

Minutes for June 19, 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>M</u>	
Gov. Szymczak		x <u>SS</u>
Gov. Vardaman	x <u>V</u>	
Gov. Mills	x <u>M</u>	
Gov. Robertson	x <u>R</u>	
Gov. Balderston		x <u>CB</u>
Gov. Shepardson	x <u>MS</u>	

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, June 19, 1957. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman  
 Mr. Vardaman  
 Mr. Mills  
 Mr. Robertson  
 Mr. Shepardson

Mr. Kenyon, Assistant Secretary  
 Mr. Thurston, Assistant to the Board  
 Mr. Riefler, Assistant to the Chairman  
 Mr. Hackley, General Counsel  
 Mr. Noyes, Adviser, Division of Research and Statistics  
 Mr. Masters, Associate Director, Division of Examinations  
 Mr. Hexter, Assistant General Counsel  
 Mr. O'Connell, Assistant General Counsel

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>
Letter to the Federal Reserve Bank of Boston approving the payment of salaries at rates fixed by the directors for Messrs. Groot, Ellis, King, and Willis.	1
Letter to The Black Rock Bank and Trust Company, Bridgeport, Connecticut, approving the establishment of a branch in Trumbull, Connecticut. (For transmittal through the Federal Reserve Bank of New York.)	2
Letter to the Federal Reserve Bank of Philadelphia regarding sales of branch bank premises by Camden Trust Company, Camden, New Jersey, under lease-back arrangements.	3

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Item No.

- Letter to Farmers Bank of Clinch Valley,  
Tazewell, Virginia, approving the estab-  
lishment of a branch in North Tazewell.  
(For transmittal through the Federal Re-  
serve Bank of Richmond.) 4
- Letter to the Federal Reserve Bank of Atlanta  
approving an additional investment in bank  
premises by Jeff Davis Bank & Trust Company,  
Jennings, Louisiana. 5
- Letter to The State National Bank of Corsicana,  
Corsicana, Texas, approving its application for  
permission to exercise fiduciary powers. (For  
transmittal through the Federal Reserve Bank  
of Dallas.) 6
- Letter to the Presidents of all Federal Reserve  
Banks advising of the Board's position that it  
would not be advisable at this time to amend  
the margin regulations to facilitate the exer-  
cise of executives' stock purchase options. 7
- Letter to the Comptroller of the Currency recom-  
mending approval of the application of Security  
Banking Company, Springfield, Massachusetts, to  
convert into a national banking association.  
(With a copy to the Federal Reserve Bank of Boston.) 8
- Letter to the Department of Justice concerning com-  
plaints received by the Department regarding mortgage  
insurance tie-in practices on the part of a State  
member bank in Missouri. (With copies to the Presi-  
dents of all Federal Reserve Banks.) 9
- Letter to Donald J. Veldman, Esq., Muskegon, Michigan,  
regarding whether the existing trust investment com-  
mittee of a national bank in Muskegon may act also  
as the investment committee for a common trust fund  
proposed to be established by the bank. 10

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Extension of arrangement for services of hearing examiner (Item No. 11). There had been distributed to the members of the Board prior to this meeting a memorandum from Mr. O'Connell, dated June 14, 1957, recommending that the National Labor Relations Board be formally requested to extend until December 31, 1957, the detail of Mr. Charles W. Schneider as a hearing examiner for the purpose of presiding at hearings ordered by the Board of Governors under the Bank Holding Company Act of 1956. The memorandum proposed that the arrangement be on the same basis of reimbursement as set forth in the Board's letter of December 7, 1956, with respect to the original request for Mr. Schneider's services.

Pursuant to the recommendation, unanimous approval was given to the letter to the National Labor Relations Board of which a copy is attached to these minutes as Item No. 11.

Messrs. Hexter and O'Connell then withdrew from the meeting and Mr. Koch, Assistant Director, Division of Research and Statistics, entered the room.

Designation of Virgin Islands as part of the Second Federal Reserve District (Items 12 and 13). In a memorandum dated June 18, 1957, which had been distributed to the members of the Board, Mr. Hackley discussed a request from the Federal Reserve Bank of New York that the Virgin Islands be designated as being in or of the Second Federal Reserve District for the purposes of Regulations G, Collection of Noncash Items, and J, Check Clearing and Collection. The request was made because, following the admission to membership in the Federal Reserve System on May 31, 1957, of

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the Virgin Islands National Bank, the West Indies Bank and Trust Company, Charlotte Amalie, St. Thomas, Virgin Islands (a nonmember bank) asked to be placed on the par list and filed an agreement to remit at par for cash letters forwarded by the New York Reserve Bank and conform to all other provisions of the operating circulars of the Reserve Bank relating to the collection of cash and noncash items. After recalling the circumstances surrounding the amendments to Regulations G and J adopted effective July 15, 1954, pursuant to which the Board designated Alaska and Hawaii as being in or of the Twelfth Federal Reserve District for the purpose of those regulations, the memorandum recommended the designation of the Virgin Islands as a part of the Second Reserve District, effective immediately, since it now appeared desirable to extend the collection services of the Federal Reserve System to that area. It was not felt that such action would be inconsistent with the fact that, when the Virgin Islands National Bank was admitted to membership, the Board reserved the right to require that bank to transfer its membership to some other Reserve District, because it would be possible for the Board to revoke the proposed designation of the Virgin Islands at any time such action seemed advisable.

Following a review of the matter by Mr. Hackley, during which he emphasized that the designation could be changed at any time, the recommendation contained in his memorandum was approved unanimously. Telegrams sent to the Federal Reserve Bank of New York and to all Federal

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Reserve Banks and branches pursuant to this action are attached to these minutes as Items 12 and 13, respectively, and it was understood that notice of the Board's action would be published in the Federal Register.

Testimony on S. 2160. Pursuant to the understanding at the meeting on Monday, June 17, there was a further discussion of the testimony to be given by Chairman Martin tomorrow before the Small Business Subcommittee of the Senate Banking and Currency Committee concerning S. 2160, a bill which would provide for the formation of national investment companies.

In addition, a request had now been received by the Board for a report on S. 2286, introduced by Senator Fulbright, which would authorize the Small Business Administration to purchase investment securities issued by State-chartered development, credit, or finance corporations formed to assist, develop, and expand the economy of a State. The purchase of such securities would be in amounts not in excess of the amounts of such securities held by private investors and in no event more than \$5 million in any one State. In order to finance this activity the Small Business Administration would be authorized to borrow \$27,500,000 from the Treasury. For this purpose, section 13b of the Federal Reserve Act would be repealed and the Federal Reserve Banks would be required to pay to the United States the amount

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which the Secretary of the Treasury had heretofore paid to the Reserve Banks under section 13b. An additional \$2 million would be made available for grants to States, including colleges and universities, for studies, research, and counseling in connection with the management, financing, and operation of small businesses, with the provision that no more than \$40,000 could be granted to any one State in any year.

There was distributed at this meeting a draft of a paragraph concerning S. 2286 for possible inclusion in the statement to be made by Chairman Martin. This paragraph would indicate that the Board did not feel it would be appropriate for the Small Business Administration to provide funds to State corporations of the kind contemplated by the bill through the purchase of their investment securities since, in the Board's opinion, public funds should not be used to foster the development of particular sections of the country except in emergency situations.

In connection with the proposed paragraph, attention was drawn to the Board's letter of June 7, 1957, to the Chairman of the Senate Banking and Currency Committee which stated, with respect to bill S. 2185, that the Board had certain reservations as to the advisability of using Federal funds for the assistance for local development corporations and that it assumed that the pros and cons of the matter would be carefully considered.

Following a discussion of the provisions of S. 2286, it was agreed that no comment on this bill should be included in the statement

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to be made by Chairman Martin and that the matter should be covered by the Chairman in oral testimony. While, in reaching this decision, members of the Board expressed the view that in principle it was undesirable for Federal funds to be used to provide capital for local corporations such as contemplated by S. 2286, it was noted that the Board had recommended repeal of section 13b of the Federal Reserve Act and the repayment to the Treasury of the amounts advanced to the Federal Reserve Banks when this legislation was enacted. Also, the amount of public funds involved would be relatively small and it was considered doubtful whether objection could appropriately be interposed to the program in terms of its effect on monetary and credit policy. In other words, if the Congress should favor such legislation, it seemed difficult to find a basis for expressing strong opposition. The contemplated grants to States and colleges for research and counseling were felt to constitute a program which could be supported by the Board. With regard to the suggestion that the funds would be used primarily to attract businesses to particular States from other States, the thought was expressed that there would be no great objection to a program under which particular areas of the country in need of economic development would be assisted to a modest extent under a program administered in the discretion of the Small Business Administration.

Chairman Martin then suggested that his comments at the hearing be along the lines indicated and there was general agreement with this



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suggestion. Governor Mills, however, expressed the view that a negative attitude toward legislation providing for the establishment of national investment companies would be inadvisable, and he felt that such a position could be inferred from an expression of preference for the approach embodied in S. 2286.

With regard to Governor Mills' comment, Chairman Martin said that there were obviously advantages and disadvantages in both approaches, that personally he would favor the State approach as opposed to the national, but that he did not consider the proposed statement on S. 2160 as being of a negative character. To recognize the position of Governor Mills, he suggested that in oral testimony he could simply say to the Subcommittee that, although there were certain differences of opinion within the Board, in his personal view the State approach would be preferable. He would also make it clear that whatever decision was reached by the Congress, the Board would be as helpful as possible.

Governor Mills indicated that the handling of the testimony in this way would be agreeable to him, as did Governor Vardaman.

In further discussion, Governor Mills noted that other bills had been introduced in the Congress to provide financial assistance to depressed areas and that the enactment of S. 2286 along with other bills having the same general purpose might create a confusing situation. He suggested that in oral testimony the point might be made that it was rather difficult to express a helpful opinion on this

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particular bill until disposition had been made of the other proposed legislation.

With regard to the content of the statement to be made by Chairman Martin, certain suggestions for minor changes in the latest draft of testimony were made and it was understood that the statement would be presented in a final form satisfactory to the Chairman.

Proposed changes in the Retirement System of the Federal Reserve Banks. It was agreed that the Board would meet with President Johns tomorrow afternoon for further discussion of the proposed changes in the Bank Plan of the Retirement System of the Federal Reserve Banks.

In this connection, Governor Shepardson stated that he could not be present at the meeting tomorrow because of an out-of-town engagement. However, he had reviewed the latest correspondence received from Mr. Johns and from Industrial Relations Counselors Service and he was favorably inclined toward the amended proposals that had developed from this correspondence.

The meeting then adjourned.

Secretary's Note: On June 18, 1957,  
Governor Shepardson approved the following items on behalf of the Board:

Memoranda from appropriate individuals concerned recommending the following actions regarding the Board's staff:

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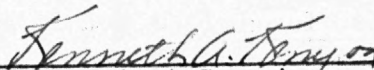
Salary increase

Harold L. Emerson, Personnel Assistant, Division of Personnel Administration, from \$5,980 to \$6,390 per annum, effective June 30, 1957. (With a change in title from Personnel Technician.)

Transfer and salary increase

Margaret M. Tunstall, from the position of Clerk in the Division of Administrative Services to the position of Clerk-Typist in the Division of Examinations, with an increase in her basic salary from \$3,260 to \$3,415 per annum, effective June 30, 1957.

Letter to the Federal Reserve Bank of Chicago approving the designation of Roger E. Schultz as special assistant examiner. A copy of the letter is attached hereto as Item No. 14.

  
Assistant Secretary

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

Item No. 1  
6/19/57

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

June 19, 1957

CONFIDENTIAL (FR)

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

Dear Mr. Erickson:

The Board of Governors approves the payment of salaries to the following officers of the Federal Reserve Bank of Boston for the period of July 1, 1957, through December 31, 1957, at the rates indicated which are the rates fixed by the Board of Directors as reported in your letter of June 4, 1957.

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
Benjamin F. Groot	Vice President	\$14,500
George H. Ellis	Vice President and Director of Research	15,000
William R. King	Asst. Vice President	12,000
Parker B. Willis	Economic Adviser	12,000

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  
6/19/57

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

June 19, 1957

Board of Directors,  
The Black Rock Bank and Trust Company,  
Bridgeport, Connecticut.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of New York, the Board of Governors of the Federal Reserve System approves the establishment of a branch by The Black Rock Bank and Trust Company, Bridgeport, Connecticut, at 5900 Main Street in the Town of Trumbull, Fairfield County, Connecticut, provided the branch is established within one year from the date of this letter.

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  
6/19/57

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD



June 19, 1957

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

Dear Mr. Hill:

This refers to the matter of interpreting section 24A of the Federal Reserve Act in connection with sales of branch bank premises by Camden Trust Company, Camden, New Jersey, under lease-back arrangements.

The member bank has \$3 million capital stock and \$6 million surplus and carries on its books investments in bank premises of \$2,605,812. During recent years the bank sold to Price and Company, Inc., for \$1,412,800, branch properties carried on its books at \$1,045,591.09. Approximately one third of the sale price (\$473,800) was paid in cash and purchase-money mortgages were given for the remainder (\$939,000). Of this amount, \$571,791.09 represents the difference between the book value of such premises and the actual cash received by the bank, and \$367,208.91 represents profits from the sales. Apparently the entire \$939,000 was entered on the books as an asset and \$367,208.91 was added to the bank's undivided profits.

From the point of view of conservative banking practice, all of the cash received in these transactions should have been applied first to reduce the book value of the branch premises and the profits on the sales should not have been taken into undivided profits until full payment in cash had been received for the assets. Actually \$571,791.09 of the book value of the branch premises remains unliquidated. However, due to the manner in which the bank handled these transactions, the purchase-money mortgages of \$939,000 represent an indirect investment in bank premises for the purposes of section 24A of the Federal Reserve Act. The reason for this position is set forth below:

Section 24A provides that "no State member bank, without the approval of the Board of Governors of the Federal Reserve System, shall (1) invest in bank premises, or in the stock, bonds, debentures, or other such obligations of any corporation holding the premises of such

Mr. E. C. Hill

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bank or (2) make loans to . . . any such corporation, if the aggregate of all such investments and loans, . . . will exceed the amount of the capital stock of such bank."

It is believed that the entire situation should be viewed in the light of the purpose and intent of section 24A--namely, the requirement of Board permission before a State member bank may have an amount exceeding its capital stock invested in bank premises.

Unquestionably the branch buildings were part of the bank's investment in bank premises before the sales to Price and Company. Accordingly, the burden is on the bank to show that the sales eliminated these investments in bank premises. In view of the purpose of section 24A, it seems reasonable to hold that once a bank has directly owned bank premises, the investment continues until the bank recovers the money which it put into the premises (or eliminates such investments from its books by normal charge-off).

After the sales, a portion of the bank's investment still remained tied up in bank premises and was secured by mortgages on such premises; consequently, it continued to be an investment in bank premises within the meaning of section 24A.

In this case, however, the bank has placed on its books the entire amount of the balance secured by purchase-money mortgages, and not merely that part of the original investment that has not been recovered. If the bank insists on thus "capitalizing" the entire amount of the mortgages, that figure must be regarded as part of the bank's investment in bank premises. In the Board's opinion, the words "make loans to" as contained in clause (2) of section 24A are broad enough to include any extension of credit to a corporation holding bank premises. It may be said that it was clearly the intention of Congress to cover the investment of bank funds in bank premises in a general and complete manner, and it would be inconsistent with this purpose to interpret the statute in such a way that it could be circumvented merely by giving credit, secured by purchase-money mortgages, for properties purchased from the bank, when the bank could not make direct loans for the same purpose without coming within the statute.

Accordingly, the Board is of the opinion that the purchase-money mortgages of Price and Company, to the extent that they are carried on the books of the bank, should be included in computing the aggregate investment in bank premises for the purposes of section 24A. While it is apparent that this aggregate investment has exceeded the bank's capital and that approval of certain additional

Mr. E. C. Hill

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expenditures should have been obtained, the aggregate investment is not disproportionate to total capital structure at this time, and the Board offers no objection in this case.

When advising the member bank of the Board's position in this matter, please notify the bank that the Board's approval should be applied for in advance for any future investments in bank premises, as long as the total investment in bank premises, including loans representing bank premises, exceeds the amount of the bank's capital stock. At the same time, you may wish to call attention to the fact that the bank should show at item 9 of the report of condition (Investments and other assets indirectly representing bank premises or other real estate) the total of the purchase-money mortgages.

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  
6/19/57

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

June 19, 1957

Board of Directors,  
Farmers Bank of Clinch Valley,  
Tazewell, Virginia.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Richmond, the Board of Governors of the Federal Reserve System approves the establishment of a branch by the Farmers Bank of Clinch Valley, Tazewell, Virginia, on the northwest corner of the intersection of State Highway No. 16 and State Route No. 61 in North Tazewell, Virginia, provided the branch is established within six months from the date of this letter, and the approval of the State Corporation Commission is effective as of the date the branch is established.

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  
6/19/57

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

June 19, 1957

Mr. J. E. Denmark, Vice President,  
Federal Reserve Bank of Atlanta,  
Atlanta 3, Georgia.

Dear Mr. Denmark:

Reference is made to your letter of May 31, 1957, submitting with a favorable recommendation a request of the Jeff Davis Bank & Trust Company, Jennings, Louisiana, for permission under Section 24A of the Federal Reserve Act for investments in land and building for the purpose of constructing new bank premises on a lot approximately two blocks north of its present leased quarters.

The Board has given consideration to the information you have submitted and approves the investment of not exceeding \$145,000 (including air conditioning, site work, and paving) by the Jeff Davis Bank & Trust Company in bank premises with the understanding that the carrying values of its bank premises and furniture and equipment will be reduced to \$100,000 and \$20,000, respectively, on completion of the program through the establishment of applicable valuation reserves. It also is understood that a conservative dividend policy is to be continued and that all fixed assets will be written down as rapidly as earnings permit. Please advise the bank accordingly.

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  
6/19/57

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

June 19, 1957



Board of Directors,  
The State National Bank of Corsicana,  
Corsicana, 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, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies or other corporations which come into competition with national banks are permitted to act under the laws of the State of Texas, 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 State National Bank of Corsicana 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. 7  
6/19/57

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

June 19, 1957

Dear Sir:

The Board's letter to all Federal Reserve Banks of June 8, 1955, indicated that the Board had declined to amend its margin regulations to facilitate the exercise of stock purchase option plans by corporate employees.

Since that time the Board has received additional suggestions that its margin regulations, particularly Regulation U, be amended to provide special treatment for loans to finance stock purchases pursuant to executives' stock option plans. Two suggestions of this kind have been considered by the Board in recent months.

This is to advise that the Board indicated in reply to these suggestions that, while arguments can be advanced on both sides of the matter, on balance it would not be advisable at this time to adopt such an amendment.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Assistant Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

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

Item No. 8  
6/19/57

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

June 19, 1957

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

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

Dear Mr. Comptroller:

Reference is made to a letter from your office dated April 18, 1957, enclosing copies of an application of the Security Banking Company, Springfield, Massachusetts, to convert into a national banking association and requesting a recommendation as to whether or not the application should be approved.

Information supplied by the Federal Reserve Bank of Boston about the Security Banking Company is generally favorable with respect to its financial history, the adequacy of its capital structure, future earnings prospects, management, and services to the community. Accordingly, the Board of Governors recommends approval of the application of Security Banking Company to convert into a national banking association.

The Board's Division of Examinations will be glad to discuss any aspects of this case with representatives of your office if you so desire.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Assistant Secretary.



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

Item No. 9  
6/19/57

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

June 19, 1957

Mr. Victor R. Hansen,  
Assistant Attorney General,  
Antitrust Division,  
Department of Justice,  
Washington 25, D. C.

Dear Mr. Hansen:

This is in response to your letter of May 15, 1957, with enclosures, to Chairman Martin, relative to complaints which your office has received concerning certain practices of the Pine Lawn Bank & Trust Company of St. Louis, Missouri, in connection with the placing of hazard insurance on property which may be the subject of mortgage loans made by that bank. You state that these complaints have been forwarded for decision as to whether the Federal Reserve Board desires to take action with respect to them.

In brief, it appears that the practice in which the bank allegedly is engaging is to require a borrower to permit the bank's President, in his individual capacity, to place hazard insurance in connection with the bank's mortgage loans. It is understood that the Antitrust Division considers this to be a form of coercion and a violation of the Sherman Act.

The Board, as a Federal bank supervisory agency, is desirous of cooperating with the Department of Justice in whatever way it may properly do so. Heretofore, in the course of bank examinations, Federal Reserve examiners have not made a special point of investigating in detail insurance activities of banks except where it is indicated that banking laws or unsound banking practices may be involved. In a given situation, the so-called "tie-in insurance" possibly could result in poor mortgage loan administration on the part of the bank and, if so, Federal Reserve examiners would criticize the practice. In this connection however, no case other than that of the Pine Lawn Bank & Trust Company has been brought to the attention of the Board, although the Board is aware of the fact that some banks have facilities for placing insurance on property which they have financed.

Mr. Victor R. Hansen

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It has been noted that your Division has informed the Veterans Administration of your position with respect to insurance tie-in practices, and that in turn, the Veterans Administration has circulated your views to lenders, builders, sellers, and others participating in the V. A. loan guarantee program. As a result of this action it is probable that most banks which are members of the Federal Reserve System are already aware of the Antitrust Division's views in the matter. Nevertheless the Board has instructed Federal Reserve examiners who, during the course of an examination of a bank, discover tie-in insurance practices in connection with mortgage loans, to bring to the bank's attention the views of your Division, and will cooperate with you in such other manner as may be proper in the circumstances.

In regard to the situation at the Pine Lawn Bank & Trust Company the Federal Reserve Bank of St. Louis has been requested to secure full information and report to the Board for such action as the Board, in its supervisory capacity, considers appropriate.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Assistant Secretary.

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

Item No. 10  
6/19/57

WASHINGTON 25, D. C.

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

June 19, 1957



Donald J. Veldman, Esq.,  
Hathaway, Latimer, Clink & Robb,  
512 Hackley Union National Bank Building,  
Muskegon, Michigan.

Dear Mr. Veldman:

Your letter of May 27 raises the question whether or not the existing Trust Investment Committee of Hackley Union National Bank and Trust Company of Muskegon may also act as the investment committee for a common trust fund which that bank proposes to establish, presumably under the provisions of section 17(c), Regulation F of this Board.

The provisions of section 17(c), in prescribing the functions of the trust investment committee pertaining to common trust fund administration, do not contemplate that the required functions and responsibilities be assigned to a committee of directors or officers of the bank separate from the regularly constituted trust investment committee. On the other hand, there is no reason why a committee specially constituted and charged could not be created by the board of directors; in fact, some of the larger banks maintaining common trust funds have adopted such arrangements.

In general practice, the responsibilities for committee action detailed in section 17(c) are reposed in the regularly constituted trust investment committee of the bank maintaining the common trust fund. The creation, composition, and responsibilities of any such committee should, of course, conform to the stated requirements and over-all purposes and intent of the provisions of paragraphs (b) and (c) of section 6, Regulation F.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Assistant Secretary.



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

Item No. 11  
6/19/57

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

June 19, 1957

National Labor Relations Board,  
South Building, Health, Education & Welfare,  
330 C Street, S. W.,  
Washington, D. C.

Attention Mr. Arthur W. Lang

Gentlemen:

Reference is made to the detail to the Board of Governors of Mr. Charles W. Schneider, Hearing Examiner, GS-15, previously agreed to by you under letter dated December 10, 1956.

Under the terms of Mr. Schneider's detail, he was made available to this Board for a 6-month period beginning January 1, 1957, to preside at one or more hearings ordered to be held under the Bank Holding Company Act of 1956. It was agreed that the National Labor Relations Board would be reimbursed for Mr. Schneider's salary at the rate of \$12,690 per annum, and for any travel expenses involved, salary reimbursement to be made only for the time in which Mr. Schneider was actually engaged in connection with the said hearings.

It now appears that Mr. Schneider's services will be required for an additional period of time in order that he might complete his work on the hearing over which he is now presiding. It is difficult at this time to predict the precise additional time which will be required to complete this work. However, it is believed that an additional period of 6 months would reasonably cover any remaining services which will be required.

Therefore, the Board of Governors requests that the National Labor Relations Board extend Mr. Schneider's detail for an additional period of 6 months beginning July 1, 1957, on the same basis as the original detail as set forth in a letter from this office, dated December 7, 1956.



National Labor Relations Board      -2-

It will be appreciated if you will confirm this extension of the reimbursable detail in order that the necessary arrangements can be made with the Civil Service Commission in connection with confirmation of the extension of Mr. Schneider's services.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Assistant Secretary.

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

Item No. 12  
6/19/57

June 19, 1957

Harris - New York

Reurlet June 12. In view of recent admission to membership in System of Bank of Virgin Islands National Bank\* as stockholder of your Bank and agreement by West Indies Bank and Trust Company, a non-member bank, to remit at par and conform to operating circulars of your Bank relating to collection of cash and noncash items, Board has today taken actions, pursuant to footnote 1 of Regulation G and footnote 1 of Regulation J, respectively, designating Virgin Islands as being in or of Second Federal Reserve District for purposes of such regulations, effective immediately. Advice of such action being given all Federal Reserve Banks and Branches.

(Signed) Merritt Sherman

Sherman

\* Should have read: Virgin Islands National Bank

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

Item No. 13  
6/19/57

S-1632

June 19, 1957

TELEGRAM TO PRESIDENTS OF ALL FEDERAL RESERVE BANKS AND  
VICE PRESIDENTS IN CHARGE AT ALL FEDERAL RESERVE BRANCHES

In view of recent admission to membership of Virgin Islands National Bank as stockholder of Federal Reserve Bank of New York and agreement by West Indies Bank and Trust Company, a nonmember bank, to remit at par and conform to operating circulars of Federal Reserve Bank of New York relating to collection of cash and noncash items, Board has today taken following actions:

DESIGNATION OF VIRGIN ISLANDS AS BEING IN OR OF THE  
SECOND FEDERAL RESERVE DISTRICT FOR PURPOSES OF  
REGULATION G

Pursuant to Footnote 1 of Regulation G, the Board of Governors has taken the following action:

For purposes of Regulation G, the Virgin Islands shall be deemed to be in or of the Second Federal Reserve District, effective on and after June 19, 1957.

DESIGNATION OF VIRGIN ISLANDS AS BEING IN OR OF THE  
SECOND FEDERAL RESERVE DISTRICT FOR PURPOSES OF  
REGULATION J

Pursuant to Footnote 1 of Regulation J, the Board of Governors has taken the following action:

For purposes of Regulation J, the Virgin Islands shall be deemed to be in or of the Second Federal Reserve District, effective on and after June 19, 1957.

(Signed) Merritt Sherman  
Sherman

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

Item No. 14  
6/19/57

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

June 18, 1957

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

Dear Mr. Diercks:

In accordance with the request contained in your letter of June 12, 1957, the Board approves the designation of Roger E. Schultz as a special assistant examiner for the Federal Reserve Bank of Chicago. Please advise as to the date upon which the designation is made effective.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Assistant Secretary.

