

Minutes for July 31, 1957

To: Members of the Board

From: Office of the Secretary

Attached is a copy of the minutes of the Board of Governors of the Federal Reserve System on the above date.

It is not proposed to include a statement with respect to any of the entries in this set of minutes in the record of policy actions required to be maintained pursuant to section 10 of the Federal Reserve Act.

Should you have any question with regard to the minutes, it will be appreciated if you will advise the Secretary's Office. Otherwise, if you were present at the meeting, please initial in column A below to indicate that you approve the minutes. If you were not present, please initial in column B below to indicate that you have seen the minutes.

	A	B
Chm. Martin	_____	x <u>W</u>
Gov. Szymczak	_____	x <u>W</u>
Gov. Vardaman	x <u>W</u>	_____
Gov. Mills	x <u>W</u>	_____
Gov. Robertson	_____	x <u>R</u>
Gov. Balderston	x <u>CCB</u>	_____
Gov. Shepardson	x <u>W</u>	_____

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, July 31, 1957. The Board met in the Board Room at 10:00 a.m.

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

Mr. Carpenter, Secretary
Mr. Fauver, Assistant Secretary
Mr. Masters, Director, Division of Examinations
Mr. Solomon, Assistant General Counsel
Mr. Hostrup, Assistant Director, Division of Examinations

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 New York approving the extension of retirement dates for two of its employees.	1
Letter to the Federal Reserve Bank of New York, interposing no objection to the arrangements made for Mr. Francis H. Schott to participate in a mission in Chile for the Chilean Government.	2
Letter to the Federal Reserve Bank of Atlanta approving the extension of retirement date for an employee.	3
Letter to the Federal Reserve Bank of New York approving the request of First Trust and Deposit Company, Syracuse, New York, for additional investments in bank premises.	4

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	<u>Item No.</u>
Letter to the Federal Reserve Bank of Atlanta regarding the request for a final tax certification by Hillsboro Enterprises, Inc., Nashville, Tennessee.	5
Letter to The Clovis National Bank, Clovis, New Mexico, approving the application for limited fiduciary powers. (For transmittal through the Federal Reserve Bank of Dallas)	6
Letter to the Comptroller of the Currency recommending approval of an application to organize a national bank in Newport, Tennessee.	7

Information requested by the Federal Bureau of Investigation

(Items 8 and 9). The Board then discussed a request dated July 18, 1957, of the Federal Bureau of Investigation for access to examination reports in connection with action by the United States Attorney in Miami, Florida, against the Industrial National Bank of Miami, Florida, and the North Shore Bank of Miami Beach, Florida. A proposed reply had been circulated to the members of the Board prior to the meeting.

Mr. Masters reported receiving a call from the United States Attorney's office on July 30 in which it was indicated that arrangements had been made with the Comptroller of the Currency and with the Federal Deposit Insurance Corporation to make their examination reports available in Miami, Florida, and that question had been raised whether the System likewise could make its reports available in Miami. The Federal Reserve Bank of Atlanta had advised that there was no examining group in the Florida area at the moment and no way that this request could be met without some difficulty and at substantial cost.

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A basic question at issue was whether information from the examination reports, other than under subpoena, should be made available to other Governmental agencies which might lead to indictment or conviction. Governor Mills expressed the view, which was also shared by Governor Vardaman, that this question should be decided in favor of preserving the confidentiality of examination reports, except in response to subpoena, but it was pointed out that the Board on April 9, 1957, had decided to make the information available voluntarily as a measure of cooperation among Government agencies.

Governor Vardaman stated that, in the light of the previous decision, the only question now before the Board related to making the examination reports available either in Atlanta or Miami. It was his view that the System should use whatever means appropriate to make the material available in Miami at the convenience of the United States Attorney.

Governor Shepardson asked whether it would be possible for the representative of either the Comptroller of the Currency or the Federal Deposit Insurance Corporation to carry the System's examination reports to Miami inasmuch as the System regularly made available information copies of such examinations to the Federal supervisory agencies. Mr. Masters indicated that such a procedure would go well beyond the agreement existing among the supervisory agencies that such reports were furnished for internal official use only. He said that he would be extremely reluctant to see this agreement breached.

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Following the discussion it was agreed that the proposed reply should be modified to indicate that the records would be made available in the United States Attorney's office in Miami rather than at the offices of the Federal Reserve Bank of Atlanta. With this modification, the reply was approved with an appropriate change to authorize making the reports of examination available in Miami.

Secretary's Note: Following the meeting, Mr. Masters conferred by telephone with officials of the Federal Reserve Bank of Atlanta informing them of the Board's view that an appropriate official of that Bank should make the applicable reports available in the United States Attorney's office in Miami. The approved revised letters to the Federal Bureau of Investigation and to the Federal Reserve Bank of Atlanta are attached as Items 8 and 9.

Worthen Bank & Trust Company, Little Rock, Arkansas (Item 10).

The Board then considered a memorandum from the Division of Examinations dated July 26, 1957, which had been distributed prior to the meeting, relating to the establishment of a teller's window near the intersection of West 56th Street and Scott Hamilton Drive, approximately two miles south of the corporate boundaries of Little Rock, Arkansas. This was the matter referred to at the Board meeting on July 29 when Chairman Martin referred to a call he had received from Senator McClellan. Subsequently, a similar inquiry regarding the status of this matter had been made by Senator Fulbright.

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Mr. Masters reviewed briefly the status regarding the application which had been filed on May 2, 1957, including the fact that the Union National Bank of Little Rock had filed a similar application on April 18, 1957, which had been approved by the Comptroller of the Currency on July 5. The teller's windows of both banks were to be located in a rapidly growing area south of the corporate boundaries of Little Rock, and it appeared that while the immediate needs of the community might not justify the existence of several such windows, the prospects for further growth and the relatively low cost of installation overbalanced any possible objection.

The Board's examiner concurred in the recommendation of the Federal Reserve Bank of St. Louis that the request for permission to establish the teller's window be approved provided the branch was established within six months from the date of approval. It was unanimously agreed that the application be approved. The attached letter to Worthen Bank & Trust Company, attached hereto as Item No. 10, was approved unanimously for transmittal through the Federal Reserve Bank of St. Louis and at the same time it was understood that the Board's Legislative Counsel, Mr. Cherry, would inform the offices of both Senators McClellan and Fulbright of the Board's action.

Application for general voting permit, First Bank Stock Corporation, Minneapolis, Minnesota (Item 11). The Board then

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considered a memorandum from the Division of Examinations dated July 25, 1957, which had been distributed prior to the meeting, relating to the application of the First Bank Stock Corporation of Minneapolis, Minnesota, for a general voting permit covering the stock it owned and controlled of Southside National Bank of Missoula, Missoula, Montana. The capital stock of this subsidiary bank had been acquired by the Corporation prior to the enactment of the Bank Holding Company Act, and the bank opened for business on April 8, 1957. The memorandum stated that the Federal Reserve Bank had recommended that the voting permit be issued, and it was also the Division's recommendation that a general voting permit be issued subject to the condition that prior to its issuance the applicant should execute the standard general voting permit agreement.

After consideration of the financial condition of the applicant, the general character of its management, and the probable effect of the granting of such permit upon the affairs of the subsidiary bank, the Board unanimously agreed to issue the permit, sending a wire to the Federal Reserve Bank of Minneapolis which is attached hereto as Item No. 11.

Acquisition of shares of Continental Gin Company by Trust Company of Georgia (Item No. 12). The discussion then turned to a memorandum from Mr. Hexter dated July 25, 1957, which had been

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distributed prior to the meeting. This memorandum outlined a proposed arrangement for acquisition of shares of Continental Gin Company by the Trust Company of Georgia and Trust Company of Georgia Associates, who sought to exercise their stockholders' rights to purchase one additional share of Continental for each share presently held. The question was whether this arrangement violated section 4(a) of the Bank Holding Company Act which forbids a bank holding company to "acquire direct or indirect ownership or control of any voting shares of any company which is not a bank."

The memorandum stated that the company alleged in effect that acquiring additional shares in an amount that is just sufficient to maintain a holding company's percentage ownership of the outstanding stock of another corporation is merely the continuance of existing ownership rather than acquisition of additional ownership and therefore is exempted from the prohibition of section 4(a) by the provisions of section 4(c)(4), which permits the retention of "shares lawfully acquired and owned prior to the enactment of this Act by a bank which is a bank holding company, or by any of its wholly-owned subsidiaries." Mr. Hexter's memorandum took the position that the ownership of shares of corporate stock was not only "a fixed percentage of ownership of the whole" as the holding companies intimated; it was also an ownership of a certain aggregate interest in a corporation, measurable by dollars invested, present market value, or otherwise. The memorandum

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also pointed out that instead of directly exercising their rights to acquire additional shares of Continental, the holding companies had developed a plan under which the rights would be exercised by trustees, who would borrow the money from a wholly-owned subsidiary of Associates.

The holding companies' plan had been presented in a letter to the Atlanta Federal Reserve Bank dated June 7, 1957. That letter did not request action but in the circumstances Mr. Hexter recommended that the Board inform the holding companies concerned, through the Atlanta Reserve Bank, that in the Board's opinion the arrangement would constitute a violation of section 4(a) of the Bank Holding Company Act. A proposed reply was attached to his memorandum.

Governor Shepardson questioned whether the exercise of stock rights in relation to issuance of additional shares of stock was in any way comparable to the issuance of such shares through a stock dividend. If it were, he wondered whether the maintenance of a proportionate share of ownership could be distinguished from the acquisition of additional shares without a larger proportion or degree of control.

Mr. Solomon expressed the view that under the provisions of section 4(c)(4) it might be possible to distinguish between the acquisition of new shares under a straight stock dividend and the acquisition of new shares which involved the investment of additional money in connection with their purchase, as in the present case. He conceded

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that it was true in both cases that the original owner of the shares would have the same proportionate degree of ownership of the company as a whole. He pointed out, however, that the provisions of the Holding Company Act conferred upon these two holding companies a special exemption from one of the basic provisions of the statute, and that it was a general rule of statutory interpretation that exceptions to remedial statutes should be narrowly construed.

Governor Mills also mentioned the specific exemption, pointing out that it conferred upon these companies the right to hold certain properties which they otherwise would have been required to dispose of under the general provisions of the Act.

Following the discussion, the letter to the Federal Reserve Bank of Atlanta, attached hereto as Item No. 12, was unanimously approved.

Request for determination under Bank Holding Company Act, Transamerica Corporation. Governor Vardaman raised a question about the progress on a final decision with regard to the retention by Transamerica Corporation of the stock of Occidental Life Insurance Company on which the Board held a hearing on July 9, 1957. It was pointed out that at the Board meeting on July 11, 1957, it was understood that, since this was a case of first instance, the Legal Division would prepare an opinion setting forth the reasoning for the Board's decision which would be released at the time the Board's order was

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published in the Federal Register. It had been expected at that time that it would take approximately one month to prepare such an opinion. Governor Vardaman expressed the hope that every effort would be made to release the Board's decision as soon as possible.

Thereupon the meeting adjourned.

Secretary's Notes: Pursuant to the recommendations contained in memoranda from appropriate individuals concerned, Governor Shepardson approved on behalf of the Board on July 30, 1957, the following actions regarding the Board's staff:

Appointment

Eleanor S. Caroglanian as Clerk, Division of Administrative Services, with basic annual salary at the rate of \$3,175, effective the date she assumes her duties.

Transfer

Shirley Virginia Register from the position of Clerk-Stenographer in the Division of Personnel Administration to the position of Clerk-Stenographer in the Legal Division, with no change in her basic salary of \$3,670 per annum, effective August 1, 1957.

Acceptance of resignation

Charles E. Aikens, Assistant Federal Reserve Examiner, Division of Examinations, effective August 2, 1957.

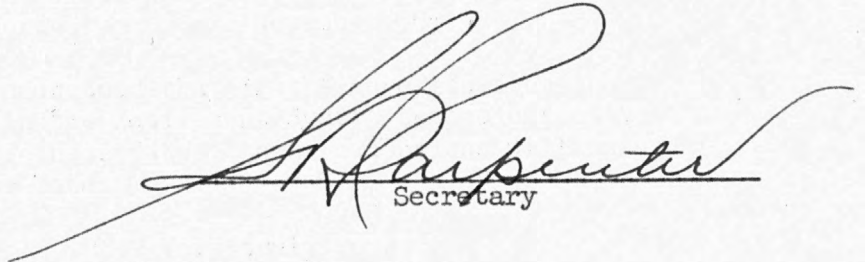
Acting on behalf of the Board, Governor Shepardson today authorized Mr. Fauver, Assistant Secretary, to decline the invitation he had received from Mr. Robert M. Joline to speak before a combined meeting of Federal and State-chartered savings and loan associations in the greater Philadelphia area on September 24, 1957, for the reason that local meetings of that type are usually handled by the Federal Reserve Bank of the District.

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On July 12, 1957, the Board approved a 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. This approval was with the understanding that the letter would be sent after the subject had been discussed with the Office of the Comptroller of the Currency. Such discussions having been held, the letter was sent on July 31, 1957, over the signature of the Secretary of the Board.

Governor Shepardson, acting on behalf of the Board, approved on July 30, 1957, a visit by the students from the Center for Latin American Monetary Studies to the Board's offices the week of September 16-20. This approval was on the basis of a memorandum submitted by Mr. Fauver, dated July 29, 1957, and a request from Mr. Marquez, Director of the Center, to the Chairman dated July 9. It was understood that the approval included the absorption by the Board of incidental costs for translating facilities, a luncheon for the group on September 16, and other incidental costs.



Secretary



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

Item No. 1
7/31/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 31, 1957

Mr. Walter H. Rozell, Jr.,
Assistant Vice President,
Federal Reserve Bank of New York,
New York 45, New York.

Dear Mr. Rozell:

In view of the circumstances outlined in your letter of July 19, 1957, to the Board 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 the following persons through the dates indicated:

<u>Name</u>	<u>Extended Through</u>
Throckmorton, Clair A.	November 25, 1957
Simons, Robert	November 30, 1957

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

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.

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

Item No. 2
7/31/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 31, 1957

Mr. Thomas O. Waage, Secretary,
Federal Reserve Bank of New York,
33 Liberty Street,
New York 45, New York.

Dear Mr. Waage:

This letter is in response to your letter of July 19 concerning the extension of leave of absence for Mr. Francis H. Schott to participate in a mission, organized by Klein and Saks, to study the economic and financial situation in Chile for the Chilean Government.

It is understood that Mr. Schott's leave of absence without pay has been extended to February 28, 1958 on the same terms and conditions as the initial leave and that this action was taken in response to a request from Klein and Saks.

The Board of Governors interposes no objection to the arrangements with respect to Mr. Schott described in your letter.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.



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

Item No. 3
7/31/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 31, 1957

Mr. Malcolm Bryan, President,
Federal Reserve Bank of Atlanta,
Atlanta 3, Georgia.

Dear Mr. Bryan:

In view of the circumstances outlined in your letter of July 17, 1957, concerning the extension of retirement date for your employee Olive Parker, the Board of Governors approves the retention in service and payment of salary to her through August 31, 1957.

It is understood that if the benefits from the proposed changes in the Retirement System do not become effective on September 1, 1957, this approval will extend until such later date in 1957 as the changes become effective.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.

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

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Item No. 4
7/31/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 31, 1957

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

Dear Mr. Phelan:

Reference is made to your letter of July 3, 1957, submitting with a favorable recommendation the request of First Trust and Deposit Company, Syracuse, New York, for approval under Section 24A of the Federal Reserve Act of additional investments in bank premises in an amount not to exceed \$750,000 for the purpose of renovating and remodeling its main office and certain branch offices. This amount includes \$111,204 of expenditures which were capitalized prior to the examination as of May 9, 1957, and other expenditures amounting to \$638,796 which are expected to be made during the next four or five years.

The Board of Governors has given consideration to the information you have submitted and approves the additional investments made or to be made for the above purposes. Please advise the bank accordingly.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.

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

Item No. 5
7/31/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 31, 1957

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

Dear Mr. Denmark:

This is in reply to your letter of July 18, enclosing a copy of a letter of July 17 from Mr. J. Marshall Ewing relating to Hillsboro Enterprises, Inc., Nashville, Tennessee.

Mr. Ewing emphasizes that his letter of June 28 constituted a request for a final tax certification, and appears to be under the impression that this was not understood by the Board. However, the Board's letter to you dated July 11 explicitly stated the Board's understanding that Mr. Ewing's June 28 letter was a request for a final tax certification. The Board does not have a copy of your letter of July 15 to Mr. Ewing, but in the circumstances it would seem advisable to inform him explicitly that the Board regards his letter of June 28 as a request for a final tax certification. As stated in the Board's letter of July 11, there are complex general questions involved in this matter, and consequently there may be some delay in the issuance of the requested final certification with respect to Hillsboro Enterprises, Inc.

There are several other matters that you may wish to clarify for Mr. Ewing. His letter of July 17 states that the request submitted was for certification in accordance with section 1101(e) of the Internal Revenue Code, and he quotes both paragraphs of that subsection. In this situation, however, paragraph (1) of section 1101(e) is entirely inapplicable, and a final certification could be issued only pursuant to paragraph (2) thereof.

Mr. Ewing also states that, under section 1101(e), final "certification is required before the expiration of the period permitted under section 4(a) of the Bank Holding Company Act of 1956." The reference to "the period permitted under section 4(a) of the Bank Holding Company Act of 1956" appears in paragraph (1) of section 1101(e), and that paragraph, as stated above, does not apply in this case. In any event, the periods specified in both paragraph (1) and paragraph (2) of section 1101(e) are the periods within which the corporation must take the required action and--contrary to Mr. Ewing's understanding--are not periods in which final

Mr. J. E. Denmark

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certification must be made by the Board of Governors. The Internal Revenue Code does not specify any period within which the final certification must be issued, although the Board will, of course, issue such certification as expeditiously as possible.

Mr. Ewing's letter also states that "final certification appears to be necessary before the company could take advantage of the relief provisions provided for nontaxable distribution under the Internal Revenue Code." This does not seem to be correct. Section 1101(b)(1)(B) requires the prior certification (which has already been made with respect to Hillsboro) to be issued "before the distribution", but there is no similar requirement with respect to final certification. Failure to obtain a final certification might eventually cause deficiencies to be assessed against stockholders with respect to a prior year, but a final certification is not prerequisite to a tax-free distribution.

Finally, Mr. Ewing states that

"No ruling would be issued by the Internal Revenue Service with respect to the transaction until such (final) certification is provided."

It is suggested that Mr. Ewing be informed that this is not the case, and that the Internal Revenue Service has already issued a ruling, in a case entirely similar to that of Hillsboro, before a final certification had been issued by the Board of Governors.

It will be appreciated if you will transmit this information to Mr. Ewing, together with assurances that a final certification will be issued with respect to Hillsboro as soon as practicable.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.

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

Item No. 6
7/31/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 31, 1957

Board of Directors,
The Clovis National Bank,
Clovis, New Mexico.

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 executor and administrator, the exercise of 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 Clovis National Bank is now authorized to exercise will be forwarded to you in due course.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.

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

Item No. 7
7/31/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 31, 1957

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

Attention Mr. W. M. Taylor,
Deputy Comptroller of the Currency.

Dear Mr. Comptroller:

Reference is made to a letter from your office dated April 2, 1957, enclosing copies of an application to organize a national bank in Newport, Tennessee, and requesting a recommendation as to whether or not the application should be approved.

A report of investigation of the application made by an examiner for the Federal Reserve Bank of Atlanta indicates that a capital structure of \$300,000 would be provided for the bank instead of \$250,000 shown in the application. This report discloses satisfactory findings with respect to the factors usually considered in connection with such proposals, except that the identity and qualifications of the proposed executive officer were not available. The Board of Governors recommends approval of the application provided arrangements are made for executive management satisfactory to your office.

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) S. R. Carpenter

S. R. Carpenter,
Secretary.

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

Item No. 8
7/31/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 31, 1957

Mr. L. L. Laughlin,
Special Agent in Charge,
Washington Field Office,
Federal Bureau of Investigation,
Washington 25, D. C.

Dear Mr. Laughlin:

This is in response to your letter of July 18, 1957, requesting that certain information be made available regarding the Industrial National Bank, Miami, Florida, and North Shore Bank, Miami Beach, Florida, for use by the United States Attorney, Miami, Florida, in connection with the presentation of a case before a Federal Grand Jury. It is understood, as a result of a conversation had since receipt of your letter between the United States Attorney, James L. Guilmartin, and the Director of the Board's Division of Examinations, that it is desired to have the necessary documents made available in Miami.

With respect to the Industrial National Bank of Miami, Florida, it is suggested that request for information should be addressed to the Office of the Comptroller of the Currency, since that office has primary responsibility for supervision of national banks.

With respect to the North Shore Bank, the Board has today transmitted a letter, copy of which is enclosed, to the Federal Reserve Bank of Atlanta, authorizing that Bank to make available to the United States Attorney, or to his representative, information contained in the questionnaires or examination reports you enumerated that relates to "alleged violations" that are mentioned, but not described, in your letter.

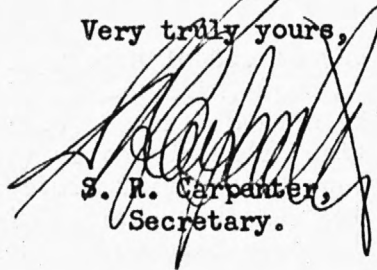
You will note that the authorization to the Federal Reserve Bank of Atlanta is given with the understanding that it does not include any information in the confidential sections of the examination reports, that the information made available

Mr. L. L. Laughlin

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will be used for the exclusive consideration of the United States Attorney's office for the sole purpose of developing leads in connection with the alleged violations, and that the United States Attorney will not use the information for any further purpose such as evidence in any proceeding and will make no reference to the source of the information.

Very truly yours,



S. R. Carpenter,
Secretary.

Enclosure

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

Item No. 9
7/31/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 31, 1957

Mr. Malcolm Bryan, President,
Federal Reserve Bank of Atlanta,
Atlanta 3, Georgia.

Dear Mr. Bryan:

There is enclosed a copy of a letter to the Board dated July 18, 1957, from Mr. L. L. Laughlin, Special Agent in Charge, Washington Field Office, Federal Bureau of Investigation. Also enclosed is a copy of the Board's reply of this date. Mr. Laughlin requests certain information concerning Industrial National Bank, Miami, Florida and the North Shore Bank, Miami Beach, Florida which may be used by the United States Attorney at Miami in preparation of a case involving these two banks for presentation before a Federal Grand Jury.

The Board is suggesting to Mr. Laughlin that the request for information regarding the Industrial National Bank should be addressed to the Office of the Comptroller of the Currency. With respect to the North Shore Bank, you are authorized to make available to the United States Attorney, Miami, Florida, or to his authorized representative, information relating to "alleged violations" mentioned, but not described, in Mr. Laughlin's letter, that is contained in the questionnaires and reports of examination relating to North Shore Bank enumerated in Mr. Laughlin's letter. It is understood that the United States Attorney, James L. Guilmartin, desires the necessary documents to be made available in Miami. The Board sees no objection to this, providing, of course, that the documents at all times are retained in the possession of an official of the Federal Reserve Bank of Atlanta. This authorization is given with the understanding that it does not include any information in the confidential sections of the examination reports and that the information made available will be used for the exclusive consideration of the United States Attorney's office for the sole purpose of developing leads in

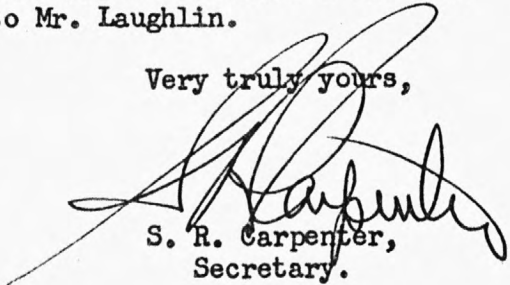
Mr. Malcolm Bryan, President

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connection with the alleged violations mentioned. Also, the United States Attorney should understand that he is not to use the information for any further purpose, such as evidence, in any proceeding and is to make no reference to the source of the information.

A copy of this letter has been enclosed with the Board's reply of this date to Mr. Laughlin.

Very truly yours,



S. R. Carpenter,
Secretary.

Enclosures

cc: Mr. L. L. Laughlin,
Special Agent in Charge,
Washington Field Office,
Federal Bureau of Investigation,
Washington 25, D. C.

cc: Mr. R. C. Masters - Exam.

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

Item No. 10
7/31/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 31, 1957

Board of Directors,
Worthen Bank & Trust Company,
Little Rock, Arkansas.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of St. Louis, the Board of Governors of the Federal Reserve System approves the establishment of a branch by the Worthen Bank & Trust Company in the vicinity of the intersection of west 65th Street and Scott Hamilton Drive approximately two miles south of the corporate limits of Little Rock, provided the branch is established within six months from the date of this letter and the approval given by the State authorities is effective as of the date the branch is established.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.

T E L E G R A M

LEASED WIRE SERVICE

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 11

7/31/57

July 31, 1957

PERRIN - MINNEAPOLIS

KEBJE

- A. First Bank Stock Corporation, Minneapolis, Minnesota
- B. Southside National Bank of Missoula, Missoula, Montana
- C. Prior to the issuance of permit, authorized herein,
applicant shall execute and deliver to you in duplicate
an agreement in form accompanying Board's letter S-964
(F.R.L.S. #7190).

(Signed) S. R. Carpenter

CARPENTER

KEBJE - The Board authorizes the issuance of a general voting permit, under the provisions of section 5144 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).

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

Item No. 12
7/31/57



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 31, 1957

Mr. Malcolm Bryan, President,
Federal Reserve Bank of Atlanta,
104 Marietta Street,
Atlanta 3, Georgia.

Dear Mr. Bryan:

This is with reference to a letter addressed to you by Mr. John A. Sibley, Chairman of the Board of the Trust Company of Georgia, dated June 7. Although Mr. Sibley's letter did not request the views of your Bank or of the Board, it involved legal questions and therefore, in the absence of Mr. Patterson, your General Counsel, you transmitted it to the Board.

As you will recall, Mr. Sibley's letter referred to a proposed arrangement for the exercise of rights held by Trust Company of Georgia and Trust Company of Georgia Associates to purchase additional shares of common stock of Continental Gin Company, in which those two holding companies already owned 6,346 shares and 10,114 shares, respectively. The holding companies contended that such purchases would not violate section 4(a) of the Bank Holding Company Act because they would not increase, the percentage of all outstanding common stock of Continental Gin Company owned by the holding companies. In addition, the companies proposed to have the rights exercised by trustees rather than by the holding companies themselves, although the ultimate beneficial interest in the shares would be in the holding companies.

After consideration of this matter, the Board is of the opinion that the carrying out of the proposed arrangement would constitute a violation of the portion of section 4(a) of the Bank Holding Company Act that provides that "no bank holding company shall . . . acquire direct or indirect ownership or control of any voting shares of any company which is not a bank". There is nothing in the Bank Holding Company Act that grants an exception from this prohibition with respect to acquisitions of stock for the purpose of maintaining a holding company's proportionate interest in the corporation involved. Further, the Board is unable to agree that the applicability of

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section 4(a) can be avoided by having shares in nonbank corporations purchased by trustees for the benefit of bank holding companies, rather than by the bank holding companies themselves. Enclosed for your information is a copy of a memorandum discussing these questions in more detail.

It will be appreciated if you will transmit the substance of this letter to the two bank holding companies involved.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.

Enclosure