

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, July 16, 1957. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Assistant Secretary
 Mr. Kenyon, Assistant Secretary
 Mr. Masters, Director, Division of Examinations
 Mr. Sprecher, Assistant Director, Division of Personnel Administration
 Mr. O'Connell, Assistant General Counsel
 Mr. Hostrup, Assistant Director, Division of Examinations
 Mr. Davis, 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 Boston approving the temporary retention in service of two employees beyond normal retirement dates.	1
Letter to City Bank Farmers Trust Company, New York, New York, approving the establishment of a branch in the new Produce Exchange Building to be constructed at 2 Broadway. (For transmittal through the Federal Reserve Bank of New York)	2
Letter to The First National City Bank of New York, New York, New York, approving the temporary relocation of its Santos, Brazil, branch during the period of construction of a new building. (For transmittal through the Federal Reserve Bank of New York)	3

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	<u>Item No.</u>
Letter to The North Jersey Trust Company, Ridge-wood, New Jersey, approving the establishment of a branch in Oakland, New Jersey. (For transmittal through the Federal Reserve Bank of New York)	4
Letter to Peoples Trust Company of Wyomissing, Pa., Wyomissing, Pennsylvania, approving the establish-ment of a branch at 801 Penn Avenue. (For trans-mittal through the Federal Reserve Bank of Philadelphia)	5
Letter to The City National Bank of Sylacauga, Sylacauga, Alabama, granting its application for authority to exercise fiduciary powers. (For transmittal through the Federal Reserve Bank of Atlanta)	6
Letter to The First National Bank of Levelland, Levelland, Texas, granting its application for authority to exercise limited fiduciary powers. (For transmittal through the Federal Reserve Bank of Dallas)	7
Letter to the Federal Reserve Bank of San Francisco extending the time within which Ameri-can Trust Company, San Francisco, California, may establish a branch in Santa Clara County, California.	8
Letter to American Trust Company, San Francisco, California, approving the establishment of a branch in Sacramento, California. (For trans-mittal through the Federal Reserve Bank of San Francisco)	9
Letter to Bank of Utah, Ogden, Utah, approving the establishment of a branch in the vicinity of Washington Boulevard and 39th Street, South Ogden, Utah. (For transmittal through the Federal Re-serve Bank of San Francisco)	10
Letter to the Federal Reserve Bank of San Francisco approving an additional investment in bank premises by Portland Trust Bank, Portland, Oregon.	11

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Item No.

Letter to the Comptroller of the Currency submitting an unfavorable recommendation regarding an application to organize a national bank at East Paterson, New Jersey. (With a copy to the Federal Reserve Bank of New York)

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Inquiry regarding section 4 of Bank Holding Company Act (Item No. 13). In a letter dated May 2, 1957, transmitted through the Federal Reserve Bank of New York, Marine Midland Corporation, a bank holding company of Buffalo, New York, requested an opinion as to whether the Board would be authorized under section 4(a) of the Bank Holding Company Act to extend the period within which two of Marine Midland's banking subsidiaries would be required, pursuant to section 4(c)(2) of the Act, to dispose of certain shares of a nonbanking company which were acquired before the Act was passed in satisfaction of debts previously contracted. The letter indicated that Marine Midland was not applying for an extension at this time, but that an application would be made if the Board's reply to the preliminary inquiry was favorable.

There had been circulated to the members of the Board a memorandum dated July 3, 1957, from Mr. Hexter, Assistant General Counsel, discussing the problem presented by the apparent inconsistency between the two provisions of the Bank Holding Company Act. It was Mr. Hexter's conclusion that the situation referred to by Marine Midland Corporation would be subject to provisions of section 4(a) of the Bank Holding Company Act and that the Board therefore could extend the two-year period for disposal of the shares in question up to a maximum of five years if, in the Board's judgment, such an extension would not be detrimental to the public interest.

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With his memorandum, Mr. Hexter submitted a draft of letter to the Federal Reserve Bank of New York which would express such an opinion.

In a discussion of the matter, during which the view was expressed that the conclusion reached by Mr. Hexter represented a reasonable interpretation of the pertinent statutory provisions and that application of an inflexible two-year limitation for divestment of shares acquired before the date of enactment of the Act in satisfaction of debts previously contracted would be unduly and unnecessarily restrictive, question was raised whether similar inquiries might be received from other bank holding companies and, if so, whether it would not be desirable to furnish copies of the proposed letter to all of the Federal Reserve Banks so that they might have the benefit of the Board's opinion.

In the course of this discussion Governor Mills said that although he considered the conclusion a fair and reasonable one, he was not completely convinced that it was an entirely logical interpretation of the statutory language. It seemed to him that in reaching this conclusion the law had been interpreted in the interest of justice and equity, but if the matter should be taken to court he was not sure that the conclusion would be supported.

In the light of Governor Mills' comments, Governor Shepardson suggested that this might be a point which should be covered in the Board's report to the Congress concerning the Bank Holding Company Act, and Mr. O'Connell indicated that the Legal Division would have the matter in mind.

Thereupon, the proposed letter to the Federal Reserve Bank of

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New York, of which a copy is attached hereto as Item No. 13, was approved unanimously, with the understanding that the substance of the letter would be made available to all of the Federal Reserve Banks.

Reimbursement to National Bureau of Economic Research for work done in connection with consumer instalment credit study. During 1956 the Board authorized arrangements with the National Bureau of Economic Research, in connection with the consumer instalment credit study, to develop by conference methods the views of university specialists regarding data and knowledge needed for effective public policy in the field of consumer credit. The letter contract entered into pursuant to this authorization provided for reimbursement to the Bureau in the amount of \$35,000 and stated that in the event actual disbursements, including a reasonable allowance to cover supervision and overhead, exceeded that figure, the Board would reimburse the Bureau for such actual excess costs up to an additional 10 per cent. The Bureau subsequently informed the Board that expenses actually incurred in connection with the project amounted to \$43,872.49, including \$4,200 (12 per cent of \$35,000) as an overhead charge for supervision and other indirect costs, computed at the rate normally used by the Bureau. A memorandum dated June 21, 1957, from Mr. Noyes, Adviser, Division of Research and Statistics, which had been circulated to the members of the Board, contained the suggestion that it would be appropriate to reimburse the National Bureau for all of the direct costs incurred, plus half of the overhead costs that the Bureau would normally allot to such a project.

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Governor Shepardson stated that the matter had been discussed at some length with the Division of Research and Statistics and the Controller's Office. Information had not reached the Board's offices concerning the excess cost until a time when it would have been too late to effect any change in the procedures relating to the project, even if such a change had been deemed desirable. In all the circumstances, although it appeared that the Bureau would be out of pocket unless an adjustment was made, something less than full adjustment seemed reasonable. It had therefore been suggested that the direct costs incurred by the Bureau be reimbursed in full, but that only half of the Bureau's normal overhead charge be paid.

Governor Vardaman said that although he had no objection to the basis of proposed settlement, he felt that it would be desirable to obtain an opinion from the Legal Division to the effect that there would be no legal barrier to making the excess payment, which was not called for under the terms of the contract and therefore would be more in the nature of a contribution.

Governor Balderston concurred in the view that it might be desirable to have a legal opinion in the record before the payment was made. He went on to say that the National Bureau customarily worked under grants rather than on a contract basis. When the organization was called upon in connection with the consumer instalment credit study, however, it was explained to the Bureau that the Board would not be in a position to make a grant for the purpose and that a contractual arrangement would be necessary.

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After further discussion, it was agreed unanimously, pursuant to a suggestion by Governor Vardaman, to refer the matter to Governor Shepardson with power to act after consideration of the views expressed at this meeting.

Option to change from Bank Plan to Board Plan. On August 8, 1956, the Board agreed to grant to members of its staff who were members of the Bank Plan of the Retirement System of the Federal Reserve Banks an opportunity to change to the Board Plan on an individual basis, with the understanding that the opportunity to make the change would extend until the date of Board action on the recommendations of the Special Joint Committee for changes in the Bank Plan. Nine of the Board's employees formerly enrolled in the Bank Plan had now chosen to transfer to the Board Plan, but the three other employees under the Bank Plan had refrained from making a decision until they were able to compare benefits in the light of the pending Bank Plan amendments. In a memorandum dated July 8, 1957, which had been circulated to the members of the Board, the Division of Personnel Administration recommended that the option be extended until the date that the pending amendments to the Bank Plan were placed in effect.

Following a brief discussion, the recommendation of the Division of Personnel Administration was approved unanimously.

Mr. Sprecher then withdrew from the meeting.

Status of Title Insurance and Trust Company under Bank Holding Company Act (Item No. 14). In a registration statement pursuant to

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the Bank Holding Company Act which was filed with the Board under date of January 10, 1957, Title Insurance and Trust Company, Los Angeles, California, stated that its "subsidiary banks" as of May 9, 1956, were Union Title Insurance and Trust Company, San Diego, California, Pioneer Title Insurance and Trust Company, San Bernardino, California, and Title and Trust Company, Portland, Oregon. In a letter dated June 10, 1957, Title Insurance and Trust Company advised (1) that Pioneer Title Insurance and Trust Company had sold the whole of its trust department business to Title Insurance and Trust Company, and (2) that Title and Trust Company had amended its articles of incorporation and bylaws so as to eliminate therefrom all authority to exercise trust powers and to revoke all provisions relating to the execution of trusts. Because of these reported developments the Legal Division, in a memorandum dated July 12, 1957, which had been distributed to the members of the Board, expressed the opinion that Title Insurance and Trust Company had now ceased to be a bank holding company for purposes of the Bank Holding Company Act. A draft of letter to the Federal Reserve Bank of San Francisco which would take such a position was submitted with the memorandum.

During the discussion of this matter Governor Mills suggested that in preparing the report on the Bank Holding Company Act which the Board would be required to make to the Congress within two years from the date of enactment of the legislation, the Legal Division consider

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the possibility of suggesting an amendment to the Act which would exclude from the definition of a "bank" trust companies that do not accept deposits.

Thereupon, unanimous approval was given to the proposed letter to the Federal Reserve Bank of San Francisco, a copy of which is attached to these minutes as Item No. 14.

Status of The Springfield Savings Society of Clark County under the Bank Holding Company Act (Item No. 15). There had been sent to the members of the Board copies of a memorandum from Mr. Davis dated July 12, 1957, discussing the request of The Springfield Savings Society of Clark County, Springfield, Ohio, made in connection with the filing of its registration statement pursuant to the Bank Holding Company Act, that it be held by the Board not to be a bank holding company under the Act. While the Society owned over 25 per cent of the voting shares of two banks as of May 9, 1956, it appeared that one of these banks was organized as the result of certain amendments to the Ohio Revised Code in 1955 which had the effect of prohibiting the Society from providing checking account services for its depositors and from accepting corporate deposits. It was therefore contended that the organization of the subsidiary bank in question was involuntary in nature, and it was on this basis that the ruling of the Board was requested. The memorandum from Mr. Davis pointed out that there was nothing in the Bank Holding Company Act or its legislative history which would exempt from the provisions of the Act any organization owning or controlling

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25 per cent or more of the shares of two or more banks on the basis that voting shares of one of the banks were acquired involuntarily by virtue of changes in State law. Submitted with the memorandum was a draft of letter to the Federal Reserve Bank of Cleveland which would express the view that the reason for the acquisition of stock of a subsidiary bank or organization of a subsidiary bank was not relevant to the status of The Springfield Savings Society under the Act, and that consequently the Society would seem to fall within the definition of a bank holding company as set forth in section 2(a) of the Act.

Agreement having been expressed with the view of the Legal Division, the proposed letter was approved unanimously. A copy thereof is attached to these minutes as Item No. 15.

At this point Mr. Thurston, Assistant to the Board, was called into the meeting.

Testimony before the Senate Finance Committee. On the basis of a draft of statement which had been distributed to the members of the Board, there was a preliminary discussion of the type of prepared statement which it might be appropriate for Chairman Martin to present in appearing before the Senate Finance Committee in connection with that Committee's current hearings concerning Governmental financial and monetary policies. While the discussion indicated that the members of the Board present regarded the distributed draft of testimony well written from a technical standpoint, various views were expressed

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concerning the subject matter that should be embraced in the Chairman's prepared statement. One member of the Board (Governor Vardaman) raised a question regarding the necessity for the presentation of any prepared statement on behalf of the Board. On the other hand, it was suggested that some prepared comment dealing with the structure and operations of the Federal Reserve System might be useful background information for the members of the Finance Committee. Since it now appeared that some time might elapse before the Chairman was called to testify, it was understood that the general scope of the proposed statement would be discussed by the Board again at another meeting when Chairman Martin could be present.

The meeting then adjourned.

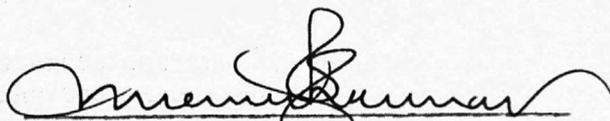
Secretary's Note: Pursuant to the recommendation contained in a memorandum dated July 11, 1957, from Mr. Johnson, Controller, Governor Shepardson approved on behalf of the Board on July 15, 1957, an exception to the Board's travel regulations to permit employees driving private automobiles to the relocation site during Operation Alert 1957 to be reimbursed for commercial storage charges for such automobiles at the relocation site, provided at least one passenger accompanied the driver.

On July 15, 1957, Governor Shepardson also approved on behalf of the Board the following letters, copies of which are attached to these minutes under the respective item numbers indicated:

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	<u>Item No.</u>
Letter to the Federal Reserve Bank of Cleveland approving the appointment of David J. Weitzel as assistant examiner.	16
Letter to the Federal Reserve Bank of Chicago approving the designation of Kenneth W. Obrecht as special assistant examiner	17
Letter to the Federal Reserve Bank of Chicago approving the designation of Kenneth E. Arndt as special assistant examiner.	18



Assistant Secretary

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

Item No. 1
7/16/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 16, 1957

Mr. Earle O. Latham,
First Vice President,
Federal Reserve Bank of Boston,
Boston 6, Massachusetts.

Dear Mr. Latham:

In view of the circumstances outlined in your letter of July 5, 1957, concerning the extension of retirement dates for two of your employees, the Board of Governors approves the retention in service and the payment of salary to Messrs. John J. Rock and Raymond J. Dunphy to October 1, 1957.

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

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Assistant Secretary.

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

Item No. 2
7/16/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 16, 1957



Board of Directors,
City Bank Farmers Trust Company,
New York 15, New York.

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 City Bank Farmers Trust Company, New York, New York, in the new Produce Exchange Building to be constructed at 2 Broadway, New York, New York, provided the branch is established within two and one-half years from the date of this letter. It is understood that the present branch at 2 Wall Street will be discontinued shortly after the new branch at 2 Broadway 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. 3
7/16/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 16, 1957



The First National City Bank of New York,
55 Wall Street,
New York 15, New York.

Gentlemen:

In reply to your letter of June 27, 1957, transmitted through the Federal Reserve Bank of New York, and on the basis of the information furnished, the Board of Governors approves the temporary removal of your Santos, Brazil, branch from Rua 15 de Novembro No. 119 to Rua 15 de Novembro No. 176 on or about August 15, 1957, for a period of approximately one and one-half years, during the period of construction of a new building at the present site.

Please advise the Board of Governors in writing, through the Federal Reserve Bank of New York, when the branch is moved to its temporary quarters and later when it is moved back to the present address. It is understood, of course, that the locations approved will not be changed without the prior approval of the Board of Governors.

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
7/16/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 16, 1957



Board of Directors,
The North Jersey Trust Company,
Ridgewood, New Jersey,
Ridgewood, New Jersey.

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 North Jersey Trust Company, Ridgewood, New Jersey, on Route No. 202, also known as Oakland Avenue, in the town of Oakland, New Jersey, provided the branch is established within one year from the date of this letter, and approval of the State authorities 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
7/16/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 16, 1957

Board of Directors,
Peoples Trust Company of Wyomissing, Pa.,
Wyomissing, Pennsylvania.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Philadelphia, the Board of Governors of the Federal Reserve System approves the establishment of a branch at 801 Penn Avenue, Wyomissing, Pennsylvania, by Peoples Trust Company of Wyomissing, Pa., provided the branch is established within six months from the date of this letter, and the approval of the State authorities is in effect as of the date of the establishment of the branch.

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
7/16/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 16, 1957



Board of Directors,
The City National Bank of Sylacauga,
Sylacauga, Alabama.

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 Alabama, 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 City National Bank of Sylacauga 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
7/16/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 16, 1957

Board of Directors,
The First National Bank of Levelland,
Levelland, 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, and committee of estates of lunatics, the exercise of all such rights to be subject to the provisions of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System.

A formal certificate indicating the fiduciary powers which The First National Bank of Levelland 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. 8
7/16/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 16, 1957

Mr. E. R. Millard, Vice President,
Federal Reserve Bank of San Francisco,
San Francisco 20, California.

Dear Mr. Millard:

As recommended in your letter of July 3, 1957, the Board of Governors extends to February 6, 1958, the time within which American Trust Company, San Francisco, California, may establish a branch in the vicinity of the intersection of Stevens Creek Road and Santa Clara-Los Gatos Road in Santa Clara County, California, under the approval given by the Board in its letter of August 6, 1956.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Assistant Secretary.



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

Item No. 9
7/16/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 16, 1957



Board of Directors,
American Trust Company,
San Francisco, California.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of San Francisco, the Board of Governors approves the establishment of a branch in the vicinity of the intersection of Folsom Boulevard and 59th Street, Sacramento, California, by American Trust Company, San Francisco, California, provided the branch is established within one year from the date of this letter and that formal approval of the Superintendent of Banks of the State of California is effective at the time 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. 10
7/16/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 16, 1957

Board of Directors,
Bank of Utah,
Ogden, Utah.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of San Francisco, the Board of Governors approves the establishment of a branch in the vicinity of the intersection of Washington Boulevard and 39th Street, South Ogden, Utah, by Bank of Utah, Ogden, Utah, provided the branch is established within one year from the date of this letter and that formal approval of the Bank Commissioner of the State of Utah is effective at the time 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. 11
7/16/57



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 16, 1957

Mr. E. R. Millard, Vice President,
Federal Reserve Bank of San Francisco,
San Francisco 20, California.

Dear Mr. Millard:

Reference is made to your letter of June 11, 1957, submitting the request of Portland Trust Bank, Portland, Oregon, for approval, under the provisions of Section 24A of the Federal Reserve Act, of additional investments in banking premises arising from remodeling of the main office quarters.

After considering the information submitted, the Board of Governors concurs in the Reserve Bank's recommendation and grants approval of additional investments totaling \$379,926.51 resulting in an aggregate investment, direct and indirect, of \$1,015,862.40 in bank premises by Portland Trust Bank, Portland, Oregon.

It is noted that the bank has obtained additional advances under the existing mortgage loan agreement, and as you have indicated such liens should be shown in reports of condition in the same manner as heretofore employed.

It is assumed that the member bank will continue to reduce this investment on a planned and regular basis.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Assistant Secretary.

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

Item No. 12
7/16/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 16, 1957

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

Attention Mr. L. A. Jennings,
Deputy Comptroller of the Currency.

Dear Mr. Comptroller:

Reference is made to a letter from your office dated February 16, 1956, enclosing copies of an application to organize a national bank at East Paterson, New Jersey, and requesting a recommendation as to whether or not the application should be approved.

A report of investigation of the application made by examiners for the Federal Reserve Bank of New York indicates that the proposed capital structure of the bank would be barely adequate but it was stated by the organizers that, if requested, additional capital could be raised. The earnings prospects are reasonably favorable and it appears that the proposed operating officers have the competence to handle the affairs of the institution satisfactorily. However, some reservations are expressed with respect to ownership of the controlling interest in the bank's stock by an individual who now controls the local savings and loan association and appears to influence considerably the affairs of another bank and a mortgage company in neighboring communities. The proposed bank would be affiliated with the Bogata National Bank and only two of the directors would be local citizens. While it is reported that the proposed bank would be an added convenience for residents and businesses in the area, there is no evidence that additional banking facilities have been sought by local residents and, since there are other banking facilities within relatively short distances, there does not appear to be sufficient need for the bank at this time. After considering the information available, the Board of Governors does not feel justified in recommending approval of the application to organize a national bank at East Paterson, New Jersey.

Comptroller of the Currency - 2 -

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. 13
7/16/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 16, 1957

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

Dear Mr. Hayes:

This is in response to Mr. Crosse's letter of May 9, 1957, enclosing a copy of a letter from Marine Midland Corporation presenting an inquiry with respect to section 4 of the Bank Holding Company Act.

It is understood that two of Marine Midland's subsidiary banks together own approximately 10 per cent of the voting shares of a paper company, which was acquired, prior to enactment of the Bank Holding Company Act, in satisfaction of debts previously contracted in good faith. Marine recognizes that section 4 of the Act requires divestment of this nonbanking interest, or at least a sufficient amount thereof so that the remaining holdings will come within the scope of section 4(c)(5), the "5 per cent exemption". However, Marine fears that its holding company system might suffer a substantial detriment if compelled to make the divestment within two years from the date the Act was passed (i.e., by May 9, 1958). In other words, Marine believes that its banks could dispose of the stock at a better price if they were not under the time pressure of a May 9, 1958 deadline.

In these circumstances, Marine has presented the matter to the Board, with this statement:

"This letter is not an application for an extension but is merely a request for a ruling as to whether the Board of Governors has the power to grant such an application if and when the same should be made."

The uncertainty in this matter is due to the provisions of section 4(c)(2) of the Act, which exempts from the "prohibitions" of section 4

"shares acquired . . . by any banking subsidiary of a bank holding company, in satisfaction of a debt previously contracted in good faith, but . . . such subsidiaries shall dispose of such shares within a period of two years from the date on which they were acquired or from the date of enactment of this Act, whichever is later."

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If the Act did not contain section 4(c)(2), the Board clearly would have authority to extend the period for divestment pursuant to section 4(a). The question is whether the express reference in the exemptive provisions of section 4(c) to shares acquired d.p.c. removes such shares from the general scope of section 4(a), including the Board's authority to extend the period, and makes it mandatory in all such cases that such shares be disposed of within two years, with no extension permitted.

The Board concurs in the view expressed in Mr. Crosse's letter that it has legal authority in these circumstances to extend the period for divestment up to the maximum of five years prescribed by section 4(a). The exemptions provided by section 4(c) simply confer special rights in certain situations and do not take away any rights conferred by other provisions of the Act. In this case, the stock was acquired prior to May 9, 1956, and consequently it is subject to the retention provisions of section 4(a)(2). That subsection provides that the retention period may be extended by the Board, in appropriate cases, up to a maximum of five years. Since the situation described by Marine falls within these provisions, they are applicable despite the reference to shares acquired d.p.c. in the exemptive subsection, section 4(c).

The situation would be quite different if the shares in question were acquired by Marine's subsidiary banks after enactment of the Bank Holding Company Act. Since section 4(a)(1) prohibits any acquisition of voting shares of a nonbanking company, Marine's subsidiary banks could not, after May 9, 1956, lawfully acquire such shares at all except by taking advantage of the exemption prescribed by section 4(c)(2) - assuming, of course, that no other exemption was applicable. If that exemption was utilized, all of its provisions would be applicable, including the requirement that the shares be disposed of within two years. (It is to be noted that section 4(c)(2) refers only to "shares acquired" and not to "shares owned or acquired" or "held or acquired", as do some other provisions of section 4(c).)

In the Board's opinion, the conclusion that the period for divestment is subject to extension conforms to the general policy of section 4 in this respect. It would seem unreasonable to interpret the statute as contemplating that a divestment period of up to five years might be appropriate with respect to nonbank shares that a holding company had acquired, before the Act was passed, by ordinary purchase; but that an inflexible two-year limitation was called for in the case of shares acquired before that date "in satisfaction of a debt previously contracted in good faith". Furthermore, under such an interpretation section 4(c) would have the effect, in this category of cases, of being more restrictive than the general prohibitions of section 4(a), whereas the obvious purpose of section 4(c) was to furnish relief, in the enumerated cases, from the rigors of the

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prohibitions. The legislative history of section 4(c) indicates that it was intended to provide exemptions from the prohibitions, and there is no suggestion therein that in any respect section 4(c) would tighten, rather than relax, the restrictions imposed by section 4(a).

It will be appreciated if your Bank will transmit to Marine Midland the substance of this letter. It should also be pointed out, as mentioned in the Board's letter of December 5, 1956 to you with respect to another Marine Midland question under section 4, that the Board's position relates only to the applicable provisions of the Bank Holding Company Act; and since the shares in question are held by bank subsidiaries, they would, of course, continue to be subject to whatever requirements for disposition are prescribed by applicable banking laws or by the appropriate bank supervisory authorities.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Assistant Secretary.

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

Item No. 14
7/16/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 16, 1957

Mr. H. N. Mangels, President,
Federal Reserve Bank of San Francisco,
San Francisco 20, California.

Dear Mr. Mangels:

This refers to Mr. Millard's letter of June 13, 1957, in which is enclosed a letter from counsel for Title Insurance and Trust Company, Los Angeles, California, together with enclosures, relating to certain changes on the basis of which the Board has been asked to rule that the Company has ceased to be a bank holding company under the Bank Holding Company Act of 1956.

It is the Board's understanding that since Title Insurance and Trust Company registered with the Board, pursuant to section 5(a) of the Act, the following changes have taken place: one of the Company's subsidiaries, Pioneer Title Insurance and Trust Company, no longer conducts a trust business as a result of the sale of the business of its Trust Department to Title Insurance and Trust Company; another subsidiary, Title and Trust Company, has amended its articles of incorporation and by-laws to eliminate the authority of that Company to exercise trust powers; and that consequently, Title Insurance and Trust Company now owns 25 per cent or more of the voting shares of only one "bank" under the Act, namely, Union Title Insurance and Trust Company.

On the basis of the information presented, it is the opinion of the Board that Title Insurance and Trust Company has ceased to be a bank holding company within the meaning of the Act.

It will be appreciated if you will advise Title Insurance and Trust Company of the Board's views as expressed in this letter.

It should also be mentioned that, although administration of the Act is vested in the Board, its enforcement as a criminal statute falls within the jurisdiction of the Department of Justice, and conceivably the Board's interpretation might not be followed by that Department if it should have occasion to consider the matter.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Assistant Secretary.

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

Item No. 15
7/16/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 16, 1957

Mr. Paul C. Stetzelberger, Vice President,
Federal Reserve Bank of Cleveland,
Cleveland 1, Ohio.

Dear Mr. Stetzelberger:

This refers to the registration statement filed with the Board by The Springfield Savings Society of Clark County, Springfield, Ohio. In connection therewith the question was raised by The Springfield Savings Society of Clark County as to its status as a bank holding company under the Act.

It appears that one of the Savings Society's two subsidiary banks, The Savings Society Commercial Bank, Springfield, Ohio, was organized by it as a result of certain amendments made by the Legislature in 1955 of Chapter 1109 of the Ohio Revised Code. The amendments, in effect, are stated to have prohibited the Savings Society from providing checking account services for its depositors and from accepting corporate deposits, and to have authorized the Savings Society to organize a subsidiary commercial bank to carry on these activities.

It is the Board's understanding that the Savings Society owns 25 per cent or more of the voting shares of two banks: The First State Bank, South Charleston, Ohio, and The Savings Society Commercial Bank, Springfield, Ohio. The reason for the acquisition of the stock, or the organization of either of these banks, is not, in the Board's opinion, relevant to the status of the Savings Society under the Act. Consequently, The Springfield Savings Society of Clark County would seem clearly to fall within the definition of a bank holding company as set forth in section 2(a) of the Act.

Mr. Paul C. Stetzelberger

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It will be appreciated if you will advise The Springfield Savings Society of Clark County of the Board's views as expressed in 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. 16
7/16/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 15, 1957



Mr. Paul C. Stetzelberger, Vice President,
Federal Reserve Bank of Cleveland,
Cleveland 1, Ohio.

Dear Mr. Stetzelberger:

In accordance with the request contained in your letter of July 5, 1957, the Board approves the appointment of David J. Weitzel as an assistant examiner for the Federal Reserve Bank of Cleveland.

It is understood that Mr. Weitzel's father is an assistant cashier of Central National Bank of Cleveland, Cleveland, Ohio. Accordingly, the Board's approval of the appointment of Mr. Weitzel is given with the understanding that he will not participate in any examination of Central National Bank of Cleveland as long as his father is an officer of that bank.

Please advise as to the date on which the appointment is made effective.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Assistant Secretary.

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

Item No. 17
7/16/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 15, 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 July 9, 1957, the Board approves the designation of Kenneth W. Obrecht as a special assistant examiner for the Federal Reserve Bank of Chicago.

It is noted that Mr. Obrecht is indebted to Bank of Naperville, Naperville, Illinois, a nonmember bank, in the amount of \$370. Accordingly, the Board's approval is given with the understanding that Mr. Obrecht will not participate in any examination of Bank of Naperville until his indebtedness has been liquidated or otherwise eliminated.

Please advise as to the date on which the designation is made effective.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Assistant Secretary.



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

Item No. 18
7/16/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 15, 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 July 9, 1957, the Board approves the designation of Kenneth E. Arndt as a special assistant examiner for the Federal Reserve Bank of Chicago. Please advise the Board if the designation is not made effective July 29, 1957, as planned.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Assistant Secretary.