the intersection of Carson Street and Madrona Avenue, Torrance, California, by Union Bank, Los Angeles, California. This approval is given provided the branch is established within one year from the date of this letter, and 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. 6
7/14/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 14, 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 March 10, 1959, enclosing copies of an application to organize a national bank at Garden City, New York, and requesting a recommendation as to whether or not the application should be approved.

A report of investigation of the application made by representatives of the Federal Reserve Bank of New York indicates that the proposed capital structure of the bank would be adequate for the volume and character of business expected during the first few years of operation. The board of directors of the bank is to be composed of individuals with business experience; however, several of them operate outside of the trade area of the proposed bank and some doubt is expressed as to whether they would have sufficient time to devote to the affairs of the institution and provide adequate management policies. The prospects for profitable operations of the bank are only fair, and the present banking facilities are reported to be furnishing adequate services. Although Garden City has had only one commercial bank and its branches during the past 35 years, there is available considerable competition from 24 other commercial banking offices and offices of 3 savings and loan associations within a 3-mile radius. Local sentiment among individuals and merchants indicates satisfaction with present available facilities. Accordingly, the Board of Governors does not feel justified in recommending approval 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,

Kenneth A. Kenyon,
Assistant Secretary.

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

Item No. 7
7/14/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



July 14, 1959

Mr. H. J. Newman, Vice President,
Federal Reserve Bank of Chicago,
Chicago 90, Illinois.

Dear Mr. Newman:

In view of the circumstances outlined in your letter of June 29, 1959, the Board of Governors approves the payment of salary through July 30, 1959, to Mrs. Angela M. Duffy, an employee of your Bank who reached age 65 on February 9, 1959.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 8
7/14/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 14, 1959.



AIR MAIL

Mr. A. H. Brawner,
Federal Reserve Agent,
Federal Reserve Bank of San Francisco,
San Francisco 20, California.

Dear Mr. Brawner:

The Board of Governors today granted the request of Firstamerica Corporation for a general voting permit with respect to shares of California Bank. Because of the unusual circumstances of this case, the Board decided that the voting permit should be accompanied by a letter (enclosed herewith) from the Board to Firstamerica.

You are requested to issue a general voting permit in accordance with the procedure prescribed in the Board's letter of March 10, 1947, S-964 (F.R.L.S. #7190), including the execution of the standard form of Agreement. The Board's letter to Firstamerica should bear the same date as the voting permit, and should accompany the permit.

Also enclosed are letters from the Board to the Washington and San Francisco offices of the Antitrust Division of the Department of Justice. These should be dated and mailed (with the specified enclosures) simultaneously with the execution and mailing of the voting permit and the Board's letter to Firstamerica. It will be appreciated if the letter to the Washington office of the Antitrust Division is sent air mail.

Enclosed for your records are copies of the three letters referred to herein.

Very truly yours,

(signed) Merritt Sherman

Merritt Sherman,
Secretary.

Enclosures

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

Item No. 9
7/14/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



Firstamerica Corporation,
629 South Spring Street,
Los Angeles, California.

Gentlemen:

On March 20, 1959, you applied for a general voting permit under authority of section 5144 of the United States Revised Statutes (12 U.S.C. 61) with respect to shares of California Bank, Los Angeles, California. The Board of Governors has granted the requested permit, which is enclosed herewith. It entitles Firstamerica Corporation to vote the stock of California Bank which it owns or controls, at all meetings of shareholders of that bank.

Reference is made to United States of America v. Firstamerica Corporation, Civil Action No. 38139 in the United States District Court for the Northern District of California, Southern Division, an action with respect to alleged violations of the Federal antitrust laws. In connection with that litigation, Counsel for your Corporation delivered to the Department of Justice a letter dated March 28, 1959, stating that Firstamerica Corporation will not proceed with the proposed merger of California Bank and First Western Bank and Trust Company during the pendency of the antitrust action except upon court approval after notice to the Department of Justice. In order to avoid any possible misunderstanding on this point, you are hereby informed that, in granting the enclosed voting permit, the Board of Governors is not passing (and is not authorized to pass) upon any aspect of the pending antitrust litigation, either substantive or procedural. The purpose and effect of the permit is to enable Firstamerica Corporation to vote its shares of California Bank only to the extent that its voting of said shares is otherwise permissible under applicable laws, regulations, agreements, or stipulations, including the above-mentioned letter.

A copy of this letter is being sent to the Department of Justice for its information and use.

Very truly yours,
(Signed) Merritt Sherman
Merritt Sherman,
Secretary.

Enclosure

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

Item No. 10
7/14/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



Mr. Robert A. Bicks,
Acting Assistant Attorney General,
Antitrust Division,
Department of Justice,
Washington 25, D. C.

Dear Mr. Bicks:

Section 5144 of the Revised Statutes (12 U.S.C. 61) provides that, with certain exceptions, "shares controlled by any holding company affiliate of a national bank shall not be voted unless such holding company affiliate shall have first obtained a voting permit" from the Board of Governors. Under section 9 of the Federal Reserve Act (12 U.S.C. 337), holding company affiliates of State banks that are members of the Federal Reserve System also are subject to this provision of section 5144. The term "holding company affiliate" is defined in section 2(c) of the Banking Act of 1933 (12 U.S.C. 221a).

Pursuant to these provisions of law, Firstamerica Corporation, Los Angeles, California, a holding company affiliate of California Bank, Los Angeles, California, a member State bank, applied to the Board of Governors for a permit authorizing it to vote its shares of that bank.

The Board of Governors today issued the requested permit. In taking this action, the Board considered whether the issuance of the permit could affect the course of United States of America v. Firstamerica Corporation, Civil Action No. 38139 in the United States District Court for the Northern District of California, Southern Division, an action with respect to alleged violations of the Federal antitrust laws. It was concluded that the issuance of the voting permit could have no bearing on any procedural or substantive aspect of that suit or upon its outcome. However, in order to avoid any possible misunderstanding on this point, the Board has informed Firstamerica Corporation that, in granting the voting permit, the Board did not pass upon any aspect of the pending antitrust litigation.

Copies of the voting permit and the Board's letter to Firstamerica Corporation are enclosed for your information and use. Copies of those documents and a copy of this letter are also being sent to Mr. Lyle L. Jones, Antitrust Division, Department of Justice, San Francisco, California.

Very truly yours,
(Signed) Merritt Sherman
Merritt Sherman,
Secretary.

Enclosures

T E L E G R A M

LEASED WIRE SERVICE

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTONItem No. 11
7/14/59

July 14, 1959

Bryan - Atlanta

Board approves obtaining bids for the proposed construction at head office building as requested in Mr. Patterson's May 29 letter, provided alternates are obtained for (1) face brick in place of exterior marble, (2) omission of solar shades, and (3) if considered feasible after review by architects, minimum fallout shelter as referred to in Board's circular letter of May 6, 1959.

While plans and specifications go somewhat beyond basis of Board's authorization of June 19, 1958, Board will not object to new scheme for subbasement security entrance and court in view of circumstances outlined in your July 2, 1959, letter.

(Signed) Merritt Sherman

SHERMAN

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 12
7/14/59

OFFICE OF THE CHAIRMAN

July 14, 1959



The Honorable Richard H. Simpson,
House of Representatives,
Washington 25, D. C.

Dear Mr. Simpson:

This response to the request contained in your letter of July 13 puts in writing the gist of the comments I made in the Executive session meetings of the Ways and Means Committee on the amendments to the legislative proposals originally offered by the Administration.

It is my considered judgment we are facing a serious financial situation. The limitation on interest rates is unrealistic in the light of present market quotations and denies the U. S. Treasury the tools essential to effective balanced handling of its borrowing needs. By statute the Treasury is now limited, because of the ceilings, to the issue of short-term securities which under present conditions of rising prosperity is dangerous. These short-term obligations can readily be converted into money at the option of the holder. In effect, they are a substitute for money, and thus could swell the flow of money far beyond that needed to purchase available goods and services at current price levels. The threat of a money flow out of hand has a major impact on the cost of living and places a burden on all of us.

It serves no useful purpose at the moment to argue whose fault it is that we are in our present predicament. The fact of the matter is we are in it. The Committee is not being asked to vote whether interest rates should or would go up or down, but merely to grant the Treasury authority to exercise its best judgment in meeting an existing problem. We are discussing a crucial matter—the credit of the United States. Failure to deal with this could (and I was careful not to threaten or assert that it necessarily would) have the most serious implications. It was my duty to warn of this, much as I disliked the task. These are the basic facts with which

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we were dealing and any amendments must be considered in this light.

The amendment to retain the statutory ceilings but permit them to be disregarded if the President found the national interest so required did not seem to me to present unworkable problems. Accordingly, I did not raise objections, although I prefer the original.

The "sense of the Committee" amendment is quite a different matter. I object to this on principle. The Open Market Committee and the Federal Reserve Board are given the responsibility under the Federal Reserve Act for regulating the money supply. If the Congress wishes to spell out the means of doing this, it should amend the Federal Reserve Act and not tack this on to a debt management bill.

Furthermore, under present conditions, I am convinced that this amendment, when stripped of all technicalities, and regardless of whether the language is permissive or mandatory, will cause many thoughtful people both at home and abroad to question the will of our Government to manage its financial affairs without recourse to the printing press. To me this is a grave matter. We are here dealing with trust and confidence which is the keystone of sound currency. Therefore, I must oppose this proposal as vigorously as possible, as I did during the hearings.

The amendment limiting the President's authority to two years is, in my judgment, unsound. It could be a source of embarrassment to both the next President and the then Secretary of the Treasury.

I have tried as faithfully as possible to summarize what I actually said during the hearings, and not to introduce new ideas. May I, in conclusion, thank you and all the members of the Committee for the courtesy and consideration shown me and my associates throughout the meetings. I am taking the liberty of sending a copy of this letter to Chairman Mills.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

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