

Minutes for December 20, 1957

To: Members of the Board

From: Office of the Secretary

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

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

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

	A	B
Chm. Martin	x <u>W</u>	_____
Gov. Szymczak	x <u>MSS</u>	_____
Gov. Vardaman <u>1/</u>	_____	x _____
Gov. Mills	x <u>[Signature]</u>	_____
Gov. Robertson	x <u>R</u>	_____
Gov. Balderston	_____	x <u>CCB</u>
Gov. Shepardson	x <u>[Signature]</u>	_____

1/ In accordance with Governor Shepardson's memorandum of March 8, 1957, these minutes are not being sent to Governor Vardaman for initial.

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, December 20, 1957. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman  
 Mr. Szymczak  
 Mr. Mills  
 Mr. Robertson  
 Mr. Shepardson

Mr. Carpenter, Secretary  
 Mr. Kenyon, Assistant Secretary  
 Mr. Johnson, Director, Division of Personnel Administration  
 Mr. Hackley, General Counsel  
 Mr. Masters, Director, Division of Examinations  
 Mr. Solomon, Assistant General Counsel  
 Mr. Shay, Assistant General Counsel  
 Mr. O'Connell, Assistant General Counsel  
 Mr. Hostrup, Assistant Director, Division of Examinations  
 Mr. Nelson, Assistant Director, Division of Examinations

Items circulated to the Board. The following items, which had been circulated to the members of the Board and copies of which are attached to these minutes under the respective item numbers indicated, were approved unanimously:

	<u>Item No.</u>
Letter to Fidelity Trust Company, Pittsburgh, Pennsylvania, approving the establishment of a branch in Green Tree Borough. (For transmittal through the Federal Reserve Bank of Cleveland)	1
Letter to The Central Bank Company, Lorain, Ohio, approving the establishment of branches at Colorado and Lehigh Avenues and near the intersection of State Route 58 and West 21st Street. (For transmittal through the Federal Reserve Bank of Cleveland)	2

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	<u>Item No.</u>
Letter to The Lorain Banking Company, Lorain, Ohio, approving the establishment of a branch at Kansas and Randall Avenues. (For transmittal through the Federal Reserve Bank of Cleveland)	3
Letter to the Federal Reserve Bank of St. Louis regarding the operation of an insurance department by The Kentucky Trust Company, Louisville, Kentucky.	4
Letter to McIlroy Bank, Fayetteville, Arkansas, approving the establishment of a branch in the vicinity of the intersection of Block and Meadow Streets, and also an investment in bank premises. (For transmittal through the Federal Reserve Bank of St. Louis)	5
Letter to American State Bank, Midwest City, Oklahoma, approving its application for membership in the Federal Reserve System. (For transmittal through the Federal Reserve Bank of Kansas City)	6
Letter to Counsel for the Senate Committee on Banking and Currency regarding consideration of proposed securities legislation during the next session of Congress.	7
Letter to The Honorable Maxwell M. Rabb, Secretary to the Cabinet, transmitting a list of matters with respect to the Federal Reserve System on which appointees in other departments and agencies may wish to receive information.	8

Discount rates. Unanimous approval was given to telegrams to the following Federal Reserve Banks approving the establishment without change by those Banks on the dates indicated of the rates on discounts and advances in their existing schedules:

Boston	December 16
New York	December 19
Philadelphia	December 19

Mr. Shay then withdrew from the meeting.

Nonclerical salaries at Chicago (Items 9 and 10). There had been received from the Federal Reserve Bank of Chicago a letter dated

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December 3, 1957, requesting approval of the payment of salary to the Bank's engineers, effective December 30, 1957, at the annual rate of \$6,385.60 as the result of an agreement between the International Union of Operating Engineers and the Building Managers' Association of Chicago, of which the Federal Reserve Bank is an associate member, and a letter dated December 4, 1957, requesting approval of the payment of salary to the Bank's window washers at the annual rate of \$5,106.40, effective November 4, 1957, as the result of an agreement between the Window Washers Union and the Building Managers' Association. The newsletter of the Building Managers' Association dated December 3, 1957, indicated that the rate for window washers was increased by seven cents per hour for a period of one year beginning November 4, 1957, under the terms of a two-year agreement and that the rate would be further increased by five cents an hour on November 1, 1958. However, in line with the customary procedure the Division of Personnel Administration had suggested a letter to the Chicago Reserve Bank which would state that the Board believed it desirable not to commit itself for future salary adjustments and that such adjustments should be submitted for the Board's consideration at the time that the Bank desired to place them in effect. The files with regard to both of the Bank's requests had been circulated to the members of the Board.

Governor Shepardson raised a question as to what was gained by requiring the Chicago Bank to submit another request with respect to the rate of salary to be paid to the window washers effective November 1,

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1958, since this adjustment was contemplated by the two-year agreement which formed the basis for the Bank's current request.

In a discussion of this question, Governor Mills referred to previous consideration by the Board and study by the Presidents' Conference of the possibility of establishing a separate wage structure for nonclerical employees, along with the reasons which had been given for not following such a practice at the Chicago Bank. He went on to suggest that the existing requirement for submission to the Board of each proposed wage adjustment had the advantage of keeping under review the problem at the Chicago Bank growing out of the basis of compensation for various classes of nonclerical employees.

Governor Shepardson agreed with the desirability of presenting to the Board for approval each case where the Chicago Bank proposed to adjust the salary scale for a group of nonclerical employees as the result of an agreement entered into by the Building Managers' Association and the union concerned. However, when such an agreement covered a stated period during which more than one wage rate would be in effect, he was uncertain whether anything was gained from the paper work involved in requesting approval of changes within the terms of the agreement.

In this connection, Mr. Carpenter recalled that when the situation at the Chicago Bank was under study at one time from the standpoint of the possibility of granting continuing approval for the payment of salaries to nonclerical employees at rates which would be in line with current union contracts, it was the feeling of the Board's staff that it would be desirable to keep the Board in a position which would demonstrate

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its authority over the rates of compensation of Reserve Bank employees. Therefore, it was felt that there would be some advantage in approving only current requests in order to emphasize the Board's authority and to avoid blanket or routine approval of any particular salary scale or scales.

Mr. Johnson recalled that when a question similar to the one now before the Board came up previously, Governor Balderston expressed the point of view that if the Board were to approve a rate of salary as far in advance as a year, it would be committing itself for a date in the future when its thinking on the matter might have changed in the light of interim developments.

Governor Shepardson then stated that although he saw a theoretical basis in such a position, it did not seem very likely that the situation would have changed in the interim to such an extent that the Board would not want to go along with a salary rate based on the terms envisaged by the second phase of an existing agreement.

Thereupon, pursuant to suggestions which were made by members of the Board, the proposed letters to the Federal Reserve Bank of Chicago, of which copies are attached as Items 9 and 10, respectively, were approved unanimously, with the understanding that the matter of future procedure would be studied by Governors Balderston and Shepardson and that the Board would follow whatever procedure was recommended by them as the result of such study.

Mr. Johnson then withdrew from the meeting and Mr. Molony, Special Assistant to the Board, entered the room.

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Application of Wisconsin Bankshares Corporation (Item No. 11).

Pursuant to the understanding at the meeting on December 16, 1957, there had been drafted for the Board's consideration a statement and order in support of the Board's decision to deny the application of Wisconsin Bankshares Corporation, Milwaukee, Wisconsin, to acquire stock of the proposed Capitol National Bank of Milwaukee. The suggested statement and order were distributed to the members of the Board with a memorandum from Mr. Hackley dated December 19, 1957, in which it was stated that presumably the order would be dated as of the date of its approval by the Board and that the statement and order would subsequently be released with a press statement.

As drafted, the statement contained a paragraph referring to the favorable recommendation of the Comptroller of the Currency and the position of the Commissioner of Banks for the State of Wisconsin that the application should be disapproved. The inclusion of this paragraph, to which special attention had been called in Mr. Hackley's memorandum, was discussed and it was decided to omit the paragraph.

Reference then was made to the fact that the order would set forth the favorable vote of the five members of the Board who were present at the meeting on December 16, 1957, and would record as not voting Vice Chairman Balderston and Governor Vardaman, who were present when the application was first discussed by the Board at the meeting on December 10, 1957, but were not present when the final decision to deny the application was made. In the interval the Federal Reserve

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Bank of Chicago, which had recommended favorably on the application, was given an opportunity to submit further comment if it so desired, since it appeared from the discussion at the meeting on December 10 that the majority of the Board was disposed to deny the application.

Following a review of the circumstances involved in the initial discussion and the subsequent final decision of the Board, it was agreed that the votes should be set forth as recorded in the proposed statement.

Thereupon, unanimous approval was given to a statement and order in the form set forth as Item No. 11 attached hereto, with the understanding that the order would be published in the Federal Register, a press statement giving the text of the statement and order would be released later today, and copies of the statement and order would be sent to the appropriate parties.

Request for First Bank Stock Corporation for determinations (Item No. 12). First Bank Stock Corporation, a bank holding company of Minneapolis, Minnesota, had requested a determination pursuant to section 4(c)(6) of the Bank Holding Company Act which would allow it to hold stock of two nonbanking companies; namely, First Service Agencies, Inc., and First Banccredit Corporation. It had also filed an alternative request for an interpretation that section 4(c)(1) of the Act was applicable to its retention of stock of First Banccredit Corporation. This meant that if the Board should conclude favorably under section 4(c)(1), the application with respect to First Banccredit Corporation under section 4(c)(6) would not need to be considered at a hearing.



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In a memorandum dated December 19, 1957, which had been distributed to the members of the Board, Mr. Solomon recommended (1) that arrangements be made for an extension of the detail to the Board of Governors by the National Labor Relations Board of Mr. Arthur Leff, Hearing Examiner, for another period of six months on a basis of reimbursement to the National Labor Relations Board when actually employed on work for the Board of Governors; (2) that Mr. Leff be assigned to conduct the First Bank Stock hearing; (3) that arrangements be made for Messrs. Ueland and Strothman, Vice President and Counsel, and Vice President, respectively, of the Federal Reserve Bank of Minneapolis to act as Board Counsel in this matter, with the Reserve Bank to receive reimbursement for expenses other than salaries; and (4) that there be issued an order in the form attached to the memorandum setting down the hearing for January 14, 1958, at Minneapolis, Minnesota.

Following comments by Mr. Solomon, Governor Mills inquired as to the procedure contemplated with respect to the alternative request of First Bank Stock Corporation for an interpretation of the applicability of section 4(c)(1) of the Bank Holding Company Act to its retention of stock of First Bancredit Corporation.

In response, Mr. Solomon indicated that a staff memorandum on the alternative request would be presented to the Board in time that the matter could be considered and decided before the date when the proposed hearing would begin. The applicant would be advised that the matter was under consideration and then, prior to the date of the

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hearing, would be informed of the Board's decision. If that decision was unfavorable to the applicant, the hearing would include the question of retention of stock in First Banccredit Corporation. If, on the other hand, the Board's decision should be favorable to the applicant, this matter would not need to be considered at the hearing and it would be unnecessary for the Board to issue any further order in connection therewith.

Governor Mills then referred to the hearing on the application of General Contract Corporation, St. Louis, Missouri, for determinations under section 4(c)(6) with respect to certain subsidiaries and said it was his impression that the bank holding company's subsidiary banks might be said to exist primarily for the purpose of serving certain subsidiary finance companies. On the other hand, it was the contention of First Bank Stock Corporation that the two nonbanking companies involved in the current request for determinations were set up as service companies for the benefit of the bank holding company's subsidiary banks. It appeared to him that in such circumstances the Board would be called upon pursuant to the provisions of the statute to resolve a very delicate point of distinction.

Mr. Solomon agreed that the problem involved was a difficult one. He went on to say that it was simply one of the things that the Hearing Examiner, and then the Board, would have to struggle with in the determination of matters of this kind.

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Governor Robertson suggested that the First Bank Stock hearing might afford an opportunity to provide experience and training to a Federal Reserve Bank counsel who had not yet served in connection with a hearing on a matter arising under the Bank Holding Company Act. Therefore, while he agreed with selection of Messrs. Ueland and Strothman, it was his suggestion that the staff explore bringing some additional person into the proceeding.

There was agreement with Governor Robertson's suggestion and the Legal Division was requested to explore this possibility.

Thereupon, unanimous approval was given to an order in the form attached as Item No. 12, with the understanding that the order would be published in the Federal Register and copies sent to the appropriate parties, and with the further understanding that arrangements would be made for an extension of the services of Mr. Leff on the basis recommended in Mr. Solomon's memorandum.

At this point Mr. Fauver, Assistant Secretary, was called into the room.

Director appointments (Item No. 13). In a letter dated December 14, 1957, Mr. Lamar Fleming, Jr., Chairman of the Board of Anderson, Clayton and Co., Inc., Houston, Texas, who had been appointed as a Class C director of the Federal Reserve Bank of Dallas for the unexpired portion of the term ending December 31, 1958, stated that he intended to divest himself of 834 shares of stock of Bank of the Southwest N. A., Houston, Texas, by transferring the stock as a gift to his nondependent son and daughters.

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He asked whether this procedure would meet the necessary requirements for qualification as a Reserve Bank director.

There had been distributed to the members of the Board copies of a proposed reply to Mr. Fleming indicating that the program outlined by him would meet the necessary requirements.

Following a brief discussion, the proposed reply, of which a copy is attached as Item No. 13, was approved unanimously.

Reference then was made to a memorandum from Mr. Fauver dated December 19, 1957, copies of which had been sent to the members of the Board, in which there were quoted comments by Chairman Brawner of the Federal Reserve Bank of San Francisco concerning persons mentioned for appointment to the Board of Directors of the Seattle Branch.

On the basis of Chairman Brawner's comments, it was agreed unanimously to ascertain whether Mr. Henry Neff Anderson, President of the Twin Harbors Lumber Company, Aberdeen, Washington, would accept appointment, if tendered, as director of the Seattle Branch for the two-year term beginning January 1, 1958, with the understanding that if he would accept, the appointment would be made.

Secretary's Note: It having been ascertained that Mr. Anderson would accept the appointment if tendered, a telegram notifying him of his appointment was sent on December 23, 1957.

Since it had been ascertained that Mr. Clifford J. Backstrand would not be available for appointment to the Board of Directors of the Federal Reserve Bank of Philadelphia, there was a brief discussion of

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alternative action on the basis of information contained in a memorandum from Mr. Fauver to Chairman Martin dated December 19, 1957, but no decision was reached.

The meeting then recessed in order to allow the members of the Board to participate in the Christmas exercises being conducted in the rotunda of the building. The meeting reconvened at 11:00 a.m. with the same attendance except that Mr. Fauver was not present.

Applications of First New York Corporation and others. By order dated December 10, 1957, the matter of the applications of First New York Corporation and others under the Bank Holding Company Act was remanded by the Board to the Hearing Examiner for a report and recommended decision with respect to the merits of the applications. In the order, the Examiner was directed to submit the report and recommended decision as soon as feasible and not later than 45 days from the date of the order.

By letter dated December 18, 1957, the Hearing Examiner advised the Board that it would not be possible for him to complete a further report within 45 days from December 10, 1957, because of other pending hearing assignments, and it was understood that he had sent similar letters to the parties to the proceeding. He had also advised counsel for the Board by telephone that he did not wish to request an extension of time to complete his assignment for the reason that such a request would place him in an unfavorable light. His present intention, therefore, was to complete his report and recommended decision as soon as possible, but without requesting further time. He further stated that

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the earliest he could begin work on the matter would be 60 days from the date of the Board's order, that more probably he would require 90 days within which to finish current assignments, and that without a thorough study of the hearing record he could not venture an estimate of the time that would be required to complete the report and recommended decision.

In a memorandum from Mr. O'Connell dated December 19, 1957, of which copies had been sent to the members of the Board, the developments in the matter were discussed and the following possible alternative courses of action were suggested:

- (1) The Board might amend its order of December 10, 1957, setting a new date for submission of the Hearing Examiner's report and recommended decision, making no statement as to the reason for such amendment.
- (2) The Board might issue an order extending the time within which the report and recommended decision is to be submitted, stating as the reason for such action the receipt of information from the Board's legal staff of the Hearing Examiner's present involvement in other pending hearing examiner assignments.
- (3) Rather than extend the time within which the report and recommended decision might be submitted, the Board might issue an order withdrawing the matter from the Hearing Examiner's further consideration and returning the same to the Board for determination, giving as the reason for such action the receipt, subsequent to the issuance of its order of December 10, of the information concerning the Hearing Examiner's present workload. Should this alternative be followed, the Board might refer the case to the Division of Examinations for a review of the record on the merits, to be followed by a recommendation by that Division, together with a separate memorandum from the Legal Division. After receiving the staff's recommendation in this matter, as proposed in Mr. Hackley's memorandum of December 3, 1957, the Board might wish to consider the issuance of a "tentative decision" and of affording the parties an opportunity to file exceptions thereto and present oral argument thereon. Subsequently, the Board would issue its final decision in the case.

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An alternative to a portion of the last suggested course of action would be either for the Board, following removal of the matter from the Hearing Examiner, to make a decision on the merits without referring the case to the Board's staff or to make a preliminary decision on the merits and ask the staff to review the hearing record to determine whether it substantially supports the proposed decision.

After reviewing the developments referred to in his memorandum, Mr. O'Connell stated that another possible course of action would be for the Board to take no affirmative action at this time, wait until near the end of the 45-day period specified in the Board's order, and then take such action as seemed appropriate in the light of developments.

In response to a question from the Chairman, Mr. O'Connell indicated that personally he would lean toward withdrawing the matter from the Hearing Examiner and having the matter handled in accordance with one of the procedures suggested in the memorandum. He was influenced in this respect, he said, by statements which the Examiner had made to him, including the statement that he (the Hearing Examiner) could give no estimate of the time that would be required to submit a report and recommended decision. This introduced an element of indefiniteness which he felt might subject the Board to criticism from the parties interested in the proceeding.

Mr. Hackley stated that on balance he was inclined to agree with Mr. O'Connell's statement. The normal and orderly procedure would be to leave the case with the Hearing Examiner for his report and recommended decision on the merits. However, this was an unusual and important case, subject to much public interest, and in view of the

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delay that would be involved in extending the time for submission of the report and recommended decision, he rather leaned toward the feeling that it might be preferable to withdraw the matter from the Examiner and refer it to the Board's staff for review and recommendation. It seemed likely, he pointed out, that counsel for the applicants, having received a letter from the Hearing Examiner, would begin to make inquiry as to what the Board intended to do in the circumstances.

There followed a discussion which touched upon various aspects of the situation, including the information that had been obtained by the Board's staff from parties at the National Labor Relations Board concerning the Hearing Examiner's work schedule, the advantages and disadvantages of withdrawing the matter from the Hearing Examiner for review and recommendation by the Board's staff, and the possibility of taking some action that would have the effect of bringing about as prompt action as possible on the part of the Examiner. During this discussion it was suggested that if the matter were left with the Hearing Examiner, the Board's staff should nevertheless begin immediately its review of the record so that the staff report and recommendation would be ready in due course regardless of what developed.

The suggestion also was made that developments in this and other cases involving Board hearings seemed to indicate that different arrangements for the services of hearing examiners should be considered, including the employment of one or more hearing examiners by the Board itself.



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At the conclusion of the discussion, agreement was expressed with the suggestion that Chairman Martin arrange an informal meeting with the Hearing Examiner to explore questions of procedure and then report back to the Board concerning the results of the meeting.

With general reference to the provisions of the Administrative Procedure Act, Chairman Martin inquired of the legal staff regarding the authority of the Board in relation to a hearing examiner, and Mr. O'Connell cited section 8 of the Act which distinguishes between "licensing" and "adversary" proceedings. As to the former, he said, there are provisions of the Act dealing with decisions which give to an administrative board the authority to withdraw a matter from the hearing examiner and make a determination. However, in an adversary proceeding it was his opinion that the Board, under the Act, would be without authority to remove a matter from the hearing examiner in view of the language of the Act which states that the examiner "shall" render a decision. This language, it was pointed out, was in contrast to the more permissive "may" in the provisions of the Act having to do with licensing proceedings.

Reference then was made to the action which might be taken if a hearing examiner appeared to have gone completely "off the track", and Mr. Solomon stated that in a case where there was clear evidence of such a development, he supposed that the Board could instruct its counsel to go ahead and then make a decision. However, the dual position of the Board in an adversary proceeding would make it rather difficult to handle a matter on such a basis.

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The meeting then adjourned.

Secretary's Notes: Governor Shepardson approved on behalf of the Board on December 19, 1957, the following letters, copies of which are attached hereto under the respective item numbers indicated:

	<u>Item No.</u>
Letter to the Federal Reserve Bank of Philadelphia approving the appointment of Stephen M. Ondeck and William L. Ensor as examiners.	14
Letter to the Federal Reserve Bank of Philadelphia approving the appointment of James Donald Murray as assistant examiner.	15
Letter to the Federal Reserve Bank of Chicago approving the appointment of Kenneth E. Arndt, Maurice M. McAninch, and Roger E. Schultz as assistant examiners.	16

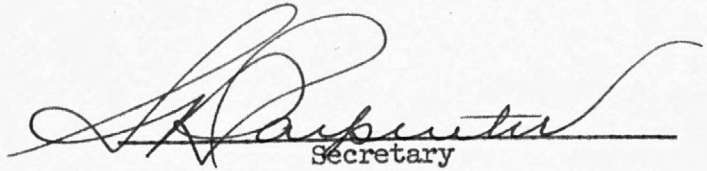
It having been ascertained, pursuant to action taken by the Board on December 9, 1957, that Mr. John M. Otten of Lewistown, Montana, would accept appointment, if tendered, as a director of the Helena Branch, Federal Reserve Bank of Minneapolis, for the two-year term beginning January 1, 1958, a telegram was sent to Mr. Otten on December 19, 1957, notifying him of his appointment.

It having been ascertained, pursuant to actions taken by the Board on December 9 and 18, 1957, that Mr. Jesse D. Wooten, Executive Vice President of Mid-South Chemical Corporation, Memphis, Tennessee, would accept appointment, if tendered, as a Class C director of the Federal Reserve Bank of St. Louis for the three-year term beginning January 1, 1958, that Mr. Robert H. Alexander of Scott, Arkansas, would accept appointment, if tendered, as a director of the Little Rock Branch for the three-year term beginning January 1, 1958, and that Mr. Waldo E. Tiller, President of

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Tiller Tie & Lumber Company, Little Rock, Arkansas, would accept appointment, if tendered, as a director of the Little Rock Branch, effective January 1, 1958, for the unexpired portion of the term ending December 31, 1958, telegrams to Messrs. Wooten, Alexander, and Tiller notifying them of the respective appointments were sent on December 20, 1957.



Secretary

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

Item No. 1  
12/20/57

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

December 20, 1957

Board of Directors,  
Fidelity Trust Company,  
Pittsburgh, Pennsylvania.

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 at Poplar and Mansfield Avenues, Green Tree Borough, Pennsylvania, by Fidelity Trust Company, Pittsburgh, Pennsylvania, 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 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. 2  
12/20/57

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

December 20, 1957

Board of Directors,  
The Central Bank Company,  
Lorain, Ohio.

Gentlemen:

Pursuant to your requests submitted through the Federal Reserve Bank of Cleveland, the Board of Governors of the Federal Reserve System approves the establishment of a branch at Colorado and Lehigh Avenues, Lorain, Ohio, and a branch near the intersection of State Route 58 and West 21st Street, Lorain, Ohio, by The Central Bank Company, Lorain, Ohio, provided the branch on Colorado Avenue is established within six months, the branch near West 21st Street 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 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. 3  
12/20/57

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

December 20, 1957

Board of Directors,  
The Lorain Banking Company,  
Lorain, 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 at Kansas and Randall Avenues, Lorain, Ohio, by The Lorain Banking Company, Lorain, Ohio, 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. 4  
12/20/57

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

December 20, 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 December 3, 1957, transmitting the September 16, 1957, examination report of The Kentucky Trust Company, Louisville, Kentucky.

Both the examination report and the letter of transmittal call attention to the fact that the bank now operates an insurance department whereas prior to January 1, 1957, this insurance business was conducted by an affiliated corporation. You state that the establishment of this insurance department represents a broadening in the functions now exercised by the trust company, but not to such an extent as to tend to affect materially the standard now maintained and required as a condition of membership. Accordingly, you have recommended that the Board permit the bank to operate this department which is described as acting as agent in the writing of all types of insurance, except life.

In the Board's letter X-9780 of January 6, 1937 (F.R.L.S. #3515), it was stated that, in the absence of any abuse or unsound practices in the transaction of such business by a bank, no condition of membership prohibiting a bank from acting directly or indirectly as agents or brokers in the sale of insurance would be prescribed.

In the circumstances the Board will interpose no objection to the operation of an insurance department by the member bank. It is assumed, of course, that any such business will be conducted in accordance with the applicable provisions of State law and the rulings of the appropriate State authorities.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Assistant Secretary.

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

Item No. 5  
12/20/57

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

December 20, 1957

Board of Directors,  
McIlroy Bank,  
Fayetteville, Arkansas.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of St. Louis, the Board of Governors approves the establishment of a drive-in branch by McIlroy Bank, Fayetteville, Arkansas, in the vicinity of the intersection of Block and Meadow Streets, Fayetteville, Arkansas.

The Board also approves, under the provisions of Section 24A, the investment of \$90,527.13 in bank premises which was expended for establishment of the drive-in branch and the purchase of a lot as a possible future site for a new bank building.

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  
12/20/57

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

December 20, 1957



Board of Directors,  
American State Bank,  
Midwest City, Oklahoma.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the application of American State Bank, Midwest City, Oklahoma, for stock in the Federal Reserve Bank of Kansas City, subject to the numbered conditions hereinafter set forth:

1. Such bank at all times shall conduct its business and exercise its powers with due regard to the safety of its depositors, and, except with the permission of the Board of Governors of the Federal Reserve System, such bank shall not cause or permit any change to be made in the general character of its business or in the scope of the corporate powers exercised by it at the time of admission to membership.
2. The net capital and surplus funds of such bank shall be adequate in relation to the character and condition of its assets and to its deposit liabilities and other corporate responsibilities.

In connection with the foregoing conditions of membership, particular attention is called to the provisions of the Board's Regulation H, as amended effective September 1, 1952, regarding membership of State banking institutions in the Federal Reserve System, with especial reference to Section 7 thereof. A copy of the regulation is enclosed.

If at any time a change in or amendment to the bank's charter is made, the bank should advise the Federal Reserve Bank, furnishing copies of any documents involved, in order that it may be determined whether such change affects in any way the bank's status as a member of the Federal Reserve System.

American State Bank

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Acceptance of the conditions of membership contained in this letter should be evidenced by a resolution adopted by the Board of Directors and spread upon its minutes, and a certified copy of such resolution should be filed with the Federal Reserve Bank. Arrangements will thereupon be made to accept payment for an appropriate amount of Federal Reserve Bank stock, to accept the deposit of the required reserve balance, and to issue the appropriate amount of Federal Reserve Bank stock to the bank.

The time within which admission to membership in the Federal Reserve System in the manner described may be accomplished is limited to 30 days from the date of this letter, unless the bank applies to the Board and obtains an extension of time. When the Board is advised that all of the requirements have been complied with and that the appropriate amount of Federal Reserve Bank stock has been issued to the bank, the Board will forward to the bank a formal certificate of membership in the Federal Reserve System.

The Board of Governors sincerely hopes that you will find membership in the System beneficial and your relations with the Reserve Bank pleasant. The officers of the Federal Reserve Bank will be glad to assist you in establishing your relationships with the Federal Reserve System and at any time to discuss with representatives of your bank means for making the services of the System most useful to you.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Assistant Secretary.

Enclosure.

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

Item No. 7  
12/20/57

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

December 20, 1957



Mr. William F. McKenna,  
Counsel,  
Committee on Banking and Currency,  
United States Senate,  
Washington 25, D. C.

Dear Mr. McKenna:

Your letter to Vice Chairman Balderston of November 8, 1957, advised that, in preparation for consideration of proposed securities legislation during the next session of Congress, you were giving some thought to the Board's authority under the Securities Exchange Act of 1934 to regulate stock market credit.

In this connection you referred to Governor Balderston's answers to questions which arose during his appearance before the Subcommittee on Securities of the Senate Committee on Banking and Currency on May 22, 1957, and suggested certain matters that might be the subject of further inquiry by the Subcommittee sometime after Congress reconvenes next year.

As you know, a reply to your letter was delayed pending an opportunity for an informal discussion of the matter with you by members of the Board's staff, which took place on December 9.

The various points referred to in your letter will be reviewed. Your advice of possible further inquiry into the matter by the Subcommittee is appreciated.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,  
Secretary.



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON

Item No. 8  
12/20/57

OFFICE OF THE CHAIRMAN

December 20, 1957

The Honorable Maxwell M. Rabb,  
Secretary to the Cabinet,  
The White House,  
Washington, D. C.

Dear Mr. Rabb:

In accordance with a request contained in your memorandum of December 5, 1957, there is attached a list of matters with respect to the Federal Reserve System on which it is most likely that appointees in other departments and agencies of the Government may wish to receive information or specialized briefings.

The Board has appointed Mr. S. R. Carpenter, Secretary to the Board, as liaison officer for the purposes of the orientation program, in place of Governor Shepardson, and he will be prepared to function in this capacity.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.

Enclosure

The Federal Reserve Board, the Federal Open Market Committee,  
and the Federal Reserve Banks

1. Monetary and Credit Policy. The basic function of the Federal Reserve System is to make possible a flow of credit and money that will foster orderly economic growth and a stable dollar. The principal instruments used in carrying out this function are open market operations, changes in reserve requirements, and changes in discount rates charged by the Federal Reserve Banks on loans to their member banks. The Board of Governors is also authorized to limit the amount that brokers and banks may lend to borrowers for the purpose of purchasing or carrying securities. To guide System policy and to inform the public, the Board of Governors and the Federal Reserve Banks make continuing analyses of economic and financial conditions.

2. Operation of the Federal Reserve Banks. The twelve Federal Reserve Banks operate under the general supervision of the Board of Governors which is located in Washington. The Banks furnish currency for circulation, facilitate the collection and clearance of checks and transfers of funds, and act as fiscal agents for the Federal government. The Board of Governors exercises special supervision over the relationships and transactions of the Reserve Banks with foreign banks and bankers.

3. Supervision of Member Banks. The Board of Governors has responsibility for supervision of State-chartered banks which apply for and are admitted by the Board to membership in the Federal Reserve System. The Board of Governors cooperates with the Comptroller of the Currency and the Federal Deposit Insurance Corporation on problems of bank examination and supervision.

(For a brief but more detailed statement of the organization and functions of the Board of Governors, the Federal Open Market Committee, and the Federal Reserve Banks, see page 385 of the United States Government Organization Manual 1957-1958.)

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

Item No. 9  
12/20/57

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

December 20, 1957

CONFIDENTIAL (F.R.)

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 the Bank's engineers at the annual rate of \$6,385.60, effective December 30, 1957, in accordance with the request contained in your letter of December 3, 1957.

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. 10  
12/20/57

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

December 20, 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 the Bank's window washers at an annual rate of \$5,106.40, effective November 4, 1957, in accordance with the request contained in your letter of December 4, 1957.

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) S. R. Carpenter

S. R. Carpenter,  
Secretary.



Item No. 11  
12/20/57

## UNITED STATES OF AMERICA

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

In the Matter of

The Application of  
WISCONSIN BANKSHARES CORPORATION  
for Approval of Acquisition  
of Voting Shares of Proposed  
CAPITOL NATIONAL BANK OF MILWAUKEE,  
MILWAUKEE, WISCONSIN

STATEMENT AND ORDER

This matter comes before the Board on the application of Wisconsin Bankshares Corporation, Milwaukee, Wisconsin, dated April 22, 1957, filed pursuant to the provisions of section 3(a)(2) of the Bank Holding Company Act of 1956 (hereafter referred to as the Act) for approval of the acquisition by it of direct ownership of 2,950 shares of a total of 3,000 voting shares of the Capitol National Bank of Milwaukee, Milwaukee, Wisconsin, a proposed new institution.

As of December 31, 1956, the Applicant controlled six banks in the State of Wisconsin having twenty banking offices and aggregate deposits of approximately \$807,000,000. The City of Milwaukee, with a population of approximately 700,000, is presently served by eighteen commercial banks having thirty-one banking offices and aggregate deposits of approximately \$1,175,000,000 as of June 6, 1957. There are also



two mutual savings banks in Milwaukee with deposits of about \$5,500,000. The largest bank in the city is First Wisconsin National Bank of Milwaukee, a subsidiary of the Applicant, which has thirteen banking offices and aggregate deposits of approximately \$557,000,000.

The proposed new Capitol National Bank of Milwaukee would be located in a large, recently developed shopping center comprising sixty-one acres. Within a three-mile radius of the shopping center there is an estimated population of 287,000, and within that area there are presently seven banking offices, three of which are branches of First Wisconsin National Bank.

There is no banking office presently located within the shopping center or its immediate vicinity. However, a State bank, Milwaukee Western Bank (formerly known as Teutonia Bank), which is now located a little more than three miles from the shopping center, was granted permission by the Wisconsin Commissioner of Banks in April 1956 to move its office to a new location just outside the shopping center and four-tenths of a mile from the site of the proposed new Capitol National Bank. A new building to be occupied by the Milwaukee Western Bank at its new location is under construction and nearing completion.

Under section 3(c) of the Act, in determining whether or not to approve an application the Board is required to take into consideration five stated factors: "(1) the financial history and condition of the company or companies and the banks concerned; (2) their prospects;

(3) the character of their management; (4) the convenience, needs, and welfare of the communities and the area concerned; and (5) whether or not the effect of such acquisition or merger or consolidation would be to expand the size or extent of the bank holding company system involved beyond limits consistent with adequate and sound banking, the public interest, and the preservation of competition in the field of banking."

In the present case it appears that all considerations relative to the first three factors stated above are generally favorable.

With respect to the fourth factor required to be considered by the Board, it appears that there is clearly a need for a bank in the shopping center or its vicinity. The imminent move of Milwaukee Western Bank to its new location, however, will provide a bank just outside the shopping center; and, while a bank in the shopping center itself would probably contribute to the "convenience" of the businesses and shoppers in the center, it does not appear that "needs and welfare" of the area call for the operation of two banks in the shopping center and its vicinity at the present time.

With respect to the fifth statutory factor, the establishment by the Applicant of the proposed new Capitol National Bank would cause banks controlled by the Applicant to have four out of nine offices within a three-mile radius of the shopping center, thus increasing the Applicant's competitive strength in that area. At the same time, the

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establishment of the proposed new national bank, with the advantage of its location within the shopping center itself, probably would have an adverse effect upon the competitive position, at its new location, of Milwaukee Western Bank, an existing bank not controlled by a bank holding company.

No precise formula can be applied in determining the relative weight or significance to be accorded the facts of a particular case under each of the five factors set forth in section 3(c) of the Act, and each case must necessarily be determined on the basis of a considered judgment in the light of all relevant circumstances. In the present case, in view of the Applicant's strong competitive position in the City of Milwaukee and the local area involved, the reasonable probability that the Applicant's establishment of the proposed new bank in the shopping center would tend to impair the prospects of the independent bank moving into the vicinity of the center, and the lack of clear evidence of need at this time for the proposed new bank sufficient to offset these adverse circumstances, it is believed that approval of the application here under consideration would not be consistent with the intent and purposes of the Bank Holding Company Act. Accordingly, in the judgment of the Board, the application should be denied, and it is so ordered.

## UNITED STATES OF AMERICA

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

In the Matter of

The Application of  
 WISCONSIN BANKSHARES CORPORATION  
 for Approval of Acquisition  
 of Voting Shares of Proposed  
 CAPITAL NATIONAL BANK OF MILWAUKEE,  
 MILWAUKEE, WISCONSIN

ORDER

The above matter having come before the Board on the application of Wisconsin Bankshares Corporation, Milwaukee, Wisconsin, filed pursuant to the provisions of section 3(a)(2) of the Bank Holding Company Act of 1956, for prior approval of the acquisition by it of direct ownership of 2,950 shares of a total of 3,000 voting shares of the Capitol National Bank of Milwaukee, Milwaukee, Wisconsin, a proposed new institution, and it appearing, after due consideration thereof pursuant to the requirements of the Bank Holding Company Act of 1956, that such application should be denied,

IT IS HEREBY ORDERED that the said application of Wisconsin Bankshares Corporation shall be, and the same hereby is, denied.

This 20th day of December 1957.

By order of the Board of Governors.

Voting for this action: Chairman Martin  
 and Governors Szymczak, Mills, Robertson,  
 and Shepardson; absent and not voting:  
 Vice Chairman Balderston and Governor  
 Vardaman.

(Signed) S. R. Carpenter

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S. R. Carpenter,  
 Secretary.

(SEAL)

Washington, D.C.  
 December 20, 1957.

## BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Item No. 12  
12/20/57NOTICE OF REQUEST FOR DETERMINATION  
PURSUANT TO SECTION 4(c)(6) OF  
BANK HOLDING COMPANY ACT OF 1956 AND  
ORDER FOR HEARING THEREON

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

1. First Banccredit Corporation
2. First Service Agencies, Inc.

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

IT IS HEREBY ORDERED That pursuant to section 4(c)(6) of the Bank Holding Company Act of 1956 and in accordance with sections 5(b) and 7(a) of the Board's Regulation Y [12 CFR 222.5(b), 222.7(a)],

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promulgated under the Bank Holding Company Act of 1956, a hearing with respect to this matter be held commencing on January 14, 1958, at 10 o'clock a.m., at the office of the Federal Reserve Bank of Minneapolis, 73 South Fifth Street, in the City of Minneapolis, State of Minnesota, before a hearing examiner selected by the Civil Service Commission pursuant to Sec. 11 of the Administrative Procedure Act, such hearing to be conducted in accordance with the Rules of Practice for Formal Hearings of the Board of Governors of the Federal Reserve System [12 CFR Part 263]. The Board's Rules of Practice for Formal Hearings provide, in part, that "all such hearings shall be private and shall be attended only by respondents and their representatives or counsel, representatives of the Board, witnesses, and other persons having an official interest in the proceedings; Provided, however, That on the written request of one or more respondents or counsel for the Board, or on its own motion, the Board, when not prohibited by law, may permit other persons to attend or may order the hearing to be public."

Any person desiring to give testimony in this proceeding should file with the Secretary of the Board, directly or through the Federal Reserve Bank of Minneapolis, on or before January 2, 1958, a written request relative thereto, said request to contain a statement of the reasons for wishing to appear, the nature of the petitioner's interest in the proceeding, and a summary of the matters concerning which said petitioner wishes to give testimony. Such request will be

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presented to the designated hearing examiner for his determination in the matter at the appropriate time. Persons submitting timely requests will be notified of the hearing examiner's decision in due course.

(Signed) S. R. Carpenter

(SEAL)

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S. R. Carpenter,  
Secretary.

Washington, D.C.

Dated: December 20, 1957.

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

Item No. 13  
12/20/57

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

December 20, 1957



Mr. Lamar Fleming, Jr.,  
P. O. Box 2538,  
Houston 1, Texas.

Dear Mr. Fleming:

Thank you for your air mail letter of December 14 confirming your acceptance of appointment as a Class C director of the Federal Reserve Bank of Dallas.

The program outlined in your letter for divesting yourself of the bank stock which you now own, in order to qualify for appointment, would clearly meet the requirements.

We will be glad to list your name and principal business affiliation as shown in your letter.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,  
Secretary.





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

Item No. 14  
12/20/57

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

December 19, 1957

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

Dear Mr. Hill:

In accordance with the request contained in your letter of December 16, 1957, the Board approves the appointments of Stephen M. Ondeck and William L. Ensor as examiners for the Federal Reserve Bank of Philadelphia. Please advise the Board if the appointments are not made effective January 1, 1958, as planned.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Assistant Secretary.

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

Item No. 15  
12/20/57

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

December 19, 1957

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

Dear Mr. Hill:

In accordance with the request contained in your letter of December 16, 1957, the Board approves the appointment of James Donald Murray as an assistant examiner for the Federal Reserve Bank of Philadelphia. Please advise as to the date upon which the appointment is made effective.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Assistant Secretary.



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

Item No. 16  
12/20/57

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

December 19, 1957

Mr. C. J. Scanlon, Chief Examiner,  
Federal Reserve Bank of Chicago,  
Chicago 90, Illinois.

Dear Mr. Scanlon:

In accordance with the requests contained in your letters of December 16, 1957, the Board approves the appointments of Kenneth E. Arndt, Maurice M. McAninch, and Roger E. Schultz as assistant examiners for the Federal Reserve Bank of Chicago. Please advise as to the dates upon which the appointments are to be made effective.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Assistant Secretary.

