

Minutes for May 29, 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 <u>W</u>
Gov. Szymczak	_____	x <u>[Signature]</u>
Gov. Vardaman	x <u>[Signature]</u>	_____
Gov. Mills	x <u>[Signature]</u>	_____
Gov. Robertson	x _____	_____
Gov. Balderston	x <u>CCB</u>	_____
Gov. Shepardson	x <u>CMS</u>	_____

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, May 29, 1957. The Board met in the Board Room at 10:00 a.m.

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

Mr. Carpenter, Secretary
 Mr. Sherman, Assistant Secretary
 Mr. Kenyon, Assistant Secretary
 Mr. Fauver, Assistant Secretary
 Mr. Thomas, Economic Adviser to the Board
 Mr. Sloan, Director, Division of Examinations
 Mr. Hackley, General Counsel
 Mr. Conkling, Assistant Director, Division of Bank Operations
 Mr. Masters, Associate Director, Division of Examinations
 Mr. Shay, Assistant General Counsel

Proposed consolidation of certain banks in Duluth, Minnesota

(Item No. 1). In a letter to the Board dated May 14, 1957, Deputy Comptroller of the Currency Garwood stated that an application had been filed with the Comptroller's Office for approval of a proposal to consolidate The City National Bank of Duluth with Northern Minnesota National Bank of Duluth under the charter of the latter and the name "Northern City National Bank of Duluth". After pointing out that Northern Minnesota National Bank is an affiliate of First Bank Stock Corporation of Minneapolis, Minnesota, the letter stated that in the light of the provisions of the Bank Holding Company Act the Comptroller's Office believed that the Board should have an opportunity to review the matter before action was taken on the application.

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A proposed reply had been circulated to the members of the Board which would state that the consolidation proposal did not appear to come within the purview of the Bank Holding Company Act. However, since First Bank Stock Corporation had been under regulation by the Board as a holding company affiliate for a number of years, the letter would enclose certain statistical information, including information concerning First Bank Stock Corporation's principal competitor, Northwest Bancorporation, which it was thought might be helpful to the Comptroller's Office in its consideration of the matter.

In a discussion of the matter, Governor Robertson said that the transaction would not fall within the purview of the Clayton Act because it did not involve an acquisition of stock, and that it would not fall within the purview of the Bank Holding Company Act because it did not involve acquisition of a bank by a bank holding company. Consequently, the proposed letter would recognize that this was a matter solely for the Comptroller to determine. In an effort to be helpful, however, certain pertinent information available to the Board would be furnished. Governor Robertson went on to say that if the proposal had been one requiring action on the part of the Board, the facts were such that he might have had to oppose granting the application. However, since the transaction did not come within the Board's scope of authority, he did not feel that the Board should intervene.

Following comments by Mr. Sloan concerning the factual information proposed to be furnished, Mr. Hackley expressed agreement with Governor

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Robertson that the transaction would not come under either the Clayton Act or the Bank Holding Company Act. He went on to say that if the case were before the Board for decision, there might be a serious question as a matter of policy whether the Board would want to approve the application. In this case, however, the matter was the responsibility of the Comptroller rather than the Board.

Governor Balderston inquired as to the implication of sending holding company information to the Comptroller, and Governor Robertson commented that the Comptroller's Office had written to the Board only because a bank holding company was involved. Apparently, the matter was referred to the Board as a matter of courtesy, and in a similar vein the Board would transmit certain data that might be helpful to the Comptroller in considering the proposed consolidation.

Thereupon, unanimous approval was given to the letter to the Comptroller of the Currency of which a copy is attached hereto as Item No. 1.

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:

	<u>Item No.</u>
Telegram to the Federal Reserve Bank of St. Louis approving a program of alterations to the Memphis Branch building at an estimated cost not to exceed \$197,100.	2
Letter to the Federal Reserve Bank of New York extending the time within which Bound Brook Trust Company, Bound Brook, New Jersey, may establish a branch at Hamilton Street and Baier Avenue in Franklin Township, Somerset County, New Jersey.	3

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	<u>Item No.</u>
Letter to the Federal Reserve Bank of Philadelphia extending the time within which Girard Trust Corn Exchange Bank, Philadelphia, Pennsylvania, may establish branches on North 22nd and on North 63rd Streets.	4
Letter to First National Bank of Edna, Edna, Texas, approving its application for limited fiduciary powers. (For transmittal through the Federal Reserve Bank of Dallas.)	5
Letter to the Federal Reserve Bank of San Francisco regarding the proposal of Bank of Whittier, Whittier, California, to move its La Habra Office directly across the street to 101-103 East Central Avenue, La Habra, California.	6
Letter to the Federal Reserve Bank of Chicago waiving the requirement of six months' notice of withdrawal from membership in the Federal Reserve System for Bank of Lake Mills, Lake Mills, Wisconsin.	7
Letter to the Federal Deposit Insurance Corporation concerning the application of Bank of Lake Mills, Lake Mills, Wisconsin, for continuance of deposit insurance after withdrawal from membership in the Federal Reserve System.	8
Letter to the Federal Deposit Insurance Corporation concerning the application of State Bank of Springfield, Springfield, Minnesota, for continuance of deposit insurance after withdrawal from membership in the Federal Reserve System.	9

Possible violations of Regulation T (Items 10, 11, 12, and 13).

In a letter to the Securities and Exchange Commission dated April 23, 1957, which had been referred by the Commission to the Board for reply, Mr. William D. Bowden, Editor of Investor's Future, Crystal Lake, Illinois, referred to an offer by Beacon Finance Company of Boston, Massachusetts, to make loans which would be for the purpose of purchasing stocks listed on a national securities exchange and which would exceed the maximum loan

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values specified in the Board's Regulations T and U. The finance company had also offered to finance short sales with less margin than that specified in Regulation T. The same matter likewise had been called to the Board's attention by Carr & Company, an investment securities firm of Detroit, Michigan, in a letter referred to the Board by the Federal Reserve Bank of Chicago.

A proposed reply to Mr. Bowden, which had been circulated to the members of the Board, would express the view that, while it was not possible to make a definite statement on the basis of available information, it seemed possible that the activities of the finance company, particularly in handling short sales, might be such as to cause it to be a "broker or dealer" subject to Regulation T, and that a broker or dealer who participated in a transaction financed by the finance company might well be violating section 7(a) of the Regulation by improperly "arranging" an extension of credit. The suggested reply to the Federal Reserve Bank of Chicago regarding the letter from Carr & Company would state that in the absence of a full explanation and investigation of the circumstances of a particular case to determine whether a broker would be "arranging" an extension of credit by participating in a transaction such as mentioned by Beacon Finance Company, it would not be feasible to give Carr & Company a ruling. A copy of the proposed letter to Mr. Bowden would be sent to the Securities and Exchange Commission, and copies of that letter and the letter to the Chicago Reserve Bank would be sent to the Federal Reserve Bank of Boston with a request for any information which would indicate

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whether there had been an expansion of the activities of Beacon Finance Company since the Bank last looked into the matter at the request of the Board.

Following comments on the situation by Mr. Shay, Governor Balderston said that he had been considering whether the interpretation of the word "arranging" in section 7(a) of Regulation T should be expanded to include "participation" in "arranging" for loans by other parties and whether such a provision should also be included in Regulation U. Such action, he recognized, might cause more difficulties than would be warranted, but on the other hand he felt that Congressional inquiry could put the Board in a defensive position. In this connection, Governor Balderston referred to his testimony earlier this month before the Senate Subcommittee on Securities and said that the Subcommittee now had submitted a list of questions, one of which had to do with extending the margin regulations to include borrowers as well as lenders. He stated that he would be opposed to such a change but that the interest of the Subcommittee raised questions as to what, if anything, should be done in this area.

Governor Vardaman indicated that he would not look with favor on amendments such as Governor Balderston had mentioned, since they might infer that a bank or broker could not refer a person to a customer who had money to loan. If anything, he would lean toward easing the present language of Regulation T to the extent consistent with the provisions of the pertinent statute. He expressed himself as opposed to regulations

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covering relatively unimportant activities in this field and said that the sum total of financing which might be "arranged" by banks or brokers would not affect the economy to any significant extent.

In further discussion, it was agreed that the matters mentioned by Governor Balderston, including the questions submitted by the Senate Subcommittee, did not appear to be sufficiently related to the Beacon Finance Company matter to warrant withholding the proposed letters which had been circulated to the members of the Board. Accordingly, the letters, of which copies are attached hereto as Items 10 through 13, inclusive, were approved unanimously.

Opening of account for Bank of Israel (Item No. 14). With the approval of the available members of the Board, there was sent to the Federal Reserve Bank of New York on May 27, 1957, after the Board meeting on that day, a telegram approving the opening and maintenance by the Bank of an account in the name of the Bank of Israel.

The sending of the telegram, a copy of which is attached to these minutes as Item No. 14, was ratified by unanimous vote.

Possible amendments to Regulations Q and D relating to savings deposits with fixed maturities. At the meeting on May 24, 1957, consideration was given to the question whether the definition of "savings deposit" in Regulations Q and D should be amended to prevent a deposit from being classified as a "savings deposit" if the deposit has a fixed maturity. No decision was reached and it was understood that the matter would be considered further at another meeting of the Board.

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At the request of the Board, Mr. Shay reviewed the discussions of the matter which led to the decision of the Board in December 1956 to publish a proposed amendment in the Federal Register.

Governor Vardaman then stated that if there was sentiment within the Board in favor of amending the Board's regulations along the lines indicated, he would like to have the decision deferred until a full Board was available. It was his view that regulations of this kind were unnecessarily burdensome to commercial banks in competing for savings balances and that the principle involved was of enough importance to warrant obtaining the views of all of the members of the Board before action was taken.

Governor Shepardson expressed the opinion that the inclusion of provisions of this kind in the Board's regulations tended to focus attention on technical matters rather than on the fundamental distinctions between savings and other time deposits. Therefore, he suggested a broad study which might help to clarify the situation. It was his thought that the elimination, as far as possible, of detailed provisions from the Board's regulations might serve to avoid technical questions of the kind with which the Board had been confronted rather frequently in recent years.

Governor Mills said that, while he could appreciate the point of view expressed by Governors Vardaman and Shepardson, it was his recollection that the cases which had come before the Board consisted by and large of problems resulting from a desire to deviate from the rules established by the Board. As he recalled, they did not involve practices followed by a large number of banks, but rather proposals set forth by individual

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banks or small groups of banks, mostly in one Federal Reserve District. To permit such practices, especially when there was such a small amount of interest in them, would run the risk of blurring the distinctions that should be maintained between time and savings deposits. As to the amendment now proposed, he noted that a large majority of the Federal Reserve Banks had taken the position that such an amendment should be adopted. While it might be true that the proposals submitted from time to time would create tedious problems for the Board, he felt that the Board should adopt a "grin and bear it" attitude and adhere very firmly to rules that would preserve proper lines of demarcation between time and savings deposits.

In response to a question concerning the distinctions that he considered it essential to preserve, Governor Mills referred to the study of the payment of interest on deposits that preceded the passage of the Banking Acts of 1933 and 1935. The philosophy embodied in those banking laws, he said, was that the use of savings deposits should be restricted to individuals wishing to build and maintain relatively small savings balances. To accommodate that class of depositors, certain provisions were made, including interest provisions, which were not considered appropriate for parties holding larger amounts of deposits for business purposes. In other words, the purpose of the statutes was to prevent the use of savings accounts for other than thrift purposes.

Governor Vardaman supported strongly the position taken by Governor Shepardson, saying that although he was very much concerned about the maintenance of proper principles in the use of savings accounts, he

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would like to see the Board go to the substance of the problems involved rather than to become concerned with the form of the documents evidencing savings and other time deposits. He therefore joined in the suggestion that the matter be referred back to the staff with a request for a study of the fundamental questions. On the basis of such a study, he felt that the Board might wish to revise its regulations considerably, in a manner that would assist member banks in encouraging the accumulation of savings balances.

In further discussion, Mr. Hackley cited the provisions of the law which form the basis for the Board's regulations. While there had been no complete review of the provisions of Regulation Q for a number of years and the Legal Division would have no objection to engaging in such a review, he found it somewhat difficult at this time to say exactly what might be done to simplify the Regulation and still retain the provisions that seemed to be called for in the light of the prevailing statutes.

Governor Robertson then stated that the discussion appeared to him to suggest a need for review of certain principles that were considered very clear when the current statutes were enacted and the Board's regulations adopted. The only way that he saw to overcome this problem would be to request the Board's staff to explore the whole area and bring back to the Board a statement of the fundamental principles which it seemed appropriate for the Board to use as a guide. Such a study, he said, would also indicate how to phrase the Board's regulations in the simplest terms consistent with accomplishing the objectives sought by the Congress and

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by the Board. As to the proposed amendment now before the Board, he saw no reason that would necessitate action pending the completion of the suggested staff study.

At the conclusion of the discussion, it was agreed unanimously that a study of the kind suggested should be made by a staff committee consisting of Mr. Thomas and representatives of the Legal Division, the Division of Research and Statistics, the Division of Examinations, and the Division of Bank Operations selected by the heads of the respective divisions, with the Legal Division's representative as Chairman. Since this action contemplated postponing a decision on the proposed amendments to Regulations Q and D which had been published in the Federal Register, it was suggested that the Federal Deposit Insurance Corporation be advised informally of the status of the matter and that the Presidents of the Federal Reserve Banks likewise be informed.

Recognition for Federal Reserve Bank and branch directors on completion of service. Pursuant to a suggestion by the Board, Messrs. Thurston and Fauver had explored the question of appropriate recognition for the service of Federal Reserve Bank and branch directors. A memorandum had been circulated to the members of the Board summarizing the recognition given by the respective Reserve Banks to the directors upon completion of their terms of office and submitting samples of certificates awarded by various departments of the Government under somewhat similar circumstances.

The Secretary stated that Chairman Martin, before leaving on his current trip to Europe, had advised him that he would be glad to have

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the Board handle the matter in such manner as the Board considered most appropriate.

In the course of a brief discussion, Governor Vardaman stated that basically he was opposed to any recognition on completion of service beyond the customary letter of appreciation sent over the signature of Chairman Martin. After suggesting the possibility of issuing a certificate to the directors at the time of their taking office, he said that he would like to have further consideration of the matter deferred until Chairman Martin had returned and a full Board was available.

In the light of Governor Vardaman's comments, it was decided to postpone consideration of the matter.

Report by Mr. Treiber. Question had been raised whether the Board would want to invite First Vice President Treiber of the Federal Reserve Bank of New York to make an oral report on his recently completed trip to Australia and other countries. The view was expressed at this meeting that Mr. Treiber's written report, already made available to the members of the Board, had covered the high points of the trip in a very satisfactory manner and that it would therefore seem unnecessary to request an oral presentation.

Changes in Bank Plan of Federal Reserve Retirement System. The views of Industrial Relations Counselors Service on the changes proposed by the Special Joint Committee having been obtained, along with the comments thereon of President Johns, Chairman of the Special Joint Committee, question was raised regarding plans for further consideration of the matter

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by the Board. The matter was discussed in the light of the schedules of members of the Board and similar factors and, while no definite arrangements were agreed upon, it was the consensus that the matter should be taken up at about the time of the next meeting of the Presidents' Conference, at which time Chairman Martin would have returned to Washington and President Johns would be available if the Board found it advisable to consult with him further.

During the discussion Governor Vardaman stated that at present he was inclined to look with disfavor on the plan as a whole, although points brought out in further discussion might modify his views.

The members of the staff then withdrew and the Board went into executive session.

Reception for Mr. Sloan. The Secretary later was informed that during the executive session the Board approved a reception for Mr. Sloan, retiring Director of the Division of Examinations, in the staff dining room from 4:00 to 5:00 p.m. on June 13, 1957, at a cost not to exceed \$75.

The meeting then adjourned.

Secretary's Note: Pursuant to recommendations contained in memoranda from appropriate individuals concerned, Governor Shepardson approved on behalf of the Board on the dates indicated the following actions regarding the Board's staff:

May 27
Appointments

Charles E. Evans as Messenger, Division of Administrative Services, with basic salary at the rate of \$2,690 per annum, effective the date he assumes his duties.

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May 27Appointments (continued)

John D. O'Berg as Operator, Tabulating Equipment, Division of Administrative Services, on a temporary (two month) basis, with basic salary at the rate of \$3,175 per annum, effective the date he assumes his duties.

Leave without pay

Wilhelmina K. Steele, Operator, Key Punch, Division of Administrative Services, for the period July 8 to August 16, 1957, inclusive.

May 28Salary increase

Ralph Sherrod, Photographer (Offset), Division of Administrative Services, from \$4,638 to \$4,805 per annum, effective June 2, 1957.

May 29Salary increases, effective June 2, 1957

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Board Members' Offices</u>			
Lucy I. McColloch, Secretary		\$5,645	\$5,780
<u>Office of the Secretary</u>			
Doreen Dippre, Secretary		4,620	4,755
Marjorie Eaton, Secretary		4,755	4,890
Ruth W. Franta, Supervisor, Bank and Miscellaneous Records		4,755	4,890
<u>Legal</u>			
Evelyn W. Edwards, Secretary		4,755	4,890
<u>Research and Statistics</u>			
Adele H. Bishop, Secretary		4,485	4,620
Caroline M. Burgess, Librarian		6,115	6,250
Florence R. Cox, Secretary		4,620	4,755
Tressa Hemminger, Secretary		4,620	4,755
Esther P. Locke, Secretary		3,805	3,940
Athens J. Messick, Secretary		4,795	4,930
Jo Ann L. Murray, Clerk-Stenographer		3,500	3,585

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Salary increases, effective June 2, 1957 (continued)

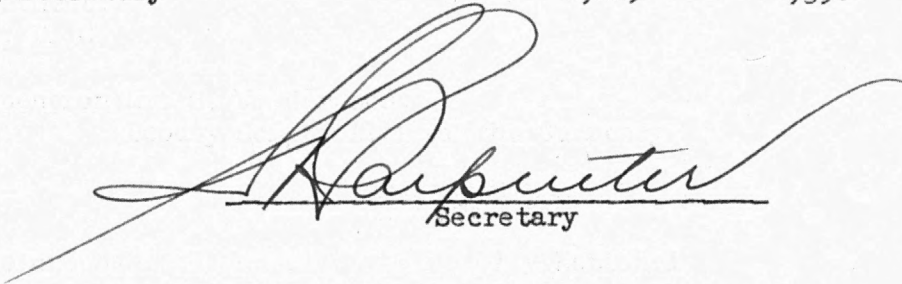
<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>International Finance</u>			
Bertha G. Brown, Secretary		\$4,075	\$4,210
Jacquelyn Haas, Clerk		3,755	3,840
Mary J. Katinas, Secretary		3,940	4,075
Betty B. Taylor, Secretary		3,805	3,940
Franc S. Valentine, Secretary		5,200	5,335
<u>Bank Operations</u>			
Helen M. Bennett, Secretary		4,080	4,215
Jean S. Glascock, Secretary		4,080	4,215
Margaret C. Griset, Administrative Clerk		4,620	4,755
Eleanor E. Omohundro, Secretary		4,930	5,065
<u>Examinations</u>			
Frances S. Bender, Secretary		5,065	5,200
Nancy R. Porter, Supervisor, Recording and Stenographic Section		5,065	5,200
W. E. Rumbarger, Assistant Federal Reserve Examiner		4,930	5,065
Anna S. Courtney, Secretary		4,215	4,350
Esther Severud, Secretary		4,620	4,755
<u>Administrative Services</u>			
Ida Goodloe, Supervisor, Stenographic Section		5,200	5,335
Mary E. Sanders, Secretary		5,200	5,335
Ethelyn M. Palmer, Secretary		4,620	4,755
Elsie N. Carrick, Assistant Supervisor, Stenographic Section		4,620	4,755
Oda R. Johnson, Secretary		4,075	4,210
Constance A. Dyer, Secretary		4,075	4,210
Rebie A. Windsor, Chauffeur		3,040	3,125
Angelina M. Ferguson, Charwoman		2,900	2,975
<u>Office of Defense Loans</u>			
Margaret L. Wolfe, Secretary		5,065	5,200

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Salary increases, effective June 2, 1957 (continued)

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Office of the Controller</u>			
Ruth H. Goodyear, Secretary		\$5,065	\$5,200
Dorothy Werner, Secretary		4,755	4,890
<u>Defense Planning Staff</u>			
Catharine A. Fornof, Secretary		4,215	4,350


Secretary

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

Item No. 1
5/29/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 29, 1957

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

Attention Mr. G. W. Garwood,
Deputy Comptroller of the Currency

Dear Sir:

The proposal to consolidate The City National Bank of Duluth with the Northern Minnesota National Bank of Duluth, both of Duluth, Minnesota, under the charter of the latter and the name Northern City National Bank of Duluth, to which reference is made in your letter of May 14, 1957, does not appear to come within the purview of the Bank Holding Company Act of 1956. However, the First Bank Stock Corporation has been under regulation by the Board as a holding company affiliate for a number of years and the enclosed information may be helpful in your consideration of the matter.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Assistant Secretary.

Enclosure

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Item No. 2
5/29/57

T E L E G R A M
LEASED WIRE SERVICE

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON

May 29, 1957

Johns - St. Louis

Board approves the program for alterations to the Memphis Branch building at an estimated cost not to exceed \$197,100 as requested in your letter of May 15. It is noted that this amount is substantially larger than the amount provided in the 1957 budget, based on your letter of August 30, 1956, and the Board's reply of September 21, 1956.

(Signed) S. R. Carpenter
Carpenter

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

Item No. 3
5/29/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 29, 1957

Mr. A. Phelan, Vice President,
Federal Reserve Bank of New York,
New York 45, New York.

Dear Mr. Phelan:

In accordance with the recommendation contained in your letter of May 15, 1957, the Board of Governors extends to December 7, 1957, the time within which the Bound Brook Trust Company, Bound Brook, New Jersey, may establish a branch on the northwesterly corner of Hamilton Street and Baier Avenue in Franklin Township, Somerset County, New Jersey, under the approval given by the Board in its letter of June 7, 1956. It is understood construction of the building was commenced early in March, 1957, but that its completion has been delayed by inclement weather and strikes in the building trades.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Assistant Secretary.



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

Item No. 4
5/29/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 29, 1957

Mr. E. C. Hill, Vice President,
Federal Reserve Bank of Philadelphia,
Philadelphia 1, Pennsylvania.

Dear Mr. Hill:

In view of the circumstances outlined in your letter of May 15, 1957, the Board of Governors extends until February 4, 1958, the time within which Girard Trust Corn Exchange Bank, Philadelphia, Pennsylvania, may establish a branch at 2944-50 North 22nd Street, and a branch at 427-31 North 63rd Street, Philadelphia, Pennsylvania, under authorization contained in its letter of June 4, 1956.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Assistant Secretary.

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

Item No. 5
5/29/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



May 29, 1957

Board of Directors,
First National Bank of Edna,
Edna, Texas.

Gentlemen:

The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers and grants you authority to act, when not in contravention of State or local law, as trustee, executor, and administrator, the exercise of all such rights to be subject to the provisions of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System.

A formal certificate indicating the fiduciary powers which the First National Bank of Edna is now authorized to exercise will be forwarded to you in due course.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Assistant Secretary.

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

Item No. 6
5/29/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 29, 1957

Mr. E. H. Galvin, Chief Examiner,
Federal Reserve Bank of San Francisco,
San Francisco 20, California.

Dear Mr. Galvin:

Reference is made to your letter of May 14, 1957, advising of the proposal of Bank of Whittier, Whittier, California, to move its La Habra Office directly across the street to 101-103 East Central Avenue, La Habra, California.

It appears that this proposal would constitute a mere relocation of an existing branch in the immediate neighborhood without affecting the nature of its business or customers served, and, accordingly, we concur in your view that the approval of the Board of Governors is unnecessary.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Assistant Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON 25, D. C.

Item No. 7
5/29/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



May 29, 1957

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

Dear Mr. Diercks:

Reference is made to your letter of May 14, 1957, enclosing a resolution adopted by the board of directors of the Bank of Lake Mills, Lake Mills, Wisconsin, signifying its intention to withdraw from membership in the Federal Reserve System and a letter requesting waiver of the six months' notice of such withdrawal. Also enclosed was a letter from the president of the bank setting forth reason for withdrawal, and copy of opinion of Counsel regarding the resolution.

In accordance with the bank's request, the Board of Governors waives the requirement of six months' notice of withdrawal. Accordingly, upon surrender of the Federal Reserve Bank stock issued to the bank, you are authorized to cancel such stock and make appropriate refund thereon. Under the provisions of section 10(c) of Regulation H, as amended effective September 1, 1952, the bank may accomplish termination of its membership at any time within eight months after notice of intention to withdraw is given. Please advise when cancellation is effected and refund is made.

The certificate of membership issued to the bank should be obtained, if possible, and forwarded to the Board. The State banking authorities should be advised of the bank's proposed withdrawal from membership and the date such withdrawal becomes effective.

We have been advised that the bank has made application to the Federal Deposit Insurance Corporation for continuance of deposit insurance after withdrawal from membership.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Assistant Secretary.

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

Item No. 8
5/29/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 29, 1957

The Honorable H. E. Cook, Chairman,
Federal Deposit Insurance Corporation,
Washington 25, D. C.

Dear Mr. Cook:

Reference is made to your letter of May 14, 1957, concerning the application of the Bank of Lake Mills, Lake Mills, Wisconsin, for continuance 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 the Board of Governors believes should be incorporated as conditions to the continuance of deposit insurance.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Assistant Secretary.



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

Item No. 9
5/29/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 29, 1957



The Honorable H. E. Cook,
Chairman,
Federal Deposit Insurance Corporation,
Washington 25, D. C.

Dear Mr. Cook:

Reference is made to your letter of May 14, 1957, concerning the application of State Bank of Springfield, Springfield, Minnesota, for continuance 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 the Board of Governors believes should be incorporated as conditions to the continuance of deposit insurance.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Assistant Secretary.

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

Item No. 10
5/29/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 29, 1957



Mr. William D. Bowden,
Editor of Investor's Future,
Crystal Lake, Illinois.

Dear Mr. Bowden:

This refers to your letter of April 23, 1957, to the Securities and Exchange Commission which was referred to this Board for reply.

Your letter relates to an offer by a finance company to make loans which would be for the purpose of purchasing stocks listed on a national securities exchange and would exceed the maximum loan values specified in the Board's Regulations T and U. The company also offers to finance short sales with less margin than that specified in the Board's Regulation T.

The finance company would require that stop-loss orders be placed to protect it on such transactions. It appears that one or more member firms of a securities exchange would be involved in the transaction, although the nature and extent of their participation are not entirely clear and might vary somewhat from one instance to another.

Of the Board's two regulations relating to margin requirements, it appears that Regulation U, which prescribes such requirements for banks, would not be applicable. As will be noted from the attached copy of that regulation, it applies only to "banks", and the finance company here involved apparently does not fall within the definition of "bank" contained in section 3(k) of the regulation and section 3(a)(6) of the Securities Exchange Act of 1934 (printed in the Appendix to the regulation).

On the basis of the limited information presented, it is not possible to state definitely whether or not the proposed transactions would involve violations of the Board's Regulation T, which applies to brokers or dealers, and of which a copy is enclosed. However, there would seem to be a distinct possibility that the transactions in question would involve a violation of Regulation T on either or both of two points. The activities of the finance

Mr. William D. Bowden

- 2 -

company, particularly in handling short sales, might easily be such as to cause it to be a "broker or dealer" subject to the regulation. Furthermore, a broker or dealer who participated in a transaction financed by the finance company might well be violating section 7(a) of the regulation by improperly "arranging" an extension of credit.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.

Enclosures 2

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

Item No. 11
5/29/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 29, 1957



Mr. Paul C. Hodge,
Vice President and General Counsel,
Federal Reserve Bank of Chicago,
Chicago 90, Illinois.

Dear Mr. Hodge:

This refers to your letter of May 13, 1957, regarding an inquiry received by your Detroit Branch from Carr & Company, Detroit, as to whether that brokerage company may participate in a transaction in which Beacon Finance Company, Boston, Massachusetts, would finance the purchase of listed stocks on lower margins than specified in Regulations T and U.

As indicated in the letter addressed to you by Mr. Gordon W. Lamphere, Assistant General Counsel to your Bank at its Detroit Branch, the inquiry raises a question as to whether a broker such as Carr & Company would be "arranging" for the extension of credit in violation of Regulation T by participating in such a transaction. In view of the nature of the transaction and the fact that the law imposes criminal penalties for violation of the regulation, it is understandable that Carr & Company states ". . . we wish to have a ruling in our files before having any part of a transaction of this type".

The question of what activities constitute "arranging" would necessarily depend upon the circumstances of the particular case, and a suitable development and understanding of those circumstances would necessarily involve a full explanation and investigation which would not be practicable by correspondence and also would be more in the nature of enforcement than interpretation. In the circumstances, it would not be feasible to give Carr & Company a ruling such as it requests, and it is suggested that your Bank so advise the Company.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.

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

Item No. 12
5/29/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 29, 1957



Mr. Phillip A. Loomis, Director,
Division of Trading and Exchanges,
Securities and Exchange Commission,
Washington 25, D. C.

Dear Mr. Loomis:

For your information, there is enclosed a copy of the Board's letter to William A. Bowden, Editor of Investor's Future, Crystal Lake, Illinois, in reply to his letter to your Commission which you referred to the Board.

As you will note from the Board's letter, it appears that activities of Beacon Finance Company, Boston, Massachusetts, which are referred to in Mr. Bowden's letter, may involve violations of Regulation T, particularly as a result of the handling of short sales by the company.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.

Enclosure

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

Item No. 13
5/29/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 29, 1957



Mr. J. A. Erickson, President,
Federal Reserve Bank of Boston,
Boston 6, Massachusetts.

Dear Mr. Erickson:

For your information there are attached copies of correspondence with Mr. William D. Bowden, Editor of Investor's Future, Crystal Lake, Illinois, and Carr & Company, Detroit, Michigan. Both sets of correspondence relate to Beacon Finance Company, Boston, Massachusetts, which, as you know, has been the subject of earlier correspondence with your Bank with respect to loans which are for purchasing listed stocks and are in excess of the loan values specified in Regulations T and U. The present correspondence suggests that there may have been an expansion of the activities of Beacon Finance Company, and the Board would appreciate any information that may be available in that regard.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.

Enclosures

TELEGRAM
BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
LEASED WIRE SERVICE
WASHINGTON

Item No. 14
5/29/57

May 27, 1957

ROUSE - NEW YORK

Your wire May 24. Board approves the opening and maintenance of an account on your books in the name of the Bank of Israel, subject to the usual terms and conditions upon which your Bank maintains accounts for foreign central banks and governments.

It is understood that you will in due course offer participation in this account to other Federal Reserve Banks.

(Signed) S. R. Carpenter
CARPENTER