

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, October 23, 1957. The Board met in the Board Room at 10:00 a.m.

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

Mr. Carpenter, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Johnson, Controller, and Director,
Division of Personnel Administration
Mr. Solomon, Assistant General Counsel
Mr. Hostrup, Assistant Director, Division
of Examinations
Mr. Hexter, Assistant General Counsel
Mr. Nelson, Assistant Director, Division
of Examinations
Mr. Goodman, Assistant Director, Division
of Examinations
Mr. Benner, Assistant Director, Division
of Examinations

Financing of defense contractors. Governor Balderston referred to the discussion at the meeting of the Federal Open Market Committee yesterday morning regarding the prospective requirements of defense contractors for bank credit because of delays in payments by the Government and then reported on a meeting of interested Government agencies which he attended yesterday afternoon. It now appeared, he said, that the total requirements for bank credit through the end of this year would not be nearly as high as earlier contemplated. He also said that a statement was to be released to the press which would contain no specific indication of the contemplated magnitude of the financing

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requirements but would say that special facilities were being set up in the Department of Defense to which contractors might turn for advice and counsel. The announcement was to make no mention of facilities such as the Federal Reserve Bank discount window, guaranteed loans (V-loans), or loans under section 13b of the Federal Reserve Act.

In summary, he felt that the results of the interagency meeting were satisfactory from the point of view of the Federal Reserve System.

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 Bank of America, New York, New York, approving a proposed increase in capital stock and, in that connection, a proposed amendment to its articles of association. (For transmittal through the Federal Reserve Bank of New York)	1
Letter to International Banking Corporation, New York, New York, extending the time within which it may establish an agency at the New York International Airport. (For transmittal through the Federal Reserve Bank of New York)	2
Letter to The First Pennsylvania Banking and Trust Company, Philadelphia, Pennsylvania, approving the establishment of a branch at 2510 Cheltenham Avenue. (For transmittal through the Federal Reserve Bank of Philadelphia)	3
Letter to the Federal Reserve Bank of Philadelphia approving an additional investment in bank premises by Wilmington Trust Company, Wilmington, Delaware.	4

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Item No.

- Letter to The Cleveland Trust Company, Cleveland, Ohio, approving the establishment of a branch in Garfield Heights, Ohio. (For transmittal through the Federal Reserve Bank of Cleveland) 5
- Letter to The Union Commerce Bank, Cleveland, Ohio, approving the establishment of two branches (one a drive-in facility) in Garfield Heights, Ohio, and also approving an additional investment in bank premises. (For transmittal through the Federal Reserve Bank of Cleveland) 6
- Letter to The Harter Bank & Trust Company, Canton, Ohio, approving the establishment of a branch at 1204-1210 Harrison Avenue, S. W. (For transmittal through the Federal Reserve Bank of Cleveland) 7
- Letter to the Federal Reserve Bank of Chicago extending the time within which First Old State Bank, Elkhart, Indiana, may establish a branch at 420 East Jackson Boulevard. 8
- Letter to the Federal Reserve Bank of Chicago approving the payment of salaries at specified rates to the elevator starters and operators. 9
- Letter to Arkansas Trust Company, Hot Springs, Arkansas, approving the establishment of a branch at 803 Albert Pike. (For transmittal through the Federal Reserve Bank of St. Louis) 10
- Letter to the Federal Reserve Bank of St. Louis approving an additional investment in bank premises by Arnold Savings Bank, Arnold, Missouri. 11
- Letter to the Federal Reserve Bank of Dallas extending the time within which Southern Arizona Bank and Trust Company, Tucson, Arizona, may establish a branch in the vicinity of the intersection of Rook and Speedway Avenues. 12
- Letter to Home Bank, Compton, California, disapproving its application to establish a branch at Lakewood Boulevard and Center Street, Bellflower, California. (For transmittal through the Federal Reserve Bank of San Francisco) 13

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Item No.

- Letter to The Southwest Bank, Inglewood, California, approving the establishment of a branch in the vicinity of the intersection of Rodeo Road and La Cienega Boulevard, Los Angeles, California. (For transmittal through the Federal Reserve Bank of San Francisco) 14
- Letter to the Federal Reserve Bank of San Francisco extending the time within which Greenfield State Bank, Greenfield, California, may establish a branch in Bakersfield, California. 15
- Letter to the Federal Reserve Bank of San Francisco extending the time within which California Bank, Los Angeles, California, may establish a branch in Tustin, California. 16
- Letters to the Bureau of the Budget and the Presidents of the Federal Reserve Banks regarding a proposal to make future surveys of credit extended to real estate mortgage lenders on a semiannual basis rather than quarterly. 17, 18

In a brief discussion preceding approval of the foregoing Item No. 9, Governor Shepardson asked as a matter of information what was gained by not approving at this time the payment of salaries to the Chicago Reserve Bank's elevator starters and operators, effective September 30, 1958, on the basis which would become effective at that time under the two-year agreement entered into by the union concerned and the Building Managers' Association.

Governor Balderston responded that in a previous case involving nonclerical salaries at the Chicago Bank he had discussed this point with the Division of Personnel Administration, it being his thought that it was unwise for the Board to commit itself on the basis of future wage increases. He said that personally he did not like to see private

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industry follow the practice of making commitments with regard to wage increases in the future and that he did not believe this was a good practice for the Federal Reserve System to follow.

The Secretary added the comment that in certain circumstances it might become important for the record to show that salaries at the Federal Reserve Banks became effective only with the approval of the Board, and that to this end it would be better if the Board only approved salaries at rates which a Reserve Bank definitely intended to pay on the basis of an existing situation.

In a discussion preceding approval of the foregoing Item No. 14, Governor Mills pointed out that The Southwest Bank, Inglewood, California, is a relatively new bank with good but not outstanding management and that the California Bank of Los Angeles had made application to establish a branch in the area where the branch of The Southwest Bank would be situated. It occurred to him that if the application of the California Bank should be approved, the competitive problems of the smaller bank would be made more acute. He also observed that in some respects the branch banking situation in the State of California seemed to be getting a little out of hand, with a large number of applications for new branches being received. It was his feeling that the application of The Southwest Bank should be approved but that very careful consideration should be given to the California Bank's application when it came before the Board. In further comments, Governor Mills brought out that other large banks

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have existing branches in the area and that the two additional branches, if approved, would add those facilities to an area which now appeared to be quite well served from a banking standpoint.

After Mr. Nelson had commented on the characteristics of the area and the available banking facilities, Governor Robertson expressed concurrence in the statement made by Governor Mills. Although he favored approving the application of The Southwest Bank, he would be inclined to look very carefully at the application of the California Bank, with a view to the possibility of not approving it until the branch of The Southwest Bank had had an opportunity to establish itself. The other members of the Board indicated that they agreed with these views.

Request of Bank of America for consent to the purchase of certain stock (Item No. 19). In a letter dated September 10, 1957, transmitted through the Federal Reserve Bank of New York, Bank of America, New York, New York, requested the Board's consent to the purchase by it of 60,000 shares of common stock of The Pakistan Industrial Credit and Investment Corporation Limited, Karachi, Pakistan, at a cost of approximately \$126,000. The request was discussed in a memorandum from the Division of Examinations dated October 14, 1957, which had been circulated to the members of the Board, and for various reasons, including the interest displayed in the project by United States Government agencies and the International Bank for Reconstruction and Development, the relatively small amount of stock which would be purchased by Bank of America, and

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the consent previously given by the Board to Bank of America to purchase stock of a similar development corporation in India, the memorandum recommended favorably on the current request. There was submitted with the memorandum a draft of letter to Bank of America which would advise of the Board's consent to the investment.

In commenting on the matter, Mr. Goodman referred to section 9(b) of the revised Regulation K which states, with respect to a Banking Corporation, that the Board of Governors ordinarily will not grant consent for such a corporation to purchase and hold stock in a corporation not engaged in banking or closely related activities. If read very strictly, he said, the language would seem to mean that an investment in the Pakistan development enterprise was not contemplated by the Regulation. As brought out in the memorandum, however, this was an enterprise into which the United States Government was putting funds indirectly and the sponsorship of the project would seem to warrant granting the requested authority, particularly in view of the relatively small amount of stock proposed to be purchased by Bank of America. Also, before Regulation K was revised the Board authorized a similar investment by Bank of America in the stock of a corporation in India, and it might be said that there was some justification on this basis for the proposed investment in Pakistan. In view of the number of development corporations being created in various countries, he considered it likely that the Board would be asked to give its consent to similar propositions in the future.

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Governor Robertson said that although he would favor granting consent in this case, he thought Bank of America should be advised that favorable action on the investments in India and Pakistan did not constitute a precedent for approval in any other similar cases. He suggested that the Board advise Bank of America to such effect in some appropriate manner.

The other members of the Board concurred in the views expressed by Governor Robertson and there ensued a discussion of whether precautionary language should be included in the letter to Bank of America or whether it would be preferable to put Bank of America on notice of the Board's views in an informal way.

Governor Mills, who leaned toward handling the matter informally, suggested that the explanation be in terms of the principle embodied in the revised Regulation K that a Banking Corporation ordinarily shall not venture into capital investments. If Bank of America, as in this case, proceeded through negotiations in a governmental atmosphere up to a point where the transaction was about to be completed, he felt that refusal of the Board of Governors to consent to the stock purchase could arouse comment out of proportion to the size of the proposed investment. Therefore, the Board of Governors should call the matter to the bank's attention on the basis of the language of the revised Regulation K, with an indication that the Board, in view of such language, might not welcome further requests to engage in such undertakings.

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Governor Szymczak agreed, stating that approval by the Board of investments of this kind in India and Pakistan might cause Bank of America to conclude that the Board would also grant consent in other similar cases. In addition, it appeared that the International Bank for Reconstruction and Development was anxious to have Bank of America participate in such projects on the theory that it was well to have some participation of private capital. He therefore considered it important for Bank of America to know that the Board might not approve similar cases in the future for, as Governor Mills had said, it might otherwise carry negotiations through to the final stages in another case before advising the Board.

As to the method of transmitting the Board's views to Bank of America, it was suggested that to incorporate them in a letter would place those views clearly on record and avoid the possibility of misunderstanding. While this could involve the possibility of repercussions if Bank of America should quote the language of the letter when some future transaction was under discussion, it was not felt that this was likely to occur or to present any serious problem.

At the conclusion of the discussion, it appeared that the majority of the Board was inclined to favor setting forth the Board's views in the letter to Bank of America granting consent to the purchase of stock in the Pakistan corporation. Accordingly, suggestions were made as to the language which might be used in the letter.

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Later during the meeting Mr. Goodman, who had withdrawn, sent back to the meeting a draft of proposed language for the Board's consideration. After a discussion, during which certain changes in the draft were agreed upon, unanimous approval was given to a letter to Bank of America in the form attached to these minutes as Item No. 19, for transmittal through the Federal Reserve Bank of New York.

Officers' salary structure at Atlanta Reserve Bank (Item No. 20).

In a memorandum dated October 15, 1957, which had been circulated to the members of the Board, the Division of Personnel Administration discussed a request from the Federal Reserve Bank of Atlanta for approval of a proposed revision of the Bank's salary structure applicable to officers, effective January 1, 1958. The memorandum, which recommended favorably on the matter, pointed out that the Atlanta Bank was one of two Reserve Banks which had not adjusted the officers' salary structure since the officers' salary administration plan was instituted in 1953. The request of the remaining Bank (Philadelphia) had now reached the Board's offices and was to be submitted to the Board for consideration in the near future.

Following comments by Mr. Johnson based on the information in the memorandum, unanimous approval was given to the letter to the Federal Reserve Bank of Atlanta of which a copy is attached hereto as Item No. 20.

Questions raised by examination of First Security Corporation (Item No. 21). In the report of examination of First Security

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Corporation, Salt Lake City, Utah, made as of September 30, 1956, the examiner for the Federal Reserve Bank of San Francisco suggested that certain transactions might have constituted violations of the Bank Holding Company Act of 1956. The views of the Corporation were presented in a letter dated August 14, 1957, transmitted through the San Francisco Reserve Bank, and the opinion of the Board was requested.

In memoranda dated October 1 and October 9, 1957, Mr. Hexter discussed the respective transactions in the light of the provisions and legislative history of the Bank Holding Company Act as well as interpretations heretofore made by the Board with respect to transactions similar to those undertaken by First Security Corporation. On the basis of this analysis, Mr. Hexter submitted a proposed letter to the Corporation which, along with the remainder of the file, had been circulated to the members of the Board.

At the request of the Board, Mr. Hexter reviewed the several transactions and stated in each case the reasons for the position taken in the proposed letter.

At the conclusion of Mr. Hexter's comments, unanimous approval was given to the letter to First Security Corporation in the form submitted, for transmittal through the Federal Reserve Bank of San Francisco, with the understanding that the Reserve Bank would also be sent as a matter of information copies of the two memoranda which had been prepared by Mr. Hexter.

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A copy of the letter to First Security Corporation is attached as Item No. 21.

Mr. Hexter then withdrew from the meeting.

Request of Otto Bremer Company (Item No. 22). In a letter dated October 16, 1957, Counsel for Otto Bremer Company, St. Paul, Minnesota, requested, in connection with the hearing involving that Company's applications under section 4(c)(6) of the Bank Holding Company Act, an extension from October 31, 1957, until January 2, 1958, of the time within which to submit to the Hearing Examiner proposed findings and conclusions and supporting brief. The reasons given for requesting the extension of time were (1) that Counsel for Otto Bremer Company would be away from St. Paul during the second and third weeks of November and would be unable to prepare the necessary documents until after his return; (2) that the Board's decision in the case of General Contract Corporation, St. Louis, Missouri, might be helpful in preparing the documents; and (3) that pending legislation would exempt Otto Bremer Company from the pertinent provisions of the Bank Holding Company Act and thus eliminate the necessity for a decision.

In a memorandum dated October 18, 1957, which had been distributed to the members of the Board, Mr. Solomon stated that although the reasons given in support of the request were not entirely persuasive, Otto Bremer Company would be the principal party to gain by expeditious decision or to lose by unnecessary delay. In these circumstances, the Hearing Examiner had indicated that he would be inclined to recommend granting the request.

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This was also Mr. Solomon's recommendation, and there was submitted with his memorandum a draft of proposed order which would grant the requested extension of time.

In response to an inquiry by Governor Shepardson as to the validity of the reasons supporting the request, particularly the second reason, Mr. Solomon said he did not think that much assistance would be obtained by having available the decision in the General Contract case. The most persuasive reason for granting the request appeared to be one not given by Counsel for Otto Bremer Company but set forth in the distributed memorandum, namely, that the party asking for the extension of time would be the only party that would suffer from a delay.

Thereupon, unanimous approval was given to the issuance of an Order in the form submitted with Mr. Solomon's memorandum, with the understanding that copies would be sent to the appropriate parties. A copy of the Order is attached hereto as Item No. 22.

Procedures in connection with reports of examination (Item No. 23).

In a letter dated September 16, 1957, Congressman Patman requested a description of the procedures currently in use regarding processing, review, and follow-up in connection with completed examination reports of (1) the Federal Reserve Banks, and (2) member banks of the Federal Reserve System. A draft of proposed reply had been distributed to the members of the Board under date of October 17, 1957, and a revised draft under date of October 22, 1957.

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The revised draft was reviewed and certain suggestions for minor changes were made in the interest of accuracy and clarification. Unanimous approval then was given to a letter to Mr. Patman in the form attached hereto as Item No. 23, with the understanding that a copy would be sent to Chairman Spence of the House Banking and Currency Committee.

During the foregoing discussion Mr. Fauver, Assistant Secretary, entered the room and at its conclusion Messrs. Nelson and Benner withdrew.

Proposed legislation (Item No. 24). On October 7, 1957, the Board gave preliminary consideration to, but deferred action on, a letter dated October 1, 1957, from the Chairman of the Council of Economic Advisers requesting a statement of legislative proposals which the Board would expect to submit to the next session of Congress and which would, if enacted, have a significant effect on economic growth and stability. A proposed reply had now been distributed to the members of the Board which would state that although the Board would be submitting proposals with respect to some legislation at the forthcoming session, such as possible amendments to the Bank Holding Company Act, it did not have at this time any proposals which would fall within the category mentioned in the Council's letter.

In a discussion of the proposed reply, Governor Mills raised a question whether reference should be made to the proposed Financial Institutions Act which was introduced at the last session of Congress. It was his feeling that legislation of such kind, intended to improve

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the structure of the banking industry, might be regarded as having a significant effect on economic growth and stability, and also that failure to refer in the reply to this proposed legislation might suggest that the Board had lost interest in it.

Governor Robertson then suggested changes in the draft of reply to meet the point raised by Governor Mills and effect certain editorial modifications.

Thereupon, unanimous approval was given to a letter to the Chairman of the Council of Economic Advisers in the form attached hereto as Item No. 24.

Commercial bank emergency preparedness program. Governor Robertson reported on a meeting yesterday of the Standing Inter-Agency Committee on Bank Supervisory Matters which was attended also by Mr. Edward F. Phelps, Assistant Director for Stabilization of the Office of Defense Mobilization. The meeting, he said, was devoted to discussion of the emergency preparedness booklets being prepared by the commercial banking committees organized for that purpose. The Inter-Agency Committee approved, with some minor suggested changes, the four pamphlets which had now been completed, and it also approved tentatively a proposed endorsement letter to be signed jointly by representatives of the Federal bank supervisory authorities and perhaps by the Secretary of the Treasury and a representative of the National Association of Supervisors of State Banks. In addition, it was tentatively decided to recommend to the respective supervisory authorities that there be a continuing committee of commercial

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bankers to permit the development of emergency planning, and also that the authorities follow up through the bank examination procedure the extent to which preparedness measures had been taken by the commercial banks.

Governor Robertson went on to say that the expenses of the commercial bank emergency planning program had come up for discussion, that the Office of Defense Mobilization had no funds for this purpose, that the Office of the Comptroller of the Currency was not prepared at this time to share in a participation of the expenses unless the State Banking Departments also shared, and that all those present at the meeting yesterday felt it would be very unfortunate if the commercial banks did not assume the expenses. He then referred to a letter which he had received from the Chairman of the Advisory Committee on Commercial Bank Preparedness inquiring about the possibility of some form of joint participation in the expenses and said that he had replied in terms of possibly submitting to the Board of Governors a proposal under which the commercial banks would pay half of the expenses and the Board of Governors an equal amount. He concluded by saying that as soon as an answer was received, he would submit the matter to the Board for consideration.

Special meetings. Pursuant to recommendations made by Governor Shepardson on the basis of information contained in a memorandum from Mr. Fauver dated October 18, 1957, the Board approved unanimously (1) making the customary arrangements in connection with visits to Washington

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by representatives of State bankers associations beginning in January 1958; (2) a meeting and luncheon at the Board's offices with the Executive Committees of the American Bankers Association's State and National Bank Divisions on December 2, 1957; (3) fixing Thursday, February 20, 1958, as the date for the next annual meeting with newly appointed Federal Reserve Bank and branch directors; (4) arrangement of a dinner on the evening of February 19, 1958, for the participating directors. It was understood that Mr. Fauver, in consultation with Governor Shepardson, would go forward with the necessary planning on the basis of the action taken by the Board at this meeting.

All of the members of the staff except Messrs. Carpenter and Johnson then withdrew from the meeting.

Retirement case at St. Louis Reserve Bank (Item No. 25).

Mr. Johns, President of the Federal Reserve Bank of St. Louis, was on vacation at the time of the meeting of the Federal Open Market Committee on October 22 and, therefore, it was not possible to carry out the understanding at the meeting of the Board on October 18, 1957, that Governor Balderston would discuss with Mr. Johns the proposal that the St. Louis Bank supplement the retirement allowance of Mr. Dwight Maxwell, who is being retired involuntarily on November 1, 1957. Governor Balderston stated that in the absence of President Johns, he talked with First Vice President Freutel, who stated that he and Mr. Johns had three things in mind in proposing the supplemental allowance: (1) Mr. Maxwell's long service; (2) his personal problems at home (the nature of which

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Mr. Freutel did not disclose) as explaining why he took to drinking; and (3) his physical condition which takes the form of a mental condition which results in alcoholism. They had felt, Governor Balderston added, that his misconduct was not deliberate but was the outgrowth of his tendency to drink, and that the solution they would propose might lead to the elimination from the System of other similar problem cases which might not otherwise be handled if there were a feeling that the policy of dealing with such cases was thought to be too strict. Governor Balderston made the further statement that his response to the last comment was to raise the question whether the action proposed by St. Louis would not tend to encourage misconduct because of the likelihood of being granted full retirement benefits notwithstanding such conduct. Governor Balderston's concluding comment was that he did not think the conversation with Mr. Freutel added anything to the information given by Mr. Johns to Mr. Sprecher, Assistant Director of the Board's Division of Personnel Administration.

Further discussion of the matter at this meeting did not disclose any difference in the views of the members of the Board as expressed at the meeting on October 18, 1957, and at the conclusion of the discussion it was voted that the St. Louis Bank be informed that it was the view of the Board that misconduct on the part of Mr. Maxwell was involved and that therefore he was not entitled to the additional pension contemplated by Section 3, Subdivision 2(b) of the Rules and Regulations of the Retirement System. On this action Messrs. Szymczak and Mills voted "no".

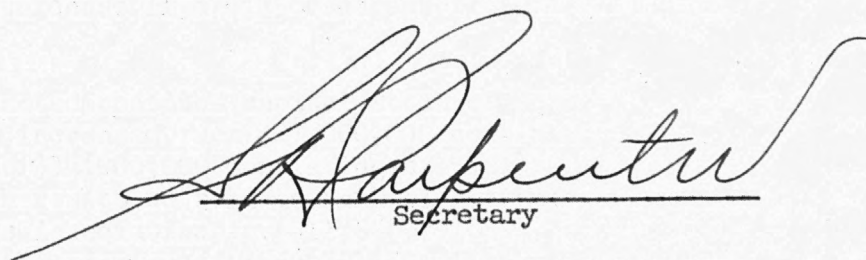
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Secretary's Note: The letter sent to the Federal Reserve Bank of St. Louis in accordance with this action is attached as Item No. 25.

Application of Baystate Corporation. Governor Balderston stated that because of the difficult questions involved in the application of the Baystate Corporation for approval of acquisition of shares of the Union Trust Company, Springfield, Massachusetts, he would suggest that further consideration of the application be deferred for a meeting when all members of the Board are in attendance. This suggestion was agreed to by all of the members of the Board present at this meeting.

The meeting then adjourned.


Secretary

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

Item No. 1
10/23/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 23, 1957

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

Dear Mr. Smith:

This refers to your letter of October 7, 1957, and enclosures, transmitted through the Federal Reserve Bank of New York, requesting the Board's approval of a proposal to increase the capital stock of Bank of America, in conformity with one of the conditions prescribed in the Board's letter of September 12, 1957, granting consent to your Bank to purchase 11,674,456 shares of Banca d'America e d'Italia.

It is noted that the capital stock of Bank of America is to be increased from \$23,000,000 consisting of 230,000 shares to \$34,000,000 consisting of 340,000 shares, the additional shares to be sold to Bank of America National Trust and Savings Association for \$11,556,791.59. It is understood that the premium of \$556,791.59 will be credited to surplus.

The Board approves the proposed increase in the capital stock of Bank of America and the proposed amendment to the Articles of Association of Bank of America in this connection.

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
10/23/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 23, 1957

Mr. J. MacN. Thompson, Secretary,
International Banking Corporation,
55 Wall Street,
New York 15, New York.

Dear Mr. Thompson:

In compliance with the request contained in your letter of October 8, 1957, transmitted through the Federal Reserve Bank of New York, and on the basis of the information furnished, the Board of Governors extends to May 17, 1958, the time within which your Corporation may establish and open for business an agency at the New York International Airport, Queens County, New York, New York, in the new International Arrival Building, as authorized by the Board's letter of May 17, 1957.

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
10/23/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 23, 1957



Board of Directors,
The First Pennsylvania Banking and Trust Company,
Philadelphia, 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 2510 Cheltenham Avenue, Philadelphia, Pennsylvania, by The First Pennsylvania Banking and Trust Company, Philadelphia, Pennsylvania, 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) S. R. Carpenter

S. R. Carpenter,
Secretary.

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

Item No. 4
10/23/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 23, 1957



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

Dear Mr. Hill:

Reference is made to your letter of October 1, 1957, with regard to the request of Wilmington Trust Company, Wilmington, Delaware, for approval under Section 24A of the Federal Reserve Act of an additional investment of \$5,700,000 to cover the cost of remodeling its branch building at Tenth and Shipley Streets in Wilmington.

After consideration of the information submitted, the Board concurs in the recommendation of the Reserve Bank and approves the additional investment of not to exceed \$5,700,000 in bank premises by the Wilmington Trust Company.

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
10/23/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 23, 1957

Board of Directors,
The Cleveland Trust Company,
Cleveland 1, Ohio.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Cleveland, the Board of Governors of the Federal Reserve System approves the establishment of a branch by The Cleveland Trust Company, Cleveland, Ohio, at 5007 Turney Road in the city of Garfield Heights, Ohio, provided the branch is established within one year from the date of this letter and approval of the State authorities is in effect 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. 6
10/23/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 23, 1957

Board of Directors,
The Union Commerce Bank,
Cleveland, Ohio.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Cleveland, the Board of Governors of the Federal Reserve System approves the establishment of a branch in the Turneytown Shopping Center at 5000 Turney Road, Garfield Heights, Ohio, and an additional branch (drive-in facility) on the parking lot of the same shopping center in the vicinity of 5000 Turney Road, by The Union Commerce Bank, Cleveland, Ohio, provided the branches are 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 branches.

Pursuant to Section 24A of the Federal Reserve Act, the Board of Governors approves the additional investment in banking premises of not to exceed \$225,000 for leasehold improvements for the proposed branches.

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
10/23/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 23, 1957

Board of Directors,
Harter Bank & Trust Company,
Canton 2, Ohio.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Cleveland, the Board of Governors of the Federal Reserve System approves the establishment of a branch by The Harter Bank & Trust Company, Canton, Ohio, at 1204-1210 Harrison Avenue S.W., in Canton, Ohio, provided the branch is established by September 10, 1958, and the approval of the State authorities is in effect 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. 8
10/23/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 23, 1957

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

Dear Mr. Diercks:

Reference is made to your letter of October 4, 1957, submitting the request of the First Old State Bank, Elkhart, Indiana, for an extension of time within which to establish a branch at 420 East Jackson Boulevard, Elkhart, Indiana, owing to delays encountered in starting the branch building program.

After consideration of the information submitted and your favorable recommendation, the Board extends to April 11, 1958, the time within which the establishment of the branch, which was approved in the Board's letter of April 11, 1957, may be accomplished.

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. 9
10/23/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 23, 1957



CONFIDENTIAL (FR)

Mr. H. J. Newman, Vice President,
Federal Reserve Bank of Chicago,
Chicago 90, Illinois.

Dear Mr. Newman:

The Board of Governors approves the payment of salary by the Federal Reserve Bank of Chicago to incumbents of the positions listed below at the following rates effective September 30, 1957, in accordance with the request contained in your letter of October 4, 1957:

<u>Title</u>	<u>Annual Salary</u>
Starter	\$4841.20
Assistant Starter	4576.00
Split Shift Operators	4638.40
Operators	4368.00

The Board believes it undesirable to commit itself to future salary adjustments and accordingly suggests that such adjustments be submitted for the Board's consideration at the time the Bank desires to place them in effect.

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
10/23/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 23, 1957



Board of Directors,
Arkansas Trust Company,
Hot Springs, Arkansas.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of St. Louis, the Board of Governors approves the establishment of a branch at 803 Albert Pike in an unincorporated area immediately outside the southwestern corporate limits of Hot Springs, Arkansas, by Arkansas Trust Company, Hot Springs, Arkansas, provided the branch is established within one year from the date of this letter and that formal approval of the Commissioner of Banks of the State of Arkansas 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
10/23/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 23, 1957

Mr. Geo. E. Kroner, Vice President,
Federal Reserve Bank of St. Louis,
St. Louis 2, Missouri.

Dear Mr. Kroner:

Reference is made to your letter of October 4, 1957, recommending that the Board approve, under the provisions of Section 24A of the Federal Reserve Act, an additional investment of \$4,712.01 in banking quarters by the Arnold Savings Bank, Arnold, Missouri.

After consideration of all available information, the Board of Governors concurs in the Reserve Bank's recommendation and approves the additional investment of \$4,712.01 in bank premises by Arnold Savings Bank, Arnold, Missouri.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.



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

Item No. 12
10/23/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 23, 1957



Mr. L. G. Pondrom, Vice President,
Federal Reserve Bank of Dallas,
Dallas 13, Texas.

Dear Mr. Pondrom:

As recommended in your letter of October 9, 1957, the Board of Governors extends to November 30, 1958, the time within which Southern Arizona Bank and Trust Company, Tucson, Arizona, may establish a branch in the vicinity of the intersection of Rook and Speedway Avenues, one mile east of the corporate limits of Tucson, Arizona.

This branch was originally approved by the Board at the northeast corner of the intersection of Speedway and Rook Avenues, and it is assumed that this change in address will result in no material change in the location 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. 13
10/23/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 23, 1957



Board of Directors,
Home Bank,
Compton, California.

Gentlemen:

Reference is made to your application, submitted through the Federal Reserve Bank of San Francisco, for permission to establish a branch at Lakewood Boulevard and Center Street, Bellflower, California.

The Board of Governors has given consideration to all available information and has concluded that it would not be justified in approving this application. This decision is principally based upon the facts that facilities existing in the area are believed to provide the community with adequate banking service and that the capital structure of the Home Bank is not considered adequate to justify establishment of an additional branch at this time.

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
10/23/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 23, 1957



Board of Directors,
The Southwest Bank,
Inglewood, 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 Rodeo Road and La Cienega Boulevard, Los Angeles, California, by The Southwest Bank, Inglewood, California, provided the branch is established within six months 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. 15
10/23/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 23, 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 September 25, 1957, and telegram of September 30, 1957, the Board of Governors extends to April 5, 1958, the time within which Greenfield State Bank, Greenfield, California, may establish a branch in the vicinity of the intersection of Truxton Avenue and "I" Street, Bakersfield, California, under the authorization granted by the Board in its letter dated November 30, 1956.

It is noted that the Superintendent of Banks of the State of California has amended his approval of October 5, 1956, to permit the bank to construct a building at an estimated cost of \$168,000.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Assistant Secretary.

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

Item No. 16
10/23/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 23, 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 October 1, 1957, the Board of Governors extends to April 10, 1958, the time within which California Bank, Los Angeles, California, may establish a branch in Tustin, California.

This extension is granted with the understanding that definite plans for establishment of the branch will be formulated in the near future.

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
10/23/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 23, 1957



Mr. Paul F. Krueger,
Clearance Officer,
Office of Statistical Standards,
Bureau of the Budget,
Washington 25, D. C.

Dear Mr. Krueger:

Two copies of your Form 83 and of the survey form are attached, requesting extension of approval of a special report of credit extended to real estate mortgage lenders on a semiannual basis (present Budget Bureau No. 55-R193.2 expiring December 31, 1957). There have been no changes in the form or instructions pertaining to it.

Although the Board's original request of October 12, 1956, was for a semiannual survey, they were conducted quarterly during the past year, in accordance with communications from your Office dated October 25, 1956, and April 23, 1957. It again appears that semiannual surveys in February and August 1958 will suffice.

The first of these surveys was made as of August 10, 1955. Subsequent surveys, some of them in abbreviated form and only from banks that had previously reported at least a million dollars of these loans and commitments, have been made at quarterly intervals. Summary results have been published in press releases and in Federal Reserve Bulletins.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.

Attachments

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

Item No. 18
10/23/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 23, 1957

Dear Sir:

Budget Bureau approval has been requested for a continuation of surveys of credit extended to real estate mortgage lenders on a semiannual basis, as originally contemplated last fall. Tentatively, the next survey is scheduled for February 12, 1958, and a subsequent one for August 13, 1958.

If Budget Bureau clearance is obtained, you will be advised of the Budget Bureau approval number to be used.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

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

Item No. 19
10/23/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 23, 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 September 10, 1957, transmitted through the Federal Reserve Bank of New York, and on the basis of the information furnished, the Board of Governors grants its consent to your bank to purchase within one year from the date of this letter 60,000 shares of common stock of The Pakistan Industrial Credit and Investment Corporation Limited, Karachi, Pakistan, for Pakistan Rupees 600,000, equivalent to approximately US\$126,000, and to hold such stock while conforming with applicable regulations and law.

In granting its consent, the Board desires to call attention to Section 9(b) of Regulation K which provides, in part:

" . . . The Board of Governors ordinarily will not grant consent for a Banking Corporation to purchase and hold stock in a corporation not engaged in banking or closely related activities."

Although it does not appear that The Pakistan Industrial Credit and Investment Corporation Limited will be "engaged in banking or closely related activities" as contemplated by the Regulation, in view of all the attendant circumstances, the Board has approved the purchase of the stock in the Pakistan corporation. However, this action should not be regarded as a precedent for similar investments in other corporations.

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. 20
10/23/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 23, 1957



CONFIDENTIAL (FR)

Mr. Walter M. Mitchell, Chairman,
Federal Reserve Bank of Atlanta,
Atlanta 3, Georgia.

Dear Mr. Mitchell:

The Board of Governors has approved effective January 1, 1958, the adjustments proposed in Mr. Bryan's letter of September 18, 1957, for the minimums and maximums of the salary structure of the Officers' Salary Administration Plan of the Federal Reserve Bank of Atlanta as follows:

<u>Group</u>	<u>Minimum</u>	<u>Maximum</u>
A	\$14,000	\$22,500
B	12,000	18,000
C	10,000	15,000
D	8,000	12,000

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. 21
10/23/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 23, 1957

Mr. George S. Eccles, President,
First Security Corporation,
Salt Lake City, Utah.

Dear Mr. Eccles:

This is with reference to your letter of August 14 relating to four transactions described on page 10 of the Report of Examination of your company as of September 30, 1956.

The first and second transactions involved (1) the receipt, as a stock dividend, of 150 shares of stock in First Security Savings and Loan Association of Idaho, and (2) the receipt, as a stock dividend or through a stock split, of 22,500 shares of stock of First Security Savings and Loan Association, Inc., of Utah. In the opinion of the Board, the receipt of shares in these circumstances does not constitute an acquisition of stock within the purview of section 4(a)(1) of the Bank Holding Company Act, and consequently such receipt would not violate that provision.

A similar interpretation by the Board with respect to holding companies' acquiring bank stock through stock dividends or stock splits was published in the Federal Register of September 19, 1957, at page 7461, and will be reprinted in the October 1957 issue of the Federal Reserve Bulletin. The reasons underlying that interpretation appear to apply equally to shares of stock of nonbanking corporations received as stock dividends or through stock splits.

The third transaction involved the purchase of shares of the Corporation by Western Investment Company, a wholly-owned subsidiary of the Corporation. With respect to this situation, the Board understands from your letter and other available information that at no time since the enactment of the Bank Holding Company Act has the Corporation held shares of its own stock, directly or indirectly, in an aggregate amount exceeding 5 per cent of its outstanding voting securities or having an aggregate value greater than 5 per cent of its total assets. On this assumption (and also assuming, without deciding, that such purchase of its own stock by a holding company is an acquisition for purposes of section 4), these acquisitions of stock by the Corporation or its subsidiaries would fall within the exemption provided by section 4(c)(5), since the Board regards that exemption as applicable "to the aggregate amount of stock held in a particular organization by the bank holding company itself and by all of its subsidiaries." (See interpretation published at page 21 of the Federal Reserve Bulletin of January 1957.)

Mr. George S. Eccles

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The fourth transaction involves purchases, by a subsidiary bank of the Corporation, of additional shares of stock of First Security Building Company, a wholly-owned subsidiary of said bank.

In the above-mentioned interpretation in the January 1957 Federal Reserve Bulletin, the Board expressed the view that the exemptive provisions of section 4(c)(1) apply "to shares owned indirectly by a bank holding company through a banking subsidiary as well as to shares held directly by the bank holding company". Consequently, the bank's purchases of additional stock of the Building Company were exempt under section 4(c)(1) if that Company is

"engaged solely in holding or operating properties used wholly or substantially by [the bank] in its operations or acquired for such future use."

On the basis of information presented in your letter and in the Report of Examination, it appears to the Board that the Building Company meets these requirements, and therefore purchases of its stock by the Corporation's subsidiary bank would not violate section 4(a) of the Act.

The question has also arisen whether the acquisition of such stock by the Corporation's banking subsidiary constituted a violation of section 6(a)(1) of the Act, which forbids a bank

"to invest any of its funds in the capital stock . . . of a bank holding company of which it is a subsidiary, or of any other subsidiary of such bank holding company."

However, section 6(b)(1) excludes from the provisions of section 6 "the capital stock . . . of any company described in section 4(c)(1)." As indicated above, it appears that the Building Company is a "company described in section 4(c)(1)", and that, therefore, the exemption provided by section 6(b)(1) is applicable and no violation of section 6 is involved in such purchases of stock of the Building Company.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.

UNITED STATES OF AMERICA

BEFORE THE

Item No. 22
10/23/57

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

WASHINGTON, D.C.

IN THE MATTER OF
THE APPLICATIONS OF
OTTO BREMER COMPANYDOCKET NUMBERS
BHC - 29, 31-33,35ORDER EXTENDING TIME WITHIN WHICH APPLICANT
MAY SUBMIT TO HEARING EXAMINER PROPOSED FINDINGS
AND CONCLUSIONS, AND SUPPORTING BRIEF

Additional time having been requested by the Applicant, Otto Bremer Company, within which to submit to the Hearing Examiner proposed findings and conclusions, and supporting brief, and it appearing to the Board that such request should be granted, it is hereby ORDERED that the time within which the Applicant may file such proposed findings and conclusions, and supporting brief, be, and the same hereby is, extended to and including January 2, 1958.

This 23rd day of October 1957.

By order of the Board of Governors.

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.

(SEAL)



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 23
10/23/57

OFFICE OF THE VICE CHAIRMAN

October 24, 1957

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

Dear Mr. Patman:

This is in response to your letter of September 16 in which you request a description of the procedures currently in use regarding processing, review, and follow-up in connection with completed examination reports of (1) the Federal Reserve Banks and (2) member banks of the Federal Reserve System.

(1) Federal Reserve Banks

The report of each examination of a Federal Reserve Bank is completed before the Board's field staff of examiners leaves the Bank, and at the close of the examination the Chief Federal Reserve Examiner submits a copy of the report to the Chairman of the Board of Directors of the Reserve Bank and discusses with him the results of the examination. In a separate meeting, the Chief Federal Reserve Examiner submits another copy of the report to the President and First Vice President of the Bank, reviews the report with them, and discusses the findings of the examiners. Arrangements are in effect in each Federal Reserve Bank whereby the Board of Directors is informed of the results of the examination, and the officers of the Bank advise the Directors of action taken with respect to the criticisms, recommendations, and suggestions shown in the report.

The original of the report of examination is transmitted by the Chief Federal Reserve Examiner promptly to the Board's Division of Examinations in Washington, where it is reviewed to the extent necessary to ascertain whether the examination disclosed any urgent matters which require the immediate attention of the Board of Governors. After any such matters are disposed of, the report is thoroughly reviewed in the Division of Examinations, circulated to other interested officers of the Board, and submitted to the Board, accompanied by a draft of a letter to the Chairman of the Board of Directors of the Reserve Bank if any matters remain which call for action or comment.

Honorable Wright Patman

- 2 -

(2) Member Banks of the Federal Reserve System

A. State Member Banks

State bank members of the Federal Reserve System are examined by the bank supervisory authorities of the States in which they are chartered and also by examiners for the Federal Reserve Bank of the District in which the State bank is located. Such examinations generally are made on a joint basis, but separate reports of examination usually are prepared by the participating State and Federal bank supervising agencies.

The Federal Reserve report of examination of a State member bank and of its trust department, if any, including criticisms and recommendations of the examiner, is discussed by him with senior officers and/or directors of the examined bank prior to the closing of the examination. In this manner, full opportunity is provided for exchange of views between examiner and bank management on all matters of importance disclosed by the examination, and such discussion frequently is the basis for adjustment of some, if not all, of the matters which may be subject to criticism.

The completed report of the Federal Reserve examiner is then typed and prepared for submission to the Board of Directors of the examined bank, with copies for the State Bank Supervisor, the Board of Governors, and the Reserve Bank. In advance of transmitting copies of the completed report, it is subjected to review and analysis by the technical staff of the Bank Examinations Department of the Reserve Bank as well as review by senior officers of the Reserve Bank responsible for the bank examination and supervising function. The report is then transmitted to the examined bank accompanied by a letter, over the signature of such an officer, which refers to important features of the bank's condition as disclosed by the examination and, where appropriate, amplifies the comments or criticisms of the examiner and requests management attention or action on specific matters. Such letter will request a response from management of the examined bank concerning criticized phases of the bank's condition and, where circumstances warrant, may impose requirements for actions designed to eliminate criticized assets or to correct unsatisfactory operating features. Following transmittal of the report of examination and its accompanying official letter to a State member bank, the Reserve Banks maintain active follow-up procedures looking toward early correction of matters which were the subject of examiner criticism or comment.

Honorable Wright Patman

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The copy of the report of examination which is forwarded to the Board of Governors, together with copies of related analyses and correspondence, are carefully reviewed and analyzed by the technical and official staff of the Board's Division of Examinations, contributing to a judgment as to the condition of the bank as well as the efficacy of supervisory actions initiated. The Board's staff occasionally advises with the Reserve Bank concerning appropriate and necessary supervisory actions and maintains a careful system of follow-up on its review of the report of examination of each State member bank and of the supervisory actions taken at District level with a view toward prompt and effective correction of unsatisfactory features of a bank's condition or operations. In further implementation thereof, arrangements are in effect at the Reserve Banks for prompt notification of the Board's Division of Examinations of the scope and nature of follow-up procedures initiated by the Federal Reserve or State bank supervisory agency, or of subsequently taken supervisory actions, as well as of results obtained in securing needed correction.

Frequently, the examiner's comments involve only matters of such nature that effective adjustment thereof is realized during the course of the examination or in the initial exchange of correspondence with the Reserve Bank following transmission of the report. On occasion, where continuing or more serious problems exist, a variety of supervisory procedures may be employed to induce corrective action. Depending on circumstances of individual cases, these might include arrangement for (1) periodic reports by the examined bank of progress made in correcting unsatisfactory features or eliminating criticized assets, (2) meetings between the official staff or Board of Directors of the examined bank and supervisory officials to explore problems and work toward their solution, or (3) special or more frequent examinations of the bank.

The Board of Governors and the Reserve Bank concerned, as well as the appropriate State bank supervisory authority, give continuing special attention to those State member banks which are disclosed to involve unusual problems related to such matters as capital adequacy, asset quality, or management. In exceptional cases of such kinds, where usual supervisory measures do not result in satisfactory correction of weak or unsound conditions, and where the interests of depositors appear at hazard, action may be taken under existing statutory provisions to require additional capital, to require elimination of continuing unsound policies or practices, to remove unsafe bank management, or to terminate membership of the bank in the Federal Reserve System.

Honorable Wright Patman

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It should be noted that all follow-up procedures and related supervisory actions are taken in collaboration with or with the knowledge of State banking authorities concerned, and procedures are in effect for exchange of important correspondence and related material between the Reserve Bank and State Banking Departments. Also, in view of its interest in the condition of State member banks, the Federal Deposit Insurance Corporation is kept fully informed at both District and Washington levels of the results of examinations made by the Reserve Banks and of the progress made in correcting unsatisfactory features.

B. National Banks

The examinations of national banks are made by the Office of the Comptroller of the Currency. Copies of reports of examination are furnished the Federal Reserve Bank of the District in which the national bank is located and are also available, upon call, to the Board of Governors. While primary supervisory responsibility for national banks rests with the Comptroller of the Currency, the Federal Reserve Banks and the Board of Governors make use of the national bank examination reports to keep themselves informed concerning the condition of such banks.

Sincerely yours,

(Signed) C. C. Balderston

C. Canby Balderston.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 24
10/23/57

OFFICE OF THE VICE CHAIRMAN

October 23, 1957



Dr. Raymond J. Saulnier, Chairman,
Council of Economic Advisers,
Executive Office Building,
Washington 25, D. C.

Dear Steve:

This letter is in response to yours of October 1, 1957, requesting a written statement of legislative proposals which the Board would expect to submit to the next session of Congress and which it believes would, if enacted, have a significant effect on economic growth and stability.

As you know, the Board may submit some legislative proposals at the forthcoming session, such as possible amendments to the Bank Holding Company Act, and it will support, as it has in the past, the Financial Institutions Act. However, we do not have at this time any proposals which would fall within the category stated in your letter.

Sincerely yours,

(Signed) C. C. Balderston

C. Canby Balderston.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 25
10/23/57

OFFICE OF THE VICE CHAIRMAN

October 23, 1957

Confidential (FR)

Mr. Delos C. Johns, President,
Federal Reserve Bank of St. Louis,
St. Louis 2, Missouri.

Dear Mr. Johns:

After consideration of the proposal by your Bank to retire Mr. Dwight Maxwell on the basis set forth in your letter of September 23, 1957, it is the view of the Board that the circumstances of the case indicate misconduct is involved, and, consequently, it appears that Mr. Maxwell would not be eligible to receive the additional pension provided for in Section 3, Subdivision 2(b) of the Rules and Regulations of the Retirement System of the Federal Reserve Banks.

The Board realizes that cases with these circumstances are difficult to administer; however, it is noted that in involuntary termination of service where the employee is not entitled to the benefits of Section 3, Subdivision 2(b) dismissal wages may be paid in the discretion of the Reserve Bank.

Sincerely yours,

(Signed) C. C. Balderston

C. Canby Balderston.