

Minutes for July 12, 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><i>AM</i></u>	_____
Gov. Szymczak	X <u><i>AMS</i></u>	_____
<u>1/</u> Gov. Vardaman	X <u><i>V</i></u>	_____
Gov. Mills	X <u><i>[Signature]</i></u>	_____
Gov. Robertson	X <u><i>RC</i></u>	_____
Gov. Balderston	X <u><i>CB</i></u>	_____
Gov. Shepardson	X <u><i>SS</i></u>	_____

1/ Withdrew from meeting at point indicated in minutes.

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, July 12, 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 1/  
 Mr. Mills  
 Mr. Robertson  
 Mr. Shepardson

Mr. Carpenter, Secretary  
 Mr. Sherman, Assistant Secretary  
 Mr. Kenyon, Assistant Secretary  
 Mr. Hackley, General Counsel  
 Mr. Masters, Director, Division of Examinations  
 Mr. Hostrup, Assistant Director, Division of Examinations  
 Mr. Hooff, Assistant 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 Minneapolis approving the temporary retention in active service of five employees beyond normal retirement dates.	1
Letter to Carlen Realty Company, Tarpon Springs, Florida, regarding the company's status as a holding company affiliate.	2
Letter to the Federal Reserve Bank of Atlanta regarding the preceding item.	3

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1/ Withdrew from meeting at point indicated in minutes.

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Item No.

- Letter to the Internal Revenue Service inquiring whether there would be any objection on the part of the Service to the proposed deletion of a specified footnote to section 10(c) of Regulation F. (With the understanding that the letter would be sent after the subject had been discussed with the Office of the Comptroller of the Currency) 4
- Letter to the Federal Reserve Bank of San Francisco concerning the application of section 4(c) of Regulation T, relating to special cash accounts. (With the understanding that copies would be sent to the Presidents of all Federal Reserve Banks) 5
- Letter to Bank of America, New York, New York, approving the purchase of shares of Societe Anonyme Immobiliere and a change in the location of the bank's Paris branch. (For transmittal through the Federal Reserve Bank of New York) 6

Discount rates. There were presented telegrams proposed to be sent to the following Federal Reserve Banks approving the establishment without change by those Banks on the dates indicated of the rates of discount and purchase in their existing schedules:

San Francisco	July 10
New York	July 11
Cleveland	July 11
Richmond	July 11
Atlanta	July 11
Chicago	July 11
St. Louis	July 11
Kansas City	July 11
Dallas	July 11

The telegrams were approved unanimously.

Mr. Hooff then withdrew from the meeting and Mr. Thomas, Economic Adviser to the Board, entered the room.

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Salt Lake City Branch building program (Item No. 7). In a telegram dated July 11, 1957, President Mangels of the Federal Reserve Bank of San Francisco advised that the directors of the Bank had voted to approve the installation of additional piling at an estimated cost of \$7,500 to permit the construction of additional vault facilities in the new Salt Lake City branch building. Mr. Mangels' telegram also stated that when estimates became available, consideration could be given to the desirability of proceeding with construction of another vault, depending on the need for additional facilities for emergency storage of currency. In any event, the proposed expenditure for piling at this time would be good insurance and would effect considerable savings if the vault were needed later. In a memorandum dated July 11, 1957, which had been distributed to the members of the Board along with copies of Mr. Mangels' telegram, Mr. Leonard explained that the proposal to install additional piling resulted from discussions arising out of the suggestion that Salt Lake City would be a desirable location for the storage of emergency supplies of currency as part of the defense planning program. A proposed telegram to President Mangels which would state that the Board approved the installation of the additional piling was submitted with the memorandum.

Following a brief discussion, unanimous approval was given to the proposed telegram to President Mangels. A copy thereof is attached to these minutes as Item No. 7.

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Extension of time for filing Hearing Examiner's report (Item No. 8). In a memorandum dated July 9, 1957, Mr. Arthur Leff, Hearing Examiner on the applications of General Contract Corporation, St. Louis, Missouri, for determinations pursuant to section 4(c)(6) of the Bank Holding Company Act, requested, for reasons stated, that the time within which he might file his report be extended from July 16, 1957, to September 15, 1957. Copies of Mr. Leff's memorandum had been sent to the members of the Board with a memorandum from the Legal Division dated July 10, 1957, which expressed the view that the Hearing Examiner's request was reasonable, particularly because the case presented important and novel questions under the pertinent statutory provisions. Submitted with the Legal Division's memorandum was a draft of Order which might be issued by the Board.

Pursuant to the Legal Division's recommendation, the Board approved unanimously the issuance of an Order extending until September 15, 1957, the time for filing of the Hearing Examiner's report, with the understanding that copies of the Order would be sent to the Hearing Examiner, General Contract Corporation, and other appropriate parties. A copy of the Order is attached to these minutes as Item No. 8.

Application of Hamilton National Associates, Inc., for general voting permit (Item No. 9). There had been distributed to the members of the Board copies of a memorandum from the Division of Examinations dated July 9, 1957, discussing the application of Hamilton National Associates, Inc., Chattanooga, Tennessee, for a general voting permit

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covering its stock in eleven subsidiary banks. A supplemental memorandum analyzed the application in the light of the factors required to be considered by the Board pursuant to section 5144 of the Revised Statutes of the United States. On the basis of this analysis, it was the recommendation of the Division that the general voting permit be granted.

After Mr. Hostrup had commented in response to certain questions raised by Governor Balderston, the Board voted unanimously in favor of issuance of the requested general voting permit. A copy of the telegram sent to the Federal Reserve Agent at Atlanta pursuant to this action is attached to these minutes as Item No. 9.

At this point Messrs. Riefler, Assistant to the Chairman, and Conkling, Assistant Director, Division of Bank Operations, entered the room.

Response to questions raised by Congressman Patman (Item No. 10). At the meeting of the Board on July 10, 1957, preliminary consideration was given to the response that should be made to certain questions concerning the operations of the Federal Reserve System that were raised by Congressman Patman in a letter to Chairman Martin dated July 8, 1957. Pursuant to the understanding at that time, the staff had compiled proposed answers to the respective questions to the extent

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that time and the available information permitted. The suggested answers had been distributed to the members of the Board before this meeting, along with a draft of transmittal letter to Congressman Patman.

The proposed replies were reviewed by the Board in detail, certain suggestions were made for changes therein, and the phrasing of the transmittal letter also was changed slightly.

During the discussion Governor Vardaman withdrew from the meeting. Before leaving, however, he indicated that he was satisfied with the proposed replies, subject to their being revised to the extent agreed upon at this meeting.

At the conclusion of the discussion, the replies to the respective questions, revised in the light of the comments made at this meeting, were approved unanimously for transmittal to Congressman Patman early Monday morning. The letter of transmittal was approved in the form attached to these minutes as Item No. 10.

Data on local government bond sales (Item No. 11). There had been sent to the members of the Board copies of a memorandum dated July 11, 1957, from Mr. Riefler, Mr. Koch, Assistant Director, Division of Research and Statistics, and Miss Stockwell, Economist in that Division, submitting a draft of letter to the Presidents of all Federal Reserve Banks which would request certain information on interest costs and credit ratings of small bond issues of municipal and other local

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governments sold during the first quarter of 1957. This would supplement the Board's earlier inquiry of February 15, 1957, made in connection with its report on S. 775, a bill to encourage member bank investment in State and local government obligations through the medium of specialized investment companies. It was stated that the data proposed to be requested would be useful in connection with possible Congressional inquiries, and also in arriving at a judgment with regard to the effect of monetary restraint on the small municipality.

Pursuant to the recommendation contained in the memorandum, it was agreed unanimously to request the Federal Reserve Banks to supply the information in question. A copy of the letter sent to the Banks pursuant to this action is attached hereto as Item No. 11.

Mr. Conkling then withdrew from the meeting.

Survey of Consumer Finances. In a memorandum dated July 10, 1957, copies of which had been sent to the members of the Board, Messrs. Robinson, Adviser, and Williams, Assistant Director, Division of Research and Statistics, recommended that the staff be authorized to enter into a contract at this time with the Survey Research Center of the University of Michigan for continuation in 1958 of the Survey of Consumer Finances. The proposed budget provision for this work was \$163,000, \$13,000 higher than in 1957, and the amount would be incorporated in the regular budget of the Division of Research and Statistics. The memorandum pointed out that since 1951 the annual budget for the



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Survey had been held at \$150,000, and actual outlays had been within a few thousand dollars of that figure, despite rising salaries and other costs. However, two recent cost of living increases granted by the University had further affected the Research Center's costs and the proposed increase in the contract cost for the 1958 Survey was considered to be warranted. As in the past, the contract amount would be a maximum figure, with actual disbursements to be based on the submission of certified vouchers of direct and indirect costs.

Governor Shepardson stated that he had discussed the matter with representatives of the Division of Research and Statistics and the Controller's Office, that the Board's staff had for some years been resisting an increase in the contract figure, and that the number of interviews in the Survey had been reduced to what appeared to be a minimum consistent with appropriate sampling techniques. These steps having been taken, it seemed to him that the proposed increase in the contract amount was justifiable in the light of the Survey Research Center's increased costs.

Governor Balderston then made a statement in which he said that, while he would have no objection to authorizing a continuation of the Survey of Consumer Finances in 1958, he felt that upon the return of Mr. Young, Director of the Division of Research and Statistics, thought should be given to the possibility of turning the Survey over to the sponsorship of some private organization such as the Ford Foundation. He observed that although the Survey, a unique pioneering

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effort, was expensive for the System to conduct, criticisms had been made by the special committee which looked into the matter at the Board's request in connection with the Talle Subcommittee studies relating to Government statistics. These criticisms pointed to the need for changes which would make the Survey more effective but which would also involve additional expense. Therefore, he suggested that the year ahead be devoted to studying ways and means of placing the Survey on the soundest possible basis, looking toward its eventual financing by some other interested organization.

Governor Balderston's comments having been noted, Chairman Martin suggested that the staff be authorized to enter into a contract for the 1958 Survey on the basis recommended, with the understanding that this represented no commitment on the part of the Board to continue the Surveys after 1958 and that before the middle of next year the staff would explore all aspects of the matter.

The procedure suggested by Chairman Martin was approved unanimously.

During the foregoing discussion Mr. Robinson, Adviser, Division of Research and Statistics, was called into the meeting.

System for mechanization of check processing (Item No. 12).

In a memorandum dated July 10, 1957, which had been distributed to the members of the Board, Messrs. Riefler, Assistant to the Chairman, Koch, Assistant Director, Division of Research and Statistics, and

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Eckert, Chief of the Banking Section in that Division, recommended that the Board send a letter to the Technical Committee on Mechanization of Check Handling of the American Bankers Association inviting the Committee's attention to the desirability of incorporating a coding system for identification of type of depositor in the automated check handling procedures being developed by the Committee. The memorandum stated that provision for such coding would minimize the cost and the reporting burden on respondent banks in supplying information such as that obtained in the annual deposit ownership survey and would also mean that needed information, such as data on debits by ownership group, might be obtained in the not too distant future. The ownership coding problem had been discussed informally by members of the Board's staff with members of the Committee, and it was understood that a communication from the Board would be desirable as a basis for placing the matter on the Committee's agenda. The memorandum also noted that interest had been expressed by the Bureau of the Budget in the coding problem.

Pursuant to the recommendation contained in the memorandum, unanimous approval was given to the letter to the Chairman of the Technical Committee of which a copy is attached hereto as Item No.12.

Arrangements for Otto Bremer Company hearing (Item No. 13).

At the meeting of the Board on July 3, 1957, the staff was authorized to make arrangements for the hearing required under the Bank Holding Company Act with respect to a request by Otto Bremer Company, St. Paul,

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Minnesota, for a determination under section 4(c)(6) of the Act. In a memorandum dated July 11, 1957, which had been distributed to the members of the Board, Mr. Hackley reported that arrangements had been made for the detail of Mr. Arthur Leff to the Board as Hearing Examiner for an additional period of six months beginning August 1, 1957, that Mr. Leff therefore would be able to preside at the Otto Bremer Company hearing, that Mr. Sigurd Ueland, Vice President and Counsel of the Federal Reserve Bank of Minneapolis, had agreed to serve as Board Counsel in connection with the hearing, and that Mr. G. W. Lamphere, Assistant General Counsel for the Federal Reserve Bank of Chicago, had agreed to assist Mr. Ueland. After consultation, it appeared that it would be convenient for all parties to begin the hearing at the Minneapolis Reserve Bank on August 20, 1957. Accordingly, there was submitted a draft of Order for Hearing which might be issued by the Board.

Pursuant to the recommendation contained in Mr. Hackley's memorandum, unanimous approval was given to the Order, of which a copy is attached hereto as Item No. 13, with the understanding that copies would be sent to Otto Bremer Company and other appropriate parties and that the Order would be published in the Federal Register.

The meeting then adjourned.

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Secretary's Note: Pursuant to recommendations contained in memoranda from appropriate individuals concerned, Governor Shepardson approved on behalf of the Board on July 11, 1957, the following items affecting the Board's staff:

Transfer and salary increase

Nyart S. Sharigan, from the position of Clerk-Stenographer in the Division of Bank Operations to the position of Secretary in the Division of International Finance, with an increase in basic annual salary from \$3,925 to \$4,075, effective the date she assumes her new duties.

Salary increases, effective July 14, 1957

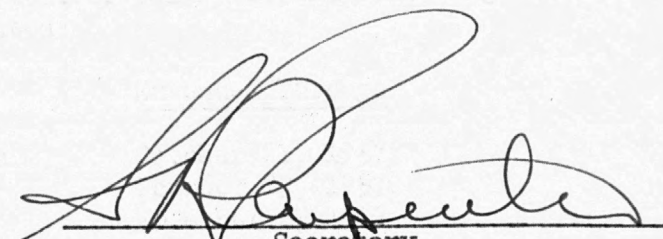
<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Office of the Secretary</u>			
Doreen Dippre, Secretary		\$4,890	\$5,065
<u>Legal</u>			
Eugene C. Harrison, Clerk		3,940	4,075
<u>Research and Statistics</u>			
Eleanor J. Pratt, Clerk		3,415	3,500
Helmut F. Wendel, Economist		6,820	7,035
<u>International Finance</u>			
Patricia C. Fitzmaurice, Clerk		3,175	3,260
Nancy S. Martino, Economist		5,440	5,575
<u>Bank Operations</u>			
Nyart S. Sharigan, Clerk-Stenographer		3,755	3,840
Kathleen Edwards, Clerk-Stenographer		3,415	3,500

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Salary increases, effective July 14, 1957 (continued)

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Examinations</u>			
Jerome T. Kelley, Senior Federal Reserve Examiner		\$10,535	\$10,750
<u>Administrative Services</u>			
Robert H. Craft, Operator, Tabulating Equipment		3,755	3,840
Donald B. Fitzhugh, Tabulation Planner		4,930	5,440
Herbert E. Haney, Operator, Tabulating Equipment		4,350	4,525
Davis H. Wilson, Chief, Machine Tabulation and Telegraph Section		7,465	7,785



Secretary

1960

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

Item No. 1  
7/12/57

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

July 12, 1957



Mr. Frederick L. Deming, President,  
Federal Reserve Bank of Minneapolis,  
Minneapolis 2, Minnesota.

Dear Mr. Deming:

In view of the circumstances outlined in your letter of June 26, 1957, to Mr. Sprecher concerning the extension of retirement dates for five of your employees, the Board of Governors approves the retention in service and the payment of salary to the following persons through the dates indicated:

<u>Name</u>	<u>Extended Through</u>
James A. McDonald	October 21, 1957
Gregg Wilson	October 23, 1957
James P. Clark	November 3, 1957
Emma A. Engen	December 29, 1957
Edward A. Daly	December 30, 1957

It is understood that if the benefits from the changes in the Retirement System become effective prior to any of these dates, these retentions will extend only to such prior date.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,  
Secretary.

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

Item No. 2  
7/12/57

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

July 12, 1957

Mr. A. L. Ellis, President,  
Carlen Realty Company,  
Tarpon Springs, Florida.

Dear Mr. Ellis:

This refers to the request contained in your letter of May 20, 1957, submitted through the Federal Reserve Bank of Atlanta, for a determination by the Board of Governors of the Federal Reserve System as to the future status of Carlen Realty Company, Tarpon Springs, Florida, as a holding company affiliate.

From the information submitted, the Board understands that Carlen Realty Company is principally engaged in the business of acquiring, developing, remodeling and constructing buildings and otherwise improving real estate for investment, income and profit from sales; that Carlen Realty Company owns 16,250 of the 20,000 outstanding shares of stock of First National Bank in Tarpon Springs, Tarpon Springs, Florida, and 3,200 of the 5,000 outstanding shares of stock of Central Baldwin Bank, Robertsedale, Alabama; that Carlen Realty Company plans to distribute to its stockholders all or substantially all of the stock which it owns of Central Baldwin Bank; and that after this distribution of stock is accomplished, Carlen Realty Company will not, directly or indirectly, own or control any stock of any other banking institutions, or manage or control any banking institution other than First National Bank in Tarpon Springs.

In view of these facts, the Board has determined that Carlen Realty Company, after it distributes all or substantially all of the stock which it owns of Central Baldwin Bank, will not be 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; and, accordingly, Carlen Realty Company will not be deemed to be a holding company affiliate for any purposes other than those of section 23A of the Federal Reserve Act and will not need a voting permit from the Board of Governors in order to vote the stock of First National Bank of Tarpon Springs.





Mr. A. L. Ellis

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If, however, the facts should at any time differ from those set out above to an extent which would indicate that Carlen Realty Company 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 a further determination of this matter on the basis of the then existing facts.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Assistant Secretary.

1963

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

Item No. 3  
7/12/57

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

July 12, 1957



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

Dear Mr. Denmark:

This refers to your letter of May 31, 1957, relating to the holding company affiliate status of Carlen Realty Company, Tarpon Springs, Florida.

There is enclosed for transmittal, a letter of this date addressed to Mr. A. L. Ellis, President of Carlen Realty Company, advising him of the action taken by the Board with respect to this matter. A copy of the letter is also enclosed for your files.

Mr. Ellis' letter of May 20, 1957, indicates that Carlen Realty Company intends to dispose of its stock in Central Baldwin Bank by a distribution that would be entitled to the tax advantages provided by sections 1101-1103 of the Internal Revenue Code, and it is noted that the Company wishes to expedite the proposed distribution. Presumably the Company is aware that the tax benefits are available only if the Board makes the necessary certifications before the distribution takes place. In any event, the Company's attention should be directed to section 5(c) of Federal Reserve Regulation Y, which provides that applications for tax certifications shall be filed not less than 60 days in advance of the proposed distribution. The Company should also be informed that certification as to "qualified bank holding corporation" status, under section 1103(b) of the Code, requires the ascertainment of certain factual matters; and since this may be complex and time-consuming, the Company may wish to file its application for tax certification with your Bank as soon as plans for the distribution become definite.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Assistant Secretary.

Enclosures

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

Item No. 4  
7/12/57

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD



Honorable Russell C. Harrington,  
Commissioner, Internal Revenue Service,  
12th and Constitution Avenue, N. W.,  
Washington 25, D. C.

Dear Mr. Harrington:

Section 584 of the Internal Revenue Code exempts common trust funds from Federal income taxation. The term "common trust fund" is defined to mean a fund maintained by a bank

- (1) exclusively for the collective investment of funds held by the bank in fiduciary capacities, and
- (2) "in conformity with the rules and regulations, prevailing from time to time, of the Board of Governors of the Federal Reserve System pertaining to the collective investment of trust funds by national banks."

After section 584 was enacted in 1936, the Board of Governors consulted the Bureau of Internal Revenue in 1937 before issuing rules and regulations on this subject, which were (and still are) embodied in section 17 of Federal Reserve Regulation F (12 C.F.R. 206.17).

As you know, section 584 was enacted chiefly for the purpose of eliminating a tax burden on collective investment of smaller trusts, resulting from the holding in Brooklyn Trust Company v. Commissioner (C.C.A. 2, 1936), 80 Fed. 2d 865, that collective investment of the funds of a number of individual trusts administered by a bank gives rise to an "association" that is subject to income taxation as a corporation.

In 1954 the Board of Governors was informed by a national bank that it desired to invest collectively funds of a number of pension and profit-sharing trusts administered by it. Section 10(c) of Regulation F then prohibited collective investment of trust funds "except as permitted in section 17." However, section 17 prescribes a \$100,000 maximum on the investment of any one trust in a Common Trust Fund maintained in accordance with that section, and consequently investment in such a Common Trust Fund would not take care of this situation, since it was desired to invest collectively funds

Honorable Russell C. Harrington -2-

of individual pension trusts in amounts far in excess of the \$100,000 maximum. Also, it was not practical to comply with other detailed requirements of section 17.

After consideration of the problem, the Board in 1955 amended section 10(c) of Regulation F so that it now not only permits national banks to invest collectively in accordance with section 17, but also provides that

"funds of a trust which forms part of a pension, profit-sharing, or stock bonus plan of an employer for the exclusive benefit of his employees or their beneficiaries and which is exempt from Federal income taxes under the Internal Revenue Code may be invested collectively with funds of other such pension, profit-sharing, or stock bonus plan trusts if such collective investment is specifically authorized by the instrument creating the trust or by court order."

Copies of Regulation F, as amended, are enclosed.

After this proposed amendment to section 10(c) had been publicized but before its adoption, the Board learned that some banks regarded it as constituting "rules and regulations . . . of the Board of Governors . . . pertaining to the collective investment of trust funds by national banks" within the purview of section 584. The Board was under the impression that section 584 contemplated only collective investment of smaller trusts in accordance with relatively detailed rules and regulations. Since the proposed collective investment of pension trusts did not fall within this category, the Board assumed that such a collective fund would not constitute a "common trust fund" within section 584. Accordingly, in order to avoid what the Board thought might be a misunderstanding of the effect of the amendment, the following footnote was added to section 10(c) of Regulation F:

"Section 584 of the Internal Revenue Code of 1954 provides that a common trust fund maintained in conformity with rules and regulations of the Board of Governors of the Federal Reserve System 'pertaining to the collective investment of trust funds by national banks' and meeting certain other requirements shall not be subject to Federal income taxation. The rules and regulations of the Board of Governors for the purposes of section 584 are contained solely in section 17 of this regulation; and the permission contained in exception (ii) of section 10(c) is not intended to confer exemption from Federal income taxation under section 584."

1966

Honorable Russell C. Harrington -3-

The Internal Revenue Service in 1955 ruled that when pension trusts were invested collectively, in specified circumstances, "the group trust will . . . constitute a qualified trust under section 401(a) of the 1954 Code and will be exempt from tax under section 501(a) of that Code." Rev. Rul. 56-267; C.B. 1956-1, p. 206. Consequently, for income tax purposes the question of the applicability of section 584 apparently became immaterial, in such cases. However, it is understood that the applicability of section 584 to collective investment of pension trusts pursuant to section 10(c) of Regulation F is important in determining whether certain transactions by such collective funds are subject to the documentary stamp tax imposed by section 4301 of the Code, since section 4303 exempts from that tax "the issue of shares or certificates of a common trust fund, as defined in section 584." Apparently the above-quoted footnote to section 10(c), particularly the last sentence thereof, constitutes an impediment to a ruling by the Internal Revenue Service that collective funds of pension trusts, as permitted by section 10(c), are "common trust funds" within the meaning of section 584 and therefore are within the exemption from documentary stamp taxes that is provided by section 4303.

The Board of Governors is considering the deletion of the above-quoted footnote from Regulation F, since that footnote is not necessary to the effectiveness of the Regulation from the point of view of the Board's supervisory responsibilities with respect to fiduciary activities of national banks. However, the deletion of the footnote probably would be interpreted by banks and their tax advisers as indicating that collective funds of pension trusts that comply with section 10(c) constitute "common trust funds" within the purview of section 584 of the Code. Accordingly, the Board would appreciate being informed whether there would be any objection on the part of the Internal Revenue Service to the proposed deletion.

Very truly yours,

S. R. Carpenter,  
Secretary.

Enclosures

1967

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

Item No. 5  
7/12/57

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

July 12, 1957



Mr. H. F. Slade, Vice President,  
Federal Reserve Bank of San Francisco,  
San Francisco 20, California.

Dear Mr. Slade:

This is in further reference to your letter of June 12, 1957, concerning whether purchases of securities by certain municipal employees' retirement or pension systems on the basis of arrangements for delayed delivery and payment, might properly be effected by a creditor subject to Regulation T in a special cash account under section 4(c) of the regulation.

It appears that in a typical case the supervisors of the retirement system meet only once or twice each month, at which times decisions are made to purchase any securities wished to be acquired for the system. Although the securities are available for prompt delivery by the broker-dealer firm selected to effect the system's purchase, it is arranged in advance with the firm that the system will not accept delivery and pay for the securities before some date more than seven business days after the date on which the securities are purchased. Apparently, such an arrangement is occasioned by the monthly or semimonthly meetings of the system's supervisors. It is indicated that a retirement system of this kind may be supervised by officials who administer it as an incidental part of their regular duties, and that meetings requiring joint action by two or more supervisors may be necessary under the system's rules and procedures to authorize issuance of checks in payment for the securities purchased. It is indicated also that the purchases do not involve exempted securities, securities of the kind covered by section 4(c)(3) of the regulation, or any shipment of securities as described in section 4(c)(4).

The regulation provides that a creditor subject thereto may not effect for a customer a purchase in a special cash account under section 4(c) unless the use of the account meets the limitations of section 4(a) and the purchase constitutes a "bona fide cash transaction" which complies with the eligibility requirements of section 4(c)(1)(A). One such requirement is that the purchase be made "in reliance upon an agreement accepted by the creditor

Mr. H. F. Slade

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[broker-dealer] in good faith" that the customer will "promptly" make full cash payment for the security, if funds sufficient for the purpose are not already in the account; and, subject to certain exceptions, section 4(c)(2) provides that the creditor shall promptly cancel or liquidate the transaction if payment is not made by the customer within seven business days after the date of purchase. As indicated in the Board's interpretation at 1940 Federal Reserve Bulletin 1172, a necessary part of the customer's undertaking pursuant to section 4(c)(1)(A) is that he "should have the necessary means of payment readily available when he purchases a security in the special cash account. He should expect to pay for it immediately or in any event within the period (of not more than a very few days) that is as long as is usually required to carry through the ordinary securities transaction."

The arrangements for delayed delivery and payment in the case under consideration clearly would be inconsistent with the requirement of section 4(c)(1)(A) that the purchase be made in reliance upon an agreement accepted by the creditor in good faith that the customer will "promptly" make full cash payment for the security. Accordingly, the transactions would not qualify as a "bona fide cash transaction" and, therefore, could not properly be effected in a special cash account, unless a contrary conclusion would be justified by the exception in section 4(c)(5) to which you referred.

Section 4(c)(5) provides that if the creditor, "acting in good faith in accordance with" section 4(c)(1), purchases a security for a customer "with the understanding that he is to deliver the security promptly to the customer, and the full cash payment to be made promptly by the customer is to be made against such delivery", the creditor may at his option treat the transaction as one to which the period applicable under section 4(c)(2) is not the seven days therein specified but 35 days after the date of such purchase.

It will be observed that the application of section 4(c)(5) is specifically conditioned on the creditor acting in good faith in accordance with section 4(c)(1). As noted above, the existence of the arrangements for delayed delivery and payment in the present case would prevent this condition from being met, since the customer could not be regarded as having agreed to make full cash payment "promptly". Furthermore, such arrangements clearly would be inconsistent with the requirement of section 4(c)(5) that the creditor "deliver the security promptly to the customer".

1969

Mr. H. F. Slade

- 3 -

Section 4(c)(5) was discussed in the Board's published interpretation, referred to above, which states that "it is not the purpose of section 4(c)(5) to allow additional time to customers for making payment. The prompt delivery described in section 4(c)(5) is delivery which is to be made as soon as the broker or dealer can reasonably make it in view of the mechanics of the securities business and the bona fide usages of the trade. The provision merely recognizes the fact that in certain circumstances it is an established bona fide practice in the trade to obtain payment against delivery of the security to the customer, and the further fact that the mechanics of the trade, unrelated to the customer's readiness to pay, may sometimes delay such delivery to the customer."

In this case, it appears that the only reason for the delay is related solely to the customer's readiness to pay and is in no way attributable to the mechanics of the securities business. Accordingly, it is the Board's view that the exception in section 4(c)(5) should not be regarded as permitting the transactions in question to be effected in a special cash account.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,  
Secretary.



1970

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

Item No. 6  
7/12/57

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

July 12, 1957



Mr. Russell G. Smith,  
Executive Vice President,  
Bank of America,  
40 Wall Street,  
New York, New York.

Dear Mr. Smith:

In accordance with the request contained in your letter of June 21, 1957, transmitted through the Federal Reserve Bank of New York, as supplemented by your letter of July 3, 1957, the Board of Governors grants its consent to your bank to purchase 9,500 shares (500 Francs par value each) of Societe Anonyme Immobiliere du 28 Place Vendome for the Franc equivalent of approximately \$420,000. These shares, it is understood, represent the total outstanding capital stock of the company, which was organized under French law for the sole purpose of acquiring the land and building located at 28 Place Vendome, Paris, France.

The Board's approval of the proposed purchase is given with the understanding that (1) the activities of the building company will be restricted to holding the property at 28 Place Vendome and (2) Bank of America will be expected to dispose of the stock of Societe Anonyme Immobiliere du 28 Place Vendome as promptly as practicable in the event that operations of Societe Anonyme Immobiliere du 28 Place Vendome should at any time be inconsistent with the provisions of Section 25(a) of the Federal Reserve Act or regulations thereunder.

The Board understands that it is the desire of your bank to change the location of its present Paris Branch from 9 Boulevard de la Madeleine to 28 Place Vendome as soon as the building can be altered to meet the requirements of your Paris Branch. Accordingly, the Board of Governors approves the change in location of your Paris Branch from its present address to 28 Place Vendome, with the understanding that such removal will be accomplished within nine months from the date of this letter.

TELETYPE  
BOARD OF GOVERNORS  
FEDERAL RESERVE SYSTEM

Mr. Russell G. Smith

- 2 -

Please advise the Board of Governors in writing, through the Federal Reserve Bank of New York, when the branch is moved to the new location and opened for business. It is understood, of course, that the new location approved will not be changed without the prior approval of the Board of Governors.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Assistant Secretary.

1972

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

Item No. 7  
7/12/57

July 12, 1957

Mangels - San Francisco

Re your wire July 11. Board approves change of plans for new Salt Lake City Branch for installation of additional piling to permit construction of additional vault facilities either in connection with original construction or at a later date.

It is understood that, before proceeding with the construction of the additional vault, the matter will be submitted to the Board under the usual procedure.

(Signed) S. R. Carpenter

Carpenter.

1973

Item No. 8  
7/12/57

UNITED STATES OF AMERICA  
BEFORE THE  
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTON, D. C.

IN THE MATTER OF  
THE APPLICATIONS OF  
GENERAL CONTRACT CORPORATION  
FOR DETERMINATIONS PURSUANT TO  
SECTION 4(c)(6) OF BANK HOLDING  
COMPANY ACT OF 1956

ORDER EXTENDING TIME FOR FILING OF  
REPORT BY HEARING EXAMINER

Additional time having been requested by the Hearing Examiner within which to file with the Secretary of the Board his report containing his recommended decision and it appearing to the Board that such request should be granted, it is hereby ORDERED that the time within which the Hearing Examiner may file such recommended decision be, and the same hereby is, extended to and including September 15, 1957.

This 12th day of July, 1957.

By order of the Board of Governors.

(Signed) S. R. Carpenter  
S. R. Carpenter,  
Secretary.

(SEAL)

1974

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

Item No. 9  
7/12/57

July 12, 1957

MITCHELL - ATLANTA

KEBJE

- A. Hamilton National Associates, Inc., Chattanooga, Tennessee.
- B. The Calhoun National Bank, Calhoun, Georgia;  
The First National Bank of Cartersville, Cartersville, Georgia;  
The Commercial National Bank Cedartown, Georgia;  
First National Bank in Harriman, Harriman, Tennessee;  
The Hamilton National Bank of Johnson City, Johnson City, Tennessee;  
The First National Bank of Lenoir City, Lenoir City, Tennessee;  
The First National Bank of Loudon, Loudon, Tennessee;  
The Hamilton National Bank of Morristown, Morristown, Tennessee;  
The First National Bank of Oneida, Oneida, Tennessee;  
The First National Bank of Pikeville, Pikeville, Tennessee;  
The First National Bank of South Pittsburg, South Pittsburg, Tennessee.
- C. Prior to issuance of general voting permit, authorized herein,  
applicant shall execute and deliver to you in duplicate an agreement  
in form accompanying Board's letter S-964 (FRLS #7190).

(Signed) Merritt Sherman

SHERMAN

KEBJE - The Board authorizes the issuance of a general voting permit, under the provisions of section 5114 of the Revised Statutes of the United States, to the holding company affiliate named below after the letter "A", entitling such organization to vote the stock which it owns or controls of the bank(s) named below after the letter "B" at all meetings of shareholders of such bank(s), subject to the

condition(s) stated below after the letter "C". The period within which a permit may be issued pursuant to this authorization is limited to thirty days from the date of this telegram unless an extension of time is granted by the Board. Please proceed in accordance with the instructions contained in the Board's letter of March 10, 1947, (S-964).

1976



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON

Item No. 10  
7/12/57

OFFICE OF THE CHAIRMAN

July 15, 1957.

The Honorable Wright Patman,  
House of Representatives,  
Washington 25, D. C.

Dear Mr. Patman:

This letter is for the purpose of sending to you before the commencement of the hearings on the Financial Institutions Act such answers as we could prepare, in the short time available, to the questions attached to your letter of July 8, 1957. As you will realize, these answers, which are attached, of necessity had to be relatively brief and limited to the information readily at hand.

If, after the hearings, it is your judgment that the answers should be fully developed along the lines suggested in your questions, we shall endeavor to assemble such information as we can. However, that will take a considerable amount of time both here and at the Federal Reserve Banks.

Sincerely yours,

A handwritten signature in cursive script that reads "Wm. McC. Martin, Jr." with a large flourish at the end.

Wm. McC. Martin, Jr.

Enclosures

1977

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

Item No. 11  
7/12/57

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

July 12, 1957.



Dear Sir:

The Board's letter of February 15, 1957, asked the Reserve Banks to survey developments in financing by State and municipal governmental units, and the resulting information furnished has been helpful. A more specific check of municipal borrowing costs during the first quarter of 1957 is now being made. The Investment Bankers Association has supplied a list of all municipal bond issues of less than \$250,000 that were sold during that quarter. For most of the issues listed, however, information as to credit quality and the cost of borrowing was not available.

To assist in the check now being made of borrowing costs the Board would appreciate having your Bank ascertain the borrowing cost and credit quality for small bond issues in your district during the period from January through March where such information has not already been obtained. The attached tabulation lists all of the small bond issues in your district during the three months in question, and the issues for which cost and credit quality are available are indicated. Your assistance in furnishing information for the other issues is desired. In cases where quality ratings are not made by nationally recognized rating authorities, you may be able to obtain roughly comparable information on quality from municipal securities underwriters specializing in bonds of a particular State or area, some of which firms may have informal rating systems. Officers in your Examinations Department may also be helpful in rating issues.

In order to minimize the reporting burden, a sample of the bond issues on which cost and quality information is desired has been selected from the list supplied by the Investment Bankers Association. The issues for which it is hoped you will be able to furnish information are indicated on the enclosed list by a check mark to the left of the name of the issuer. Should you be able readily to obtain information on other issues, that additional data also would be helpful.

It will be appreciated if the requested information can be sent to reach the Board's offices by July 31.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Merritt Sherman".

Merritt Sherman,  
Assistant Secretary.

TO THE PRESIDENTS OF ALL  
FEDERAL RESERVE BANKS

ASER



1978

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

Item No. 12  
7/12/57

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

July 12, 1957



Mr. John A. Kley, Chairman,  
Technical Committee on Mechanization  
of Check Handling,  
Bank Management Commission,  
American Bankers Association,  
12 East 36th Street,  
New York 16, New York.

Dear Mr. Kley:

The Board has been following with much interest the progress being made by your Committee in developing an optimum system for standardized mechanization of check processing. It is our understanding that you are now considering the items of information regarding each check that would be necessary in such a system, and the items to be printed in magnetic ink on the face of the check.

In this connection, the Board wishes to invite the attention of your Committee to the desirability of making provision in the new check processing system for identification of type of depositor. By incorporating into the system a simple standardized set of code numbers relating to the depositor, information such as is now reported on the annual deposit ownership survey could be supplied at minimum cost and inconvenience to respondent banks. Moreover, information needed to satisfy needs of bank management and the public for data on deposit activity by ownership group would be readily obtainable.

Mr. John A. Kley, Chairman

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The Board has no specific coding to propose at this time. However, if this suggestion meets with your approval members of our staff are available to assist your Committee in any way they can to develop a suitable coding system.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Assistant Secretary.

## FEDERAL RESERVE SYSTEM

OTTO BREMER COMPANY  
ST. PAUL, MINNESOTAItem No. 13  
7/12/57NOTICE OF REQUEST FOR DETERMINATION  
PURSUANT TO SECTION 4(c)(6) OF  
BANK HOLDING COMPANY ACT OF 1956 AND  
ORDER FOR HEARING THEREON

Notice is hereby given that request has been made to the Board of Governors of the Federal Reserve System, pursuant to section 4(c)(6) of the Bank Holding Company Act of 1956 [12 U.S.C. 1843] and section 5(b) of the Board's Regulation Y [12 CFR 222.5(b)], by Otto Bremer Company, St. Paul, Minnesota, a bank holding company, for a determination by said Board that each of the companies listed below and the activities thereof are of the kind described in those provisions of the Act and the regulation so as to make it unnecessary for the prohibitions of section 4 of the Act with respect to retention of shares in nonbanking organizations to apply in order to carry out the purposes of the Act:

1. Citizens Agency, Inc.
2. The Saulpaugh Corporation
3. Western State Agency, Inc.
4. New England Insurance Agency
5. Drivers Exchange Agency & Realty, Inc.
6. Williston Realty Company
7. Willmar Investment Company

Inasmuch as section 4(c)(6) of the Bank Holding Company Act of 1956 requires that any determination pursuant thereto be made by the Board after due notice and hearing and on the basis of the record made at such hearing,

- 2 -

IT IS HEREBY ORDERED That pursuant to section 4(c)(6) of the Bank Holding Company Act of 1956 and in accordance with sections 5(b) and 7(a) of the Board's Regulation Y [12 CFR 222.5(b), 222.7(a)], promulgated under the Bank Holding Company Act of 1956, a hearing with respect to this matter be held commencing on August 20, 1957, at 10 o'clock a.m., at the office of the Federal Reserve Bank of Minneapolis, 73 South Fifth Street, in the City of Minneapolis, State of Minnesota, before a hearing examiner selected by the Civil Service Commission pursuant to Sec. 11 of the Administrative Procedure Act, such hearing to be conducted in accordance with Rules of Practice for Formal Hearings of the Board of Governors of the Federal Reserve System [12 CFR Part 263]. The Board's Rules of Practice for Formal Hearings provide, in part, that "all such hearings shall be private and shall be attended only by respondents and their representatives or counsel, representatives of the Board, witnesses, and other persons having an official interest in the proceedings; Provided, however, That on the written request of one or more respondents or counsel for the Board, or on its own motion, the Board, when not prohibited by law, may permit other persons to attend or may order the hearing to be public."

Any person desiring to give testimony in this proceeding should file with the Secretary of the Board, directly or through the Federal Reserve Bank of Minneapolis, on or before August 9, 1957, a written request relative thereto, said request to contain a statement of the reasons for wishing to appear, the nature of the petitioner's

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interest in the proceeding, and a summary of the matters concerning which said petitioner wishes to give testimony. Such request will be presented to the designated hearing examiner for his determination in the matter at the appropriate time. Persons submitting timely requests will be notified of the hearing examiner's decision in due course.

By order of the Board of Governors.

(Signed) S. R. Carpenter

S. R. Carpenter,  
Secretary.

(SEAL)

July 12, 1957.