

Minutes for November 7, 1957

To: Members of the Board

From: Office of the Secretary

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

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

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

	A	B
Chm. Martin	x <u>M</u>	_____
Gov. Szymczak	x <u>WSP</u>	_____
Gov. Vardaman	x _____	_____
Gov. Mills	x _____	_____
Gov. Robertson	_____	x <u>R</u>
Gov. Balderston	x <u>CB</u>	_____
Gov. Shepardson	x <u>CS</u>	_____

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, November 7, 1957. The Board met in the Board Room at 10:00 a.m.

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

Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Kenyon, Assistant Secretary
Mr. Masters, Director, Division of Examinations
Mr. Solomon, Assistant General Counsel
Mr. O'Connell, Assistant General Counsel

Application of Baystate Corporation (Items 1, 2, and 3). Governor Vardaman referred to the action taken by the Board on November 5, 1957, with Messrs. Szymczak, Robertson, and Shepardson dissenting, to approve the application of Baystate Corporation, Boston, Massachusetts, to acquire up to 60 per cent of the voting stock of Union Trust Company of Springfield, Springfield, Massachusetts. At that time Governor Robertson had stated that he would like to place in the record a statement in support of his dissent.

Governor Vardaman said that the Secretary had shown him this morning the dissenting opinion prepared by Governor Robertson and had informed him that Governor Robertson wished to have it released with the press statement which would be issued giving the text of the order approving the Baystate application. He went on to say that he considered Governor Robertson's statement a good record of the reasons for dissent.

11/7/57

-2-

but that he thought the Board should give careful consideration from the standpoint of procedure to issuing the text of a dissenting opinion with a press statement concerning favorable action taken on an application under the Bank Holding Company Act. It was his view that such a procedure might immediately provoke inquiries from interested parties concerning the reasons underlying the votes of the members of the Board who constituted the majority. Although, under the procedure previously agreed upon by the Board, the record of votes cast on the application would be contained in the Board's order released with the press statement, he stated that if the text of a dissenting opinion were released in the manner contemplated by Governor Robertson, he felt that the Board must consider whether a statement should not be released also giving the reasons for approval of the application.

There ensued a discussion of procedures followed by the courts in handing down decisions, following which Chairman Martin said that the question of procedure raised by Governor Vardaman seemed to resolve itself into purely a matter of judgment, that he himself had no strong feeling on the matter, and that perhaps the Board should be guided principally by the opinion of the members of its staff having public relations responsibilities. The Board should keep in mind, he said, that the procedure decided upon at this time might remain in effect for a number of years. He concluded by saying that he had read Governor Robertson's opinion and thought that it was an entirely fair statement of the reasons for dissent.

11/7/57

-3-

At this point Mr. Thurston, Assistant to the Board, was called into the room and Chairman Martin summarized the question which had been raised by Governor Vardaman.

Governor Shepardson said he had not been aware until shortly before this meeting that there was any thought of publishing the dissenting opinion. He recalled that Governor Robertson had shown him the statement and that it reflected the basis for his own vote on the question. Accordingly, he expressed his agreement and told Governor Robertson that it did not matter to him whether the statement indicated his concurrence or was set up in the form of a joint opinion. He had thought, however, that this was a statement which would be recorded in the minutes only.

Governor Balderston then reviewed the Board's discussions of the general subject of procedure, pointing out that the Board had first come to the conclusion that in every case of disapproval of an application a statement and order should be issued setting forth the reasons for disapproval. In the event of approval, however, it was decided that no statement of the Board's position need be prepared. In this connection, he recalled the sentiment having been expressed that the Board ought not to deviate any further than necessary from the practices customarily followed in the bank supervisory field. After noting that the preparation of statements of reasons in all cases decided favorably under the Bank Holding Company Act would represent quite a burden, he said it was the general view, according to his recollection, that there was no real reason to begin such a

11/7/57

-4-

practice. He then asked whether it would seem appropriate for a member or members of the Board to issue a minority statement without the majority opinion also being issued.

There followed another reference to court procedures, after which Governor Shepardson said it was likewise his understanding from previous discussions of the matter that the Board would issue a statement of its reasons where an application was turned down but that it would not do this in connection with affirmative decisions.

Governor Szymczak agreed, stating that although he recalled discussion of the filing of a dissenting opinion, he did not recall that the question of public release of such a statement had arisen. Like Governor Shepardson, he did not understand, when Governor Robertson showed him the dissenting opinion, that such a course was contemplated.

The Secretary stated that in view of procedural questions which had arisen within the staff following the meeting on Tuesday, November 5, he had raised with Governor Robertson the question whether it was his desire to have the dissenting opinion released publicly. In view of the affirmative response, he said, the issuance of the press statement and order had been deferred pending the availability of the dissenting opinion.

After Governor Vardaman noted that in some cases this might involve a considerable delay in implementing the Board's action, Governor Mills suggested that the order be released and transmitted to

11/7/57

-5-

Baystate Corporation today if the majority of the Board, as it appeared, felt that a statement of dissent should not be a part of the press release. Then, following Governor Robertson's return to Washington, further consideration could be given, if necessary, to release of the dissenting statement, a copy of which is attached as Item No. 1.

After the Secretary had stated, in response to a question, that under the procedure customarily followed by the Board a decision under one of the Board's regulations in the case of an individual bank would not be included in the record of policy actions contained in the Board's Annual Report, it was decided to get in touch by telephone with Governor Robertson, who was in Omaha, Nebraska.

When the telephone connection was made, Chairman Martin explained to Governor Robertson the problem which was under discussion, including the question whether a decision to publish a dissenting opinion in such circumstances would amount to announcing debate within the Board that could be avoided if the dissenting opinion were simply entered into the minutes. He mentioned that in his own opinion the situation might conceivably be worse from the standpoint of opening the matter to debate if the dissenting opinion was not released, but he said it seemed to be the general opinion of the Board that the issuance of such a statement might be more likely to have such an effect.

During the telephone conversation, Chairman Martin said to the other members of the Board that Governor Robertson had inquired what

11/7/57

-6-

procedure would be contemplated if the reasons for approval of an application were not published and inquiry later was made as to the grounds on which the favorable action was taken.

Governor Shepardson commented on this point in terms that he doubted whether it was necessary, once the Board had acted favorably on an application, to explain publicly the reasons for the decision or any dissenting votes.

In relaying these and other similar comments to Governor Robertson, Chairman Martin said it appeared to be the general view of the Board members present at this meeting that once the Board had acted on an application there would be no formal obligation on the part of anyone to make any further comment.

Later during the conversation, the Chairman reported to the Board a comment by Governor Robertson to the effect that if the Board was not prepared to answer an inquiry as to why an application had been approved, parties contemplating the submission of similar applications in the future would not have the benefit of knowing how the Board was construing the statute.

At the conclusion of the telephone conversation, Chairman Martin said to Governor Robertson that the sentiment of the Board appeared to favor the immediate issuance of an order and a press statement concerning the action taken on the Baystate application. This contemplated that if he (Governor Robertson) later wished to release the dissenting opinion,

11/7/57

-7-

that could be the subject of further discussion and a decision on procedures could be reached by the Board.

After the telephone conversation had been concluded, Chairman Martin stated that Governor Robertson was agreeable to going ahead with the issuance of the order and the release of a press statement giving the text of the order. The Chairman then inquired whether work should be started on drafting a majority opinion in the event that it should be decided to release the dissenting opinion. It was his feeling that a decision in favor of full public disclosure must logically include publishing a statement of reasons for the majority vote as well as the reasons for dissent.

In a discussion of this suggestion, Governor Mills expressed the view that announcement of the Board's favorable decision in itself indicated that the Board's interpretation of the standards set forth in the Act had permitted it to reach such a decision. Similarly, a recording of dissenting votes would bring out that the law, as interpreted by those dissenting, would not justify approval of the application.

At the conclusion of the discussion, it was agreed that these questions of procedure were of such a nature that they could not be finally settled until after the return of Governor Robertson. Accordingly, it was agreed unanimously that there should be issued today a press release on the Baystate application in the form attached hereto as

11/7/57

-8-

Item No. 2 giving the text of an Order in the form attached as Item No. 3.

It was understood that arrangements would be made through the Federal Reserve Bank of Boston to make the text of the Order and press statement available to Baystate Corporation simultaneously with public release of the press statement, that copies of the Order would be sent to the Chairman of the Massachusetts State Board of Bank Incorporation and other interested parties, and that the Order would be published in the Federal Register. It was further understood that, in view of the provisions of section 9 of the Bank Holding Company Act, the letter to the President of Baystate Corporation formally transmitting the Board's Order would bring out that it had been issued on the condition that no action would be taken which would have the effect of eliminating either Springfield National Bank or Union Trust Company of Springfield as a separate functioning bank until after the expiration of 60 days following the date of the Order.

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:

Item No.

4

Letter to Wachovia Bank and Trust Company, Winston-Salem, North Carolina, approving the establishment of an additional branch in Greensboro, North Carolina. (For transmittal through the Federal Reserve Bank of Richmond)

11/7/57

-9-

Item No.

- Letter to Citizens Fidelity Bank and Trust Company, Louisville, Kentucky, approving the establishment of a branch on Brownsboro Road outside the city limits of Louisville. (For transmittal through the Federal Reserve Bank of St. Louis) 5
- Telegram to the Federal Reserve Agent at Minneapolis authorizing the issuance of a limited voting permit entitling Montana Shares, Incorporated, Havre, Montana, to vote the stock which it owns or controls of The Miners National Bank of Butte, Butte, Montana, for the purpose indicated. 6
- Letter to the Presidents of all Federal Reserve Banks regarding State member banks' blanket bond coverage. 7

In a discussion preceding approval of the foregoing Item No. 7, Governor Balderston raised certain questions with regard to the appropriateness of seeming to follow almost automatically in the bank supervisory function the recommendations of the Insurance and Protective Committee of the American Bankers Association with respect to blanket bond coverage.

Mr. Masters responded to these questions by saying that it was true that the bank supervisory authorities were strongly influenced by the Committee's recommendations. The proposed letter, reflecting a revision of the schedule of recommended blanket bond coverage, would in effect continue the suggestion that the bank examiner test each bank's coverage against the revised schedule and bring the matter to the attention of the management if the actual coverage was substantially less than that recommended by the Committee.

11/7/57

-10-

In a further comment, it was pointed out that the letter would refer to the schedule of recommended coverage in terms of its constituting a useful guide rather than a requirement.

Request for extension of time to file reply brief (Item No. 8).

By letter dated November 4, 1957, counsel for the New York State Banking Department requested an extension of time to and including November 21, 1957, within which to file a reply brief in the matter of the applications of The First National City Bank of New York and others for prior approval of action to become bank holding companies. In a memorandum dated November 6, 1957, which had been distributed to the members of the Board, the Legal Division recommended favorably on the request, it being assumed that the extensive nature of the applicants' exceptions and brief, to which the reply brief would be addressed, had made it necessary to seek an extension of time. Since the letter from counsel for the State Banking Department stated that counsel for the applicants had been advised of the intention to request an extension of time and that no objection had been raised, a telephone check was made with applicants' counsel and the statement was confirmed.

Following a brief discussion, unanimous approval was given to the issuance of the Order in the form attached as Item No. 8, with the understanding that copies would be sent to the appropriate parties.

Date for oral argument in the First National City Bank matter (Item No. 9). By order dated October 18, 1957, the Board granted the

11/7/57

-11-

request of First New York Corporation, The First National City Bank of New York, and International Banking Corporation for oral argument in connection with their applications for prior approval of action to become bank holding companies, it being understood that the date would thereafter be fixed by the Board. The action by the Board on that date likewise granted the request of County Trust Company, White Plains, New York, for oral argument, and the applicants and County Trust Company had now requested that the date be set as soon as the Board deemed practicable. In a memorandum dated November 6, 1957, which had been distributed to the members of the Board, the Legal Division presented information for the Board's consideration bearing upon possible dates which might be selected, including the availability of members of the Board and the availability of counsel for the applicants. Counsel for the New York State Banking Department had indicated that he would be agreeable to whatever date might be selected.

In discussion of various aspects of the matter, including the time which should be allotted to the respective parties, Governor Vardaman inquired of Mr. Solomon whether he could suggest the lapse of time that might be involved between the date of oral argument and the date when the Board would make its decision on this matter.

In response, Mr. Solomon stated that this might depend to some extent on the nature of the Board's decision. If the Board should agree with the recommended decision of the Hearing Examiner, that is,

11/7/57

-12-

that the New York State statute freezing the expansion of bank holding companies in that State prevented favorable action on the applications, the matter probably would take relatively little time. If, however, the Board should disagree with the Hearing Examiner on the legal question involved, a longer period of time might be necessary before reaching a decision on the merits of the applications.

It was then agreed unanimously that the oral argument should be held on November 26, 1957, at 9:30 a.m., with the understanding that an Order to such effect would be issued and that copies would be sent to counsel for the applicants, counsel for the New York State Banking Department, and other appropriate parties. A copy of the Order issued pursuant to this action is attached hereto as Item No. 9.

Governor Mills, who was to be on vacation, stated that the date fixed for oral argument was agreeable to him and that he would review the stenographic transcript.

In further discussion of this matter, question was raised whether the oral argument should be open to the public. On this point it was mentioned that although a public hearing had been held on these applications, this did not necessarily mean that the oral argument would have to be public. Since the stenographic transcript would be available to all interested parties along with the briefs filed by the parties to the proceeding, it could be said that no one's rights had been injured and that full information had been made available.

11/7/57

-13-

Governor Mills suggested, however, that in a case of this kind it might be argued that all persons interested, including the press, should have an opportunity to attend the oral argument and judge the persuasiveness of the statements made by the respective parties.

At the conclusion of the discussion, Chairman Martin said that, although it might be a fine point, it seemed to him that the wiser course would be to make the oral argument public and thus eliminate any question.

There was unanimous agreement with the point of view expressed by Chairman Martin.

Reference then was made to the fact that the Board, in response to a letter from Congressman Multer, had advised him by letter dated September 19, 1957, that it would be glad to hear his further views on the First National City Bank case. Following a brief discussion of this point, it was the unanimous view of the Board that Congressman Multer should be advised of the date for oral argument and given an invitation to appear and be heard at that time.

With regard to the time to be granted for each party's oral argument, it was agreed that a maximum of one hour each should be allotted and that the parties should be so advised.

Meetings with President Allen and President Hayes. Chairman Martin stated that President Allen of the Federal Reserve Bank of Chicago was now prepared to discuss with the Board the question of

11/7/57

-14-

establishing an additional branch or branches in the Chicago Reserve District. Accordingly, it was agreed to meet with Mr. Allen, if convenient to him, at 2:30 p.m. on Tuesday, November 12, 1957.

The Chairman also stated that President Hayes had indicated to Governor Balderston his desire to discuss certain salary questions at the Federal Reserve Bank of New York. The suggestion was made that it might be appropriate for Mr. Hayes to meet with the special committee of the Board which was named at the meeting on October 11, 1957, to review the proposed Federal Reserve Bank budgets for 1958 and the recommendations of the Reserve Banks with respect to officers' salaries. However, since it was noted that Governor Mills, a member of that committee, was to be on vacation, it was agreed that the full Board would meet with Mr. Hayes immediately following the meeting of the Federal Open Market Committee on Tuesday, November 12, 1957, if the necessary time remained available after the Open Market Committee meeting and the arrangement was satisfactory to Mr. Hayes.

Economic review by the staff. The Secretary stated that because of the work involved in completing the usual review of economic developments for transmittal to the members of the Federal Open Market Committee prior to the meeting of the Committee on Tuesday, November 12, it would be helpful to the research staff if the economic review to be given to the Board tomorrow could be deferred until 11:00 a.m. He also stated that at this time the Secretary's Office was aware of no other items for inclusion on tomorrow's Board meeting agenda.

11/7/57

-15-

After it had been agreed that the Board meeting should be scheduled for 11:00 a.m. in view of the circumstances mentioned by the Secretary, Governor Vardaman inquired whether consideration should be given to arranging for the oral economic reviews by the Board's staff to be given at the meetings of the Federal Open Market Committee rather than for the Board only.

Chairman Martin responded that about an hour appeared to be required in order to cover domestic and international developments, which made it necessary to think in terms of the length of the Open Market Committee meetings. He also pointed out that the research staffs of the respective Reserve Banks were available to supply information to the Presidents comparable to that supplied in the oral presentations of the Board's staff.

Following further comments on the matter, Governor Vardaman indicated that he was satisfied with the present arrangement and that he had only wished to raise the question for consideration.

The members of the staff then withdrew and the Board went into executive session.

Personnel actions. Governor Shepardson later informed the Secretary that during the executive session the Board took the following actions which had been recommended in a memorandum from him dated November 7, 1957:

11/7/57

-16-

Joseph E. Kelleher, Assistant Director of the Division of Administrative Services, was appointed Director of the Division to succeed Mr. Bethea, effective January 1, 1958, with salary at the rate of \$13,500 per annum.

Edwin J. Johnson was assigned full-time duty as Director of the Division of Personnel Administration and relieved of duties as Controller, Office of the Controller, effective December 1, 1957, with no change in salary.

J. J. Connell was transferred from the position of Chief, Reserve Bank Operations Section, Division of Bank Operations, to the position of Budget and Planning Officer in the Office of the Controller, with an increase in basic annual salary from \$10,320 to \$10,750 and with no change in grade, effective November 17, 1957.

Savings bond luncheons. Chairman Martin informed the Secretary that during the executive session there was further discussion of the questions previously considered at the meetings on September 27 and October 7, 1957, relating to payment of the cost of certain savings bond luncheons to be held later this year, and that it was agreed unanimously that the Board would pay for all three luncheons rather than to have the cost of the luncheons in St. Louis and San Francisco met by the Federal Reserve Banks of St. Louis and San Francisco, respectively. It was understood that the Chairman would so inform the Treasury Department and the Presidents of the two Reserve Banks concerned.

The meeting then adjourned.

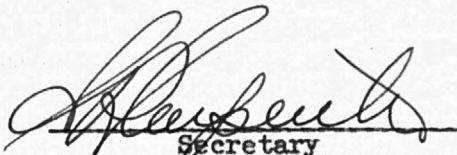
Secretary's Note: Governor Shepardson today approved on behalf of the Board the following items:

11/7/57

-17-

Telegram to the Federal Reserve Bank of Boston approving the designation of John L. Egan and Thomas Vangell as special assistant examiners. A copy of the telegram is attached hereto as Item No. 10.

Letter to the Federal Reserve Bank of Richmond approving the designation of Lloyd Woodson Bostian, Jr., as special assistant examiner. A copy of the letter is attached hereto as Item No. 11.


Secretary

Item No. 1
11/7/57

In our judgment, the application of Baystate Corporation to acquire shares of Union Trust Company of Springfield should be denied.

A principal objective of the Bank Holding Company Act was to prevent expansion of bank holding company systems where such expansion would be inimical to "the preservation of competition in the field of banking". In this case, Baystate already controls one of the four larger banks in Springfield; it proposes to purchase a majority of the stock of another and to merge the two into an institution that will be the largest in the city and in Western Massachusetts. Approval of the acquisition will enable this holding company (1) to terminate the existence of a successful independent bank that now competes with its own bank, and (2) to increase the size and extent of its holding company system to a very substantial degree. One of the two major purposes of the Bank Holding Company Act is to combat this tendency of holding companies to grow constantly larger and more powerful by buying up control of competing banks.

In this case the applicant claims that the proposed acquisition and merger will permit better service to Springfield and stronger local competition between two dominant banks in the field of large business loans, and a determination to this effect has been made by the Massachusetts Board of Bank Incorporation. But a claim of this nature can be made with some plausibility whenever a holding company proposes to buy and absorb a competing bank. If Congress had intended that all acquisitions for merger purposes - short of monopoly - should be permitted, it would not have directed this Board to go through the motions of deciding such cases on the basis of the factors enumerated in section 3(c) of the Act.

In our view, where the number of competing banks obviously will be reduced and the existence of one of the holding company bank's chief competitors will be terminated by its absorption into the holding company system, the proposed transaction should be approved only if there is convincing evidence of prospective benefits that definitely outweigh this patently adverse effect upon competition in the field of banking. The record before the Board does not add up to a convincing case on that point.

Dissenting opinion of Governors
Robertson, Shepardson and Szymczak.

Item No. 2
11/7/57

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Statement for the Press

For release at 4:00 p.m. EST
November 7, 1957

November 7, 1957

Attached is a copy of an Order issued by the Board of Governors of the Federal Reserve System in the matter of the application, under section 3 of the Bank Holding Company Act of 1956, of Baystate Corporation, Boston, Massachusetts, with respect to voting shares of Union Trust Company of Springfield, Springfield, Massachusetts.

Attachment

UNITED STATES OF AMERICA

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Item No. 3
11/7/57

In the Matter of

the Application of
BAYSTATE CORPORATION
for Approval of Acquisition
of Voting Shares of
UNION TRUST COMPANY OF
SPRINGFIELD

ORDER

The above matter having come before the Board on the application of Baystate Corporation, Boston, Massachusetts, dated March 28, 1957, filed pursuant to the provisions of section 3(a)(2) of the Bank Holding Company Act of 1956, for prior approval of the acquisition of up to 60 per cent of the voting shares of Union Trust Company of Springfield, Springfield, Massachusetts, and it appearing after due consideration thereof pursuant to the requirements of the Bank Holding Company Act of 1956 that such application should be approved,

IT IS ORDERED,

That the said application of Baystate Corporation under section 3(a)(2) of the Bank Holding Company Act of 1956 for the Board's prior approval of the acquisition by Baystate Corporation of up to 60 per cent of the voting shares of Union Trust Company of Springfield is hereby approved, provided that such acquisition is completed within three months from the date hereof.

This 7th day of November 1957.

By order of the Board of Governors.

Voting for this action: Chairman Martin, Vice Chairman Balderston, and Governors Vardaman and Mills; voting against this action: Governors Szymczak, Robertson, and Shepardson.

(SEAL)

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.

Washington, D.C.
November 7, 1957.

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

Item No. 4
11/7/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 7, 1957



Board of Directors,
Wachovia Bank and Trust Company,
Winston-Salem, North Carolina.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Richmond, the Board of Governors of the Federal Reserve System approves the establishment of a branch on the north side of East Bessemer Avenue, approximately 700 feet east of the intersection of Summit Avenue and Bessemer Avenue, Greensboro, North Carolina, by Wachovia Bank and Trust Company, Winston-Salem, North Carolina, provided the branch is established within one year from the date of this letter and the approval of the State authorities is in effect as of the date of the establishment of the branch.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Assistant Secretary.

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

Item No. 5
11/7/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 7, 1957



Board of Directors,
Citizens Fidelity Bank and Trust Company,
Louisville, Kentucky.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of St. Louis, the Board of Governors approves the establishment of a branch on the south side of Brownsboro Road near the junction of Rudy Lane, Brownsboro Road, and U. S. Highway No. 42 about two miles east and north of the city limits of Louisville, Kentucky, by Citizens Fidelity Bank and Trust Company, Louisville, Kentucky, provided the branch is established within one year from the date of this letter and that formal approval of the Commissioner of the Department of Banking of the State of Kentucky is effective at the time the branch is established.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Assistant Secretary.

T E L E G R A M
LEASED WIRE SERVICEBOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTONItem No. 6
11/7/57

November 7, 1957

PERRIN - MINNEAPOLIS

KECEA

- A. Montana Shares, Incorporated, Havre, Montana.
- B. The Miners National Bank of Butte, Butte, Montana.
- C. None.
- D. At any time prior to February 1, 1958, to increase the capital stock of such bank and take all action necessary in connection therewith, provided that all action taken shall be in accordance with plans satisfactory to the Comptroller of the Currency.

(Signed) Merritt Sherman
SHERMAN

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

Item No. 7
11/7/57
S-1641

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 7, 1957.



Dear Sir:

This letter supersedes the Board's letter S-1135 of August 28, 1950, (F.R.L.S. #3625) regarding fidelity coverage and audit and control practices and procedures.

The June 1957 Protective Bulletin issued by the American Bankers Association contains the recommendations of its Insurance and Protective Committee relative to the revision of the schedule of Blanket Bond Coverage. The revised schedule consists of a Suggested Range of Amounts of Blanket Bond Coverage according to deposit size. Enclosed is a reprint of the article "How Much Blanket Bond?" from the Protective Bulletin, a copy of which was sent by the American Bankers Association to the officer in charge of examinations at each Reserve Bank.

The Board feels that all banks should provide adequate amounts of Blanket Bond Coverage and that the schedule suggested by the bankers' own committee should be a useful guide in making a determination as to the appropriate amounts of coverage in relation to the exposure involved.

Comments in Reports of Examination

The Board requests that the Reserve Banks endeavor to see that each State member bank provides such coverage as may be appropriate and feasible in the circumstances and, in any event, at least the amount of coverage suggested by the ABA Committee. The revised schedule contemplates that appropriate amounts of suggested coverage may be arrived at by interpolation. The enclosed table, EXAM 292 (Revised October 1957), has been prepared for the use of your examiners in arriving at the appropriate amounts of Blanket Bond Coverage for banks of various sizes. (Examiners for the Comptroller of the Currency and the Federal Deposit Insurance Corporation have been supplied with the same table.) A supply of the table and the reprint from the June 1957 Protective Bulletin are being sent to your Bank.

- 2 -

(Examiners for the Comptroller of the Currency and the Federal Deposit Insurance Corporation have been supplied with the same table.) A supply of the table and the reprint from the June 1957 Protective Bulletin are being sent to your bank.

In subsequent reports of examination of State member banks having Blanket Bond Coverage below the amounts indicated in the table, it is suggested that a statement along these lines be included on page 19, under "Comments":

"It is suggested that your bank should have Bankers Blanket Bond Coverage of, at least, \$ _____. In this connection, the Insurance and Protective Committee of the American Bankers Association suggests Blanket Bond Coverage of \$ _____ to \$ _____ for banks with deposits of \$ _____ to \$ _____."

Where there is a material deficiency in the amount of Blanket Bond Coverage, appropriate comments should be included on page 2 of the examination report and in the letter of transmittal requesting corrective action.

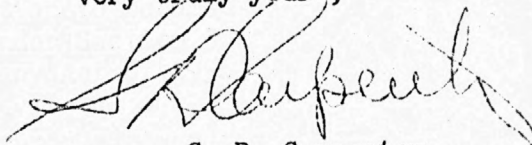
Computation of Deposit Base

Attention is called to the comments in the Protective Bulletin regarding deductions to be made for balances in United States Treasury Tax and Loan Accounts and for deposits at branches in arriving at the deposit base.

In the case of banks with branches, the total amount of deposits at the largest office in the branch banking institution (whether it be the head office or one of the branches) may be used as the deposit base in arriving at the appropriate amount of Blanket Bond Coverage. The Protective Bulletin suggests that "Before adopting this approach to determine the amount of blanket bond coverage to be carried, careful analysis should be made of branch office operations, and particularly auditing procedure. If there is an opportunity for one employee acting alone or in collusion with others to manipulate deposit accounts, loan balances or other records pertaining to more than one office, it seems preferable to consider only total deposits at the head office and all branches."

In cases where defalcations have occurred between examinations, it is requested that the examiners be instructed to include detailed comments in the confidential section as to (1) the procedure through which the defalcation was effected and (2) the changes made, or to be made, in the audit and control practices of the bank with a view to the prevention of similar occurrences in the future. Where the inclusion of such information would delay the submission of the report of examination or would otherwise be impracticable, it is suggested that the Division of Examinations be advised by letter or memorandum when the detailed information becomes available.

Very truly yours,



S. R. Carpenter,
Secretary.

Enclosures 2

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

UNITED STATES OF AMERICA
BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Item No. 8
11/7/57

In the Matter of the Applications of
FIRST NEW YORK CORPORATION,
THE FIRST NATIONAL CITY BANK OF NEW YORK,
and
INTERNATIONAL BANKING CORPORATION
for prior approval of action to become
bank holding companies under Section 3
of the Bank Holding Company Act of 1956

DOCKET NUMBERS

BHC - 1
BHC - 2
BHC - 3

ORDER GRANTING REQUEST FOR EXTENSION OF TIME
WITHIN WHICH REPLY BRIEF MAY BE FILED

This matter coming on this day for consideration on the request of the New York State Banking Department, a party to this proceeding, for extension of time within which a reply brief may be filed, and it appearing that no objection to such extension is raised by the other parties to the proceeding, it is ORDERED that:

1. The time within which The New York State Banking Department may file a reply brief in the above-entitled matter is hereby extended to the close of business on Thursday, November 21, 1957.

This 7th day of November 1957.

By order of the Board of Governors.

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.

(SEAL)

Washington, D. C.
November 7, 1957.

UNITED STATES OF AMERICA

Item No. 9

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM 11/7/57

<p style="text-align: center;">In the Matter of the Applications of</p> <p style="text-align: center;">FIRST NEW YORK CORPORATION,</p> <p style="text-align: center;">THE FIRST NATIONAL CITY BANK OF NEW YORK,</p> <p style="text-align: center;">and</p> <p style="text-align: center;">INTERNATIONAL BANKING CORPORATION</p> <p>for prior approval of action to become bank holding companies under Section 3 of the Bank Holding Company Act of 1956</p>	<p>DOCKET NUMBERS</p> <p>BHC - 1</p> <p>BHC - 2</p> <p>BHC - 3</p>
--	--

ORDER SETTING DATE, TIME AND PLACE
FOR ORAL ARGUMENT

By Order dated October 18, 1957, the Board having granted the request of Applicants and County Trust Company for Oral Argument in this matter, reserving therein the fixing of a date and place for said Oral Argument, it is hereby ORDERED that:

1. Oral Argument in this matter shall be held on Tuesday, November 26, 1957, in the Board Room, Federal Reserve Building, Washington, D. C. at 9:30 a.m.

This 7th day of November 1957.

By order of the Board of Governors.

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.

(SEAL)

Washington, D. C.
November 7, 1957.

T E L E G R A M
LEASED WIRE SERVICEBOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTONItem No. 10
11/7/57

November 7, 1957

GROOT - BOSTON

Relet November 5, 1957. Board approves designation of John L. Egan and Thomas Vangell as special assistant examiners for the Federal Reserve Bank of Boston for the purpose of participating in examinations of Depositors Trust Company, Augusta, Maine; The Merrill Trust Company, Bangor, Maine; The Connecticut Bank and Trust Company, Hartford, Connecticut; and Rhode Island Trust Company, Providence, Rhode Island.

(Signed) Merritt Sherman

SHERMAN

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

Item No. 11
11/7/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 7, 1957

Mr. N. L. Armistead, Vice President,
Federal Reserve Bank of Richmond,
Richmond 13, Virginia.

Dear Mr. Armistead:

In accordance with the request contained in your letter of November 4, 1957, the Board approves the designation of Lloyd Woodson Bostian, Jr. as a special assistant examiner for the Federal Reserve Bank of Richmond.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Assistant Secretary.

