Minutes for May 23, 1957

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	
Gov. Szymczak	x	
Gov. Vardaman	x	
Gov. Mills	x	
Gov. Robertson	x	
Gov. Balderston	x	
Gov. Shepardson	x	

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, May 23, 1957. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Balderston, Vice Chairman
Mr. Szymczak
Mr. Vardaman
Mr. Mills
Mr. Robertson
Mr. Shepardson

Mr. Carpenter, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Fauver, Assistant Secretary
Mr. Riefler, Assistant to the Chairman
Mr. Thomas, Economic Adviser to the Board
Mr. Young, Director, Division of Research and Statistics
Mr. Sloan, Director, Division of Examinations
Mr. Hackley, General Counsel
Mr. Cherry, Legislative Counsel
Mr. Molony, Special Assistant to the Board
Mr. Noyes, Adviser, Division of Research and Statistics
Mr. Robinson, Adviser, Division of Research and Statistics
Mr. Masters, Associate Director, Division of Examinations
Mr. Hostrup, Assistant Director, Division of Examinations
Mr. Jones, Chief, Consumer Credit and Finances Section, Division of Research and Statistics

Holding company affiliate status of Newport News Investment Corporation and Marine Bancorporation (Items 1 and 2). At the meeting on May 20, 1957, it was decided by the Board, in view of certain questions raised by Governor Robertson, to defer for further consideration (1) the request of Newport News Investment Corporation, Newport News, Virginia, for a section 301 determination, and (2) the question whether such a determination should be made in the case of Marine Bancorporation, Seattle,

Washington, despite the fact that no request had been made for the determination.

In response to a question by Chairman Martin concerning the relationship of actions that might be taken by the Board in these cases to the Board's general policy of granting section 301 determinations where only one bank is controlled, in the absence of extraordinary circumstances which would warrant a different conclusion, Mr. Hackley pointed out that the Newport News case involved control by the holding company affiliate of only one bank but that individual shareholders of the holding company affiliate also own 88 per cent of the stock of a second bank. He said that legally speaking, this appeared to be a "one-bank" case, and from the legal standpoint the only argument against granting the requested determination would be that there were two banks in the over-all picture. Moreover, this situation appeared to involve chain banking, which was not intended to be covered by the pertinent statute (section 2 of the Banking Act of 1933 as amended by section 301 of the Banking Act of 1935). Essentially, however, the matter was one for policy determination by the Board, and the Board could reach a conclusion that a section 301 determination would be improper, even though this was a "one-bank" case, because it might be said to involve extraordinary circumstances. On the other hand, no group banking was involved of the type which the Congress apparently had in mind in 1935 when the legislation was passed exempting certain corporations from holding company affiliate status upon determination by the Board of Governors.

Mr. Sloan then reviewed the factual background of the case, pointing out that the First National Bank of Newport News had been anxious to establish a branch in Warwick, but that under State law it could not establish a de novo branch outside the city where its principal office was located. The idea of organizing a national bank in Warwick apparently was that at some later date the Newport News bank would be able to take over the bank in Warwick and establish a branch, although State law would prevent a merger until after both banks involved had been in existence for at least five years. He then recalled that the original proposal to organize a national bank in Warwick was regarded unfavorably by the Board in making its recommendation to the Comptroller of the Currency and that the Board subsequently took the same position when the application was renewed, even though certain provisions had been inserted which were designed to afford the proposed bank some degree of independence from the First National Bank of Newport News. Later, however, a charter was granted by the Comptroller of the Currency, who imposed several conditions intended to separate and distinguish the two banks to a certain degree. In conclusion, Mr. Sloan said that as a technical matter it appeared to the Division of Examinations that the requested determination could be granted under the Board's existing policy.

Mr. Hackley added that if the situation should change - for example, if a number of corporations were set up, each controlling one

bank - and the Board received requests for section 301 determinations, he would hesitate to recommend that they be granted. It could be argued, he realized, that the situation now was the same in principle but he did not feel as strongly about a situation where, as at the present time, there were only two banks in the picture.

Governor Robertson said that he had raised his questions for the Board's consideration because he felt that the granting of the requested determination in this case could create difficulty for the Board at a later date. He went on to say that, in his opinion, this was not a case which fell squarely within the Board's existing policy - a policy, incidentally, with which he disagreed - and he saw no reason for making the determination. It appeared to him that it would be difficult to grant the determination and not take the same position if a situation arose where more than two banks were involved. It was the purpose of section 301, he said, to provide exemptions where a corporation was not engaged in the business of managing or controlling banks, and in this case the holding company affiliate was engaged in no other business.

Governor Shepardson indicated that he also had been somewhat disturbed about granting a section 301 determination where a corporation admittedly was created for the express purpose of owning or controlling a bank or banks, since the Board is required to determine that the corporation is not engaged directly or indirectly in such business. While the staff had convinced him that technically the determination was probably justified in the light of the apparent intent of the law and the

definition of a bank holding company contained in the Bank Holding Company Act, an inconsistency seemed to be present that he felt should be resolved in some way.

Mr. Hackley commented that it could be argued that the Board had misinterpreted the law since 1935, because the pertinent Committee reports and the legislative history indicated that, as Governor Robertson had stated, the primary purpose of section 301 was to permit the Board to exempt so-called "accidental" holding company affiliates. However, shortly after that date the Board began making section 301 determinations in "one-bank" cases, even though the corporation concerned was engaged principally in the business of banking, and in cases where the corporation was engaged in no other business than holding the stock of one bank, and this policy had been followed up to the present time.

Chairman Martin remarked that if the Board's basic concept had been wrong it might be said that all of the determinations should be reversed, but he raised the question whether this would not create problems at this juncture for no real purpose. When a matter of degree was involved, he felt that emphasis must be placed on the public interest, and he doubted whether the public interest had been affected adversely by the policy that the Board had followed.

Following further discussion of the construction that should be placed on the existing statute, Mr. Hackley commented that the Board was required by law to make recommendations to the Congress regarding the

Bank Holding Company Act not later than May 9, 1958, and that this would afford an opportunity to offer comments with regard to the holding company affiliate legislation.

Returning to the request now before the Board, Governor Robertson suggested that the determination could be refused within the terms of the Board's present policy in "one-bank" cases, Governor Shepardson stated that the staff had satisfied him that nothing vital would be lost by granting the determination, and Governor Vardaman said that he felt the determination should be granted, since it appeared to him that otherwise it would be necessary for the Board to look into other cases. Governor Vardaman also said that he would be inclined to go as far as permissible under the law in favor of the "little fellow" except where the public interest was involved, and in this case he had failed to find any indication that the public interest would not be served by granting the determination.

Attention then was directed to the Marine Bancorporation matter, and Mr. Hackley made a statement in which he first outlined the facts of the case, pointing out among other things that the corporation had not requested a section 301 determination and in fact had expressed a desire to have its current status continued. The question, therefore, was whether, as a matter of procedure and propriety, the Board should make a section 301 determination on its own initiative. He said it was the unanimous view of the Legal Division that the law does not give the Board judgment and discretion to say that a company shall or shall not

be a holding company affiliate, that the law itself makes the exemptions, and that the law would appear to fix responsibility in the Board to make a factual determination in each case. He went on to say that the law does not specify whether determinations shall be made only upon request. The Board's Regulation P, however, provides that upon request the Board will consider whether to make such a determination and that, even though no request is made, the Board will consider such a determination in connection with an application for a voting permit. Although this case did not involve such an application, the matter had been brought to the Board's attention, and there appeared to be a suggestion in the law that the Board should exercise the function of determining as a factual matter whether a holding company is engaged in the business of holding bank stocks. With this background, the Legal Division did not feel that the purpose of making the determination would be merely to provide relief from examining work, but rather to carry out the intent of the law.

Governor Robertson suggested that this point of view was equivalent to saying that the Board was obliged, in the absence of an application, to make a determination. In the circumstances of the present case, he did not see that any practical purpose would be served by making the determination except that the San Francisco Reserve Bank would not have to examine Marine Bancorporation. To make the determination in those circumstances, he felt, would put the Board in a position where, if a question should be raised, it would be difficult to offer appropriate justification for the action. The purpose of the statute appeared to be to exempt "accidental"

relationships, and this was not such a case. Therefore, he doubted whether the Board should on its own initiative take a step which might create an issue.

Mr. Hackley then commented that his only question was whether the Board would be justified in refraining from making a determination merely because the company concerned did not want to be exempted from holding company affiliate status. On this point Mr. Hostrup said it did not appear that the San Francisco Bank, in referring the matter to the Board, was motivated by a desire to obtain relief from examining work, while there was some suggestion from a reading of the file that the management of the corporation was under the erroneous impression that the holding company would have to be dissolved if the section 301 determination was made.

Chairman Martin then said that to him the heart of the matter was the need to present the problem to the Congress and obtain a clarification of the intent of the law. In the meantime, he questioned whether anything would be gained by opening up the Board's interpretation of the law for review, and he suggested that under the existing policy it was important to give equal treatment to all interested parties. While it might be that the present policy was wrong, he did not think so. He felt that the Board should be concerned primarily with the public interest, and, as he had said before, he was not convinced that the public interest was being impaired by the Board's current policy.

Governor Shepardson said that he would not disagree with the Chairman's statement, that he would want not to reverse the present policy although it seemed to involve some degree of inconsistency, and that his point would be met if, in considering amendments to the Bank Holding Company Act, this matter was kept under study with a view to endeavoring to obtain correction of the apparent inconsistencies.

Governor Robertson agreed that the situation called for legislative action and said that he would not want to reopen the present policy for reexamination at this time. In the Marine Bancorporation case, however, he doubted whether a failure to act would call for reexamination of the existing policy. In the other case, it might be that the Board would have to take action but he did not think so, because it seemed to him that the matter would fall within the category of a case involving exceptional circumstances.

Following a statement by Chairman Martin that review of these two cases had been desirable and that the Board should be working on a presentation to the Congress on this point, the recommendations of the staff in the two cases, namely, that section 301 determinations be made by the Board, were approved, Governor Robertson voting "no" for the reasons that he had stated. Accordingly, approval was given to the letters to Newport News Investment Corporation and Marine Bancorporation of which copies are attached to these minutes as Items 1 and 2, respectively, with the understanding that the letters would be sent to the corporations

through the appropriate Federal Reserve Banks and that copies would be sent to the Comptroller of the Currency.

Mr. Hostrup then withdrew from the meeting.

Report on consumer instalment credit. Pursuant to the understanding at the meeting yesterday, copies of a revised draft of statement for issuance by the Board on the regulation of consumer credit had been sent to the members of the Board before this meeting.

At the request of the Board, Mr. Young discussed certain additional suggestions for changes in the statement which had been received after the distribution of the revised draft. Upon further review of the draft at this meeting, several other suggestions were made by the members of the Board, relating principally to rearrangement of material and clarification of the intent of certain parts of the statement. Among other things, it was agreed to eliminate from the draft certain portions which might be interpreted as expressing judgment on the future course of consumer credit growth and terms, and to delete any indication of what course the Board might follow in recommending regulatory authority over consumer credit in the light of possible developments in the future.

At the conclusion of the discussion, it was agreed that another revised draft reflecting the comments at this meeting would be distributed for consideration at the meeting tomorrow.

Messrs. Thomas, Robinson, and Jones then withdrew from the meeting.

Testimony before Joint Committee on Defense Production. Mr. Cherry reported having received a telephone call this morning from Counsel for the Joint Committee on Defense Production who stated that the Committee intended to hold hearings on the progress of the V-loan program and would like to have some person from the Board, not necessarily a Board member, testify on Tuesday afternoon, May 28, concerning activity under the guaranteed loan program. It appeared that the request contemplated testimony of a statistical nature.

After a brief discussion, the matter was referred to Governor Vardaman, with the tentative understanding that Mr. Boothe, Administrator, Office of Defense Loans, would represent the Board, that he would be accompanied by Mr. Noyes if further information concerning the nature of the requested testimony indicated that Mr. Noyes' presence would be helpful, and that Governor Vardaman would decide whether he also would attend the hearing after consideration of his schedule and the matters to be discussed by the Committee.

Testimony before Senate Finance Committee. Chairman Martin stated that Senator Byrd, Chairman of the Finance Committee, had informed him in a telephone call this morning that the Committee's hearings on Government financial and monetary policies would not start until Monday, June 17.

Proposed bill authorizing the organization of "national investment companies". Chairman Martin referred to a letter that he had

received under date of May 14, 1957, from Senator Fulbright, Chairman of the Banking and Currency Committee, indicating that the Senator would like to talk about a suggested substitute for bill S. 719, relating to "national investment companies". The substitute bill, which was summarized in a memorandum from Mr. Hackley distributed to the members of the Board under date of May 17, would authorize the organization of national investment companies either by private groups or Federal Reserve Banks, subject to the approval of the Board of Governors. The minimum capital of each company would be $5 million and a Reserve Bank forming such a company would be required to purchase stock up to $5 million to the extent that the stock was not subscribed to by banks or other private investors. The Board would be authorized to prescribe regulations, each company would be subject to examination by the Board, and each company would be required to submit reports to the Board.

Chairman Martin stated that he found it difficult to know what advice to offer Senator Fulbright. He said he had reread testimony by former Chairman McCabe in 1950, which was generally in support of a plan of this nature, but that the situation seemed considerably different from that existing in 1950. Since that time, of course, the Board had testified consistently that investment companies of this kind should be organized and operated outside the Federal Reserve System.

In an ensuing discussion, Governor Shepardson raised the question whether, if such companies were to be authorized, there was not something

to be said for placing them under the supervision of the Federal Reserve System rather than to have supervision lodged in some other agency.

Chairman Martin said that he saw merit to such a position but that it would also involve dangers since, once such a program was started, it was difficult to predict the ultimate consequences.

Governor Shepardson made it clear that he would not advocate the organization of investment companies within the Federal Reserve System, but that there was a question in his mind whether the Board should take a position which would result in such companies coming under other supervision. In this connection, he referred to the views that he had expressed at the meeting on May 15 concerning the regulation of consumer instalment credit and said that, upon further reflection, he felt he would be more inclined to the view that, if such authority should be given by the Congress and if effective credit control were to be exercised by the Federal Reserve System, it would be better to have the consumer credit regulation administered by the Board than by some agency over which the Board would have no influence.

Further discussion of the bill suggested by Senator Fulbright related mostly to the testimony and reports on similar bills by the Board in the past. No conclusions were reached as to what position Chairman Martin would take in his conversation with Senator Fulbright and it was therefore understood that the Chairman would make such statements as he deemed appropriate.

Application for membership in the Federal Reserve System (Items 3 and 4). At the meeting yesterday, the Board approved an application for membership in the System submitted by the Virgin Islands National Bank, Charlotte Amalie, St. Thomas, Virgin Islands, subject to determination whether the bank would best be served by holding membership in the Federal Reserve Bank of New York or the Federal Reserve Bank of Atlanta.

Mr. Carpenter reported that, as requested by the Board, he had discussed the matter with President Bryan of the Atlanta Reserve Bank, that Mr. Bryan felt that the matter deserved further study and was not prepared to make a firm statement, but that he agreed with the suggestion that language be included in the letter to the applicant bank reserving the right to transfer its membership to some Federal Reserve District other than New York if future developments were deemed to warrant such action. Mr. Carpenter also said that the New York Bank saw no objection, legal or otherwise, to handling the matter in this way, and that the letter to the applicant bank therefore had been redrafted to meet this point.

With respect to the forthcoming Federal Reserve mission to Puerto Rico, to be composed of personnel representing the Board and the New York and Atlanta Banks, Mr. Carpenter said the Board might wish to refer to Governors Balderston and Szymczak the question whether the mission should be asked to look into the situation in the Virgin Islands.

Governor Robertson suggested that a member or members of the Board's staff involved in the mission should go to the Virgin Islands along with Reserve Bank members of the mission, and, agreement having been expressed, the matter was referred to Governors Balderston and Szymczak to work out the necessary arrangements.

Thereupon, unanimous approval was given to a letter to the Virgin Islands National Bank in the form attached to these minutes as Item No. 3, for transmittal through the Federal Reserve Bank of New York, with a transmittal letter in the form attached hereto as Item No. 4, and with a copy to the Comptroller of the Currency.

The meeting then adjourned.

Secretary's Note: Governor Shepardson approved today on behalf of the Board a memorandum dated May 3, 1957, from Messrs. Thomas, Economic Adviser to the Board, and Miller, Chief, Government Finance Section, Division of Research and Statistics, requesting for reasons stated, that commercial long distance service continue to be used for the daily morning telephone call to New York on open market matters and that the additional expense continue to be paid by the Board.

Secretary

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

Item No. 1
5/23/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 23, 1957

Mr. D. L. Downing, Secretary,
Newport News Investment Corporation,
Newport News, Virginia.

Dear Mr. Downing:

This refers to the request contained in your letter of March 28, 1957, submitted through the Federal Reserve Bank of Richmond, for a determination by the Board of Governors of the Federal Reserve System as to the status of Newport News Investment Corporation, Newport News, Virginia, as a holding company affiliate.

From the information submitted, the Board understands that Newport News Investment Corporation was organized solely for the purpose of purchasing, holding and voting capital stock of Warwick National Bank, Warwick, Virginia, and presently holds 51 per cent of the outstanding shares of common stock of such bank; that Newport News Investment Corporation is presently engaged in no other activities and has practically no assets other than stock of Warwick National Bank; and that Newport News Investment Corporation does not, directly or indirectly, own or control, any stock of, or manage or control, any banking institution other than Warwick National Bank.

In view of these facts the Board has determined that Newport News Investment Corporation is not engaged, directly or indirectly, as a business in holding the stock of or managing or controlling banks, banking associations, savings banks, or trust companies within the meaning of section 2(c) of the Banking Act of 1933, as amended; and, accordingly, Newport News Investment Corporation is not deemed to be a holding company affiliate except for the purposes of section 23A of the Federal Reserve Act and does not need a voting permit from the Board of Governors in order to vote the bank stock which it owns.

If, however, the facts should at any time indicate that Newport News Investment Corporation might be deemed to be so engaged, this matter should again be submitted to the Board. The Board reserves the right to rescind this determination and make further determination of this matter at any time on the basis of the then existing facts.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Assistant Secretary.

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

Item No. 2
5/23/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 23, 1957

Mr. Keith G. Fisken, President,
Marine Bancorporation,
Seattle, Washington.

Dear Mr. Fisken:

This refers to the question of a determination by the Board of Governors of the Federal Reserve System as to the status of Marine Bancorporation, Seattle, Washington, as a holding company affiliate.

The Board understands that, although Marine Bancorporation was organized primarily for the purpose of acquiring controlling stock of banks and affiliated companies and of operating them, it now has only one subsidiary bank; that Marine Bancorporation owns substantially all of the outstanding shares of common stock of The National Bank of Commerce of Seattle, and insignificant investments in stock of one other bank and one bank holding company; and that Marine Bancorporation does not, directly or indirectly, own or control any stock of any banking institutions, other than those listed above, or manage or control any banking institution other than The National Bank of Commerce of Seattle.

In view of these facts the Board has determined that Marine Bancorporation, Seattle, Washington, is not engaged, directly or indirectly, as a business in holding the stock of, or managing, or controlling, banks, banking associations, savings banks, or trust companies within the meaning of section 2(c) of the Banking Act of 1933, as amended; and, accordingly, Marine Bancorporation is not deemed to be a holding company affiliate except for the purposes of section 23A of the Federal Reserve Act.

If, however, the facts should at any time differ from those set out above to an extent which would indicate that Marine Bancorporation might be deemed to be so engaged, this matter should be submitted to the Board. The Board reserves the right to rescind this determination and make a further determination of this matter at any time on the basis of the then existing facts.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Assistant Secretary.

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

Item No. 3
5/23/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 23, 1957

Board of Directors,
Virgin Islands National Bank,
Charlotte Amalie,
St. Thomas,
Virgin Islands.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the application of Virgin Islands National Bank, Charlotte Amalie, St. Thomas, Virgin Islands, for stock in the Federal Reserve Bank of New York, subject to the reservation hereinafter set forth and the numbered conditions stated below:

1. Such bank at all times shall conduct its business and exercise its powers with due regard to the safety of its depositors, and, except with the permission of the Board of Governors of the Federal Reserve System, such bank shall not cause or permit any changes to be made in the general character of its business or in the scope of the corporate powers exercised by it at the time of admission to membership.

2. The net capital and surplus funds of such bank shall be adequate in relation to the character and condition of its assets and to its deposit liabilities and other corporate responsibilities.

In connection with the foregoing conditions of membership, particular attention is called to the provisions of the Board's Regulation H, as amended effective September 1, 1952, regarding membership of State banking institutions in the Federal Reserve System, with especial reference to Section 7 thereof. A copy of the regulation is enclosed.

Acceptance of the conditions of membership contained in this letter should be evidenced by a resolution adopted by the Board of Directors and spread upon its minutes, and a certified copy of such resolution should be filed with the Federal

Reserve Bank. Arrangements will thereupon be made to accept payment for an appropriate amount of Federal Reserve Bank stock, to accept the deposit of the required reserve balance, and to issue the appropriate amount of Federal Reserve Bank stock to the bank.

The time within which admission to membership in the Federal Reserve System in the manner described may be accomplished is limited to 30 days from the date of this letter, unless the bank applies to the Board and obtains an extension of time. When the Board is advised that all of the requirements have been complied with and that the appropriate amount of Federal Reserve Bank stock has been issued to the bank, the Board will forward to the bank a formal certificate of membership in the Federal Reserve System.

Under section 19 of the Federal Reserve Act national banks located in an insular possession of the United States may "with the consent of the Board * * * become member banks of any one of the reserve districts." While your bank's application for stock in the Federal Reserve Bank of New York is being approved at this time, the Board reserves the right to require the surrender of such stock by your bank and the purchase of an equivalent amount of stock in another Federal Reserve Bank in the event the Board should hereafter determine that the services of the Federal Reserve System may be made more effectively and more conveniently available through such other Federal Reserve Bank; but it should be understood that the Board would not take such action without first discussing the matter with you and affording you a reasonable period within which to express your views.

The Board of Governors sincerely hopes that you will find membership in the System beneficial and your relations with the Reserve Bank pleasant. The officers of the Federal Reserve Bank will be glad to assist you in establishing your relationships with the Federal Reserve System and at any time to discuss with representatives of your bank means for making the services of the System most useful to you.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Assistant Secretary.

Enclosure

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

Item No. 4
5/23/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 23, 1957

Mr. Alfred Hayes, President,
Federal Reserve Bank of New York,
New York 45, New York.

Dear Mr. Hayes:

The Board of Governors of the Federal Reserve System approves the application of Virgin Islands National Bank, Charlotte Amalie, St. Thomas, Virgin Islands, for membership in the Federal Reserve System, subject to the conditions prescribed in the enclosed letter, which you are requested to forward to the board of directors of the institution. A copy of such letter is enclosed for your files.

The Board feels that the Virgin Islands National Bank, upon becoming a member of the Federal Reserve System, should be furnished the same basic services as member banks located in the United States. As a matter of convenience and economy, it is noted that the bank will continue to be examined by national examiners of the Sixth Federal Reserve District. It is assumed, however, that arrangements will be made to have copies of all reports of examination furnished to the Federal Reserve Bank of New York.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Assistant Secretary.

Enclosures 3.