Minutes for February 4, 1958

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	
Gov. Szymczak	x	
Gov. Vardaman 1/		x
Gov. Mills	x	
Gov. Robertson	x	
Gov. Balderston	x	
Gov. Shepardson	x	

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 the Board of Governors of the Federal Reserve System on Tuesday, February 4, 1958. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Balderston, Vice Chairman
Mr. Szymczak 1/
Mr. Mills
Mr. Robertson
Mr. Shepardson

Mr. Carpenter, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Young, Director, Division of Research and Statistics
Mr. Hackley, General Counsel
Mr. Masters, Director, Division of Examinations
Mr. Koch, Associate Adviser, Division of Research and Statistics
Mr. Solomon, Assistant General Counsel
Mr. Hexter, Assistant General Counsel
Mr. Hostrup, Assistant Director, Division of Examinations

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

	Item No.
Letter to Bank of America, New York, New York, approving an amendment to its articles of association to permit the election of additional directors. (For transmittal through the Federal Reserve Bank of New York)	1
Letter to The First Troy National Bank and Trust Company, Troy, Ohio, regarding a question of the applicability of section 8 of the Clayton Act. (With a copy to the Federal Reserve Bank of Cleveland)	2

1/ Attended morning session only.

	Item No.
Letter to the Federal Reserve Bank of Richmond expressing the opinion that Capitol Securities Corporation, Washington, D. C., has ceased to be a bank holding company.	3
Letter to Chase Investment Company, Des Moines, Iowa, for transmittal through the Federal Reserve Bank of Chicago, transmitting a prior tax certification with respect to a proposed distribution of bank stock. (With a duplicate original of the certification to the Commissioner of Internal Revenue)1/	4
Letter to the Federal Reserve Bank of Chicago extending the time within which Fidelity Bank and Trust Company, Indianapolis, Indiana, may establish a branch at 3900 Meadows Drive.	5

Application of Chemical Corn Exchange Bank to establish branch (Item No. 6). There had been circulated to the members of the Board a file containing favorable recommendations of the Federal Reserve Bank of New York and the Division of Examinations concerning an application by Chemical Corn Exchange Bank, New York, New York, for permission to establish a branch at Randall Avenue and Faile Street, Borough of the Bronx. At Governor Robertson's suggestion, the proposed letter to the applicant had been written so as to state that the Board approved the application provided the branch was established within 12 months from the date of the Board's letter. When the file was in circulation, Governors Shepardson and Balderston indicated that they would favor allowing the bank 18 months to establish the branch, as originally

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1/ The letter in its approved form reflects certain changes suggested at this meeting by Mr. Hexter.

recommended by the Federal Reserve Bank of New York and the Division of Examinations.

At the request of the Board, Mr. Masters reviewed the prospective arrangements for construction and lease of the branch quarters and pointed out that the arrangements were being held in abeyance pending Board action on the application. In these circumstances, he said, it did not appear likely that a period of 12 months would be sufficient to establish the branch. Accordingly, it was the feeling of the Division of Examinations that it would be appropriate to provide a period of 18 months.

Governor Robertson said that the applicant bank, being a large institution, was in a better position than a smaller bank to preempt a branch territory. If the Board began the practice of allowing 18 months for the establishment of a branch, he felt that this might create difficult problems over the long run. Therefore, he would prefer to hold to a 12-month maximum even if this made it necessary in certain cases to grant an extension of time. On the other hand, if the Board should decide to go beyond 12 months in the first instance, it was his view that this practice should be extended to include all banks, regardless of size.

Governor Mills expressed agreement with Governor Robertson. He recalled that several years ago the Board followed a practice of allowing only six months but found that this was impractical and, with some reservations, moved to 12 months. At the same time, it was understood that the Board would be willing to grant extensions of time upon showing of due cause. Accordingly, while a 12-month maximum would seem to have some

element of inflexibility, a willingness on the part of the Board to approve extensions of time where this was found to be required seemed to provide a satisfactory solution.

Governor Mills also expressed some concern about the fact that a number of branch applications, particularly in the State of California, had been approved but not implemented by the applicants according to the originally proposed time schedule. He suggested that it might be desirable to review such cases in order to determine the extent of the problem.

Governor Shepardson said that he had no strong feeling about the application now before the Board but that it appeared to be a case where the building program clearly would require as long as 18 months. Therefore, it had occurred to him that a more liberal provision of time at the outset might eliminate the necessity for action, which almost certainly would be required later, granting an extension of time to establish the branch.

Governor Balderston pointed out that a practice providing for a maximum of 12 months made no distinction between opening a small branch office and the establishment of a branch in a large building which had to be constructed.

In further discussion, Chairman Martin suggested that it might be inadvisable to make an exception with respect to the current application of the Chemical Corn Exchange Bank if any member of the Board deemed it desirable to follow generally the practice of allowing only 12 months for branches to be established.

Accordingly, the views of Governors Shepardson and Balderston having been noted, approval was given to the letter to Chemical Corn Exchange Bank of which a copy is attached as Item No. 6, for transmittal through the Federal Reserve Bank of New York.

Allocation of earned surplus to Firstamerica Corporation by Transamerica Corporation (Item No. 7). At the request of the Board, Mr. Hostrup reviewed a memorandum from the Division of Examinations dated January 31, 1958, copies of which had been distributed to the members of the Board, concerning a question which had arisen in connection with the program of Transamerica Corporation involving a spin-off to a new bank holding company, Firstamerica Corporation, of all of its direct holdings of stock in its majority-owned banks. Pursuant to this program, undertaken by Transamerica in compliance with the divestment requirements of the Bank Holding Company Act of 1956, Firstamerica would become a bank holding company under that Act and also a holding company affiliate under the Banking Act of 1933. As a holding company affiliate it would in due course make application for a voting permit, and in so doing would agree to declare dividends only out of actual net earnings. In the circumstances, and in preparation for the annual meeting of Transamerica's shareholders on April 24, 1958, Transamerica had requested confirmation by the Board that an agreement by Firstamerica to declare dividends only out of net earnings would not prevent it from drawing upon the earned surplus account allocated to it by Transamerica for the payment of future

dividends. The proposed allocation of earned surplus was to be essentially in proportion to the so-called equity value of the net assets of the two separate corporations which would emerge from the reorganization.

Mr. Hostrup stated that after consulting with Transamerica's independent public accountants and the staff of the Securities and Exchange Commission, the Division of Examinations had concluded that an allocation of earned surplus on the basis of an analysis of Transamerica's income from various sources would not be practicable. Furthermore, it appeared that allocation of earned surplus on the proposed basis would be equitable and would not produce a result significantly different from allocation according to alternative bases. Accordingly, the Division felt that the Board might properly state that earned surplus allocated to Firstamerica on the proposed basis could be drawn upon for the payment of future dividends pursuant to the voting permit statute. In this connection, it was noted that although a new corporation ordinarily would not have earned surplus, Firstamerica would not be a new venture but rather a continuation of a part of a long-established business.

Thereupon, unanimous approval was given to the letter to Transamerica Corporation of which a copy is attached hereto as Item No. 7, for transmittal through the Federal Reserve Bank of San Francisco.

At this point Governor Balderston referred to the discussion at the meeting on January 31, 1958, concerning the request by the President of Transamerica Corporation for advice as to whether the Board would be

able to act by the 23d of this month on Transamerica's application for a general permit to vote its stock of the Southern Arizona Bank and Trust Company, Tucson, Arizona. He said that the Legal Division was preparing a letter to Mr. Belgrano reflecting the position taken by the Board at the January 31 meeting and that he had deferred talking with Mr. Belgrano about the matter pending the availability of the letter.

Messrs. Hexter and Hostrup then withdrew from the meeting.

Proposed amendments to section 4(c) of Regulation T (Items 8 through 11). In a memorandum dated January 31, 1958, copies of which had been sent to the members of the Board, Mr. Solomon discussed comments received from the Federal Reserve Banks and representatives of the securities industry in response to the Board's letters of August 21, 1957, inviting views on suggestions by Mr. Walter A. Schmidt of Philadelphia, Pennsylvania, that (1) section 4(c)(2) of Regulation T be amended to change from 7 to 10 full business days the period specified for obtaining payments from customers in special cash accounts, and (2) section 4(c)(7) be amended to increase from $100 to $500 the amount which brokers or dealers may allow customers to disregard in special cash accounts. In view of the comments received, the memorandum suggested that the proposed amendments not be adopted.

While there was no disagreement on the part of the members of the Board with Mr. Solomon's recommendation, a question was raised with

respect to the content of the letter proposed to be sent to Mr. Schmidt, it being suggested that phraseology should be avoided which might infer that the burden for the adverse decision on his proposed amendments was being shifted by the Board to the securities industry.

Accordingly, certain changes in the proposed letter were decided upon, following which unanimous approval was given to a letter to Mr. Schmidt in the form attached hereto as Item No. 8, along with the letters to the Federal Reserve Banks, the Securities and Exchange Commission, and the National Association of Securities Dealers of which copies are attached as Items 9, 10, and 11, respectively.

At this point Messrs. Thomas, Economic Adviser to the Board; Leonard, Director, Horbett, Associate Director, and Conkling, Assistant Director, Division of Bank Operations; Molony, Special Assistant to the Board; Dembitz, Research Associate, Division of Research and Statistics; and Hald, Economist in that Division, entered the room.

Reserve requirements. As contemplated at the meeting of the Board yesterday, there continued at this meeting a discussion of reserve requirements and the statutory authority with respect thereto, on the basis of the memorandum from Mr. Thomas distributed under date of January 30, 1958.

Governor Balderston began the discussion by reading a memorandum which he had prepared earlier this morning following a conference with Mr. Thomas and other members of the staff. In it he outlined procedural

suggestions under which study would first be given to the proposal of the American Bankers Association for a revision of the system of reserve requirements, with a view to deciding what modifications would have to be made in that proposal if the Board were to support it. The parts of the proposal which were agreed to would then be separated into (a) those which could be implemented without legislation, and (b) those requiring legislation. The views of the Presidents of the Federal Reserve Banks would be obtained at the joint meeting of the Board and the Presidents scheduled for February 11, and the Legal Division would begin drafting necessary legislation as soon as the Board had decided upon the points on which it desired to make a legislative recommendation.

As stated in the memorandum, it was Governor Balderston's tentative view that there should be no change in the existing maximum reserve requirements provided by statute (although as a compromise he might be willing to use as statutory maxima the existing reserve requirements), no fixed date for completion of the reduction of reserve requirements to the ultimate levels envisaged by the ABA proposal, and either a range of from 2 to 5 per cent on time deposits or a requirement of 3 per cent for savings deposits and 6 per cent for other time deposits rather than the requirement of 2 per cent against all time deposits contemplated by the ABA proposal.

The memorandum also suggested goals against which to test the ABA proposal or any counterproposal, divided into steps which the Board

could take under existing statutory authority and steps that would have to await the passage of legislation.

After reading the memorandum and stating that copies of it would be sent to the members of the Board, Governor Balderston expressed the view, as he had at yesterday's meeting, that the Board should give a prompt answer to the American Bankers Association concerning its proposal and that early action was essential if the Board was going to submit a legislative recommendation which could possibly be approved at this session of the Congress. Pending the passage of legislation, he felt that something might be gained by moving in the direction of whatever goals the Board decided upon to the extent possible under existing statutory authority.

Chairman Martin then raised the question of discussing the subject of reserve requirements with the Presidents of the Federal Reserve Banks next week and after some discussion it was tentatively agreed that this should be done. To enable the Presidents to prepare themselves for such a discussion, it was suggested that appropriate advice be sent to them.

Governor Robertson then suggested that the Board should begin to deal with specific questions as quickly as possible and that a first step would be to review the proposal of the American Bankers Association item by item so that the Board might formulate its own views prior to taking up the subject with the Reserve Bank Presidents or others.

There ensued a discussion of the need for minimum, or on the other hand, maximum statutory reserve requirements, following which it was agreed to proceed with a review of the ABA proposal tomorrow.

Governor Szymczak then made certain comments in which he suggested that a principal question was whether the Board should approach the Congress with a recommendation for legislation such as might be passed at this session or a recommendation for legislation of a more fundamental nature looking toward making reserve requirements a useful instrument of monetary policy over the longer run, particularly under conditions which might impair the usefulness of other Federal Reserve policy instruments.

Chairman Martin stated that Governor Szymczak had raised the basic question of whether there was any real necessity for seeking reserve requirement legislation in the public interest at the present time. On this point he himself had some question, but he thought there was a real need for the Board to come to grips with the problem.

In further discussion, during which Mr. Riefler, Assistant to the Chairman, joined the meeting, Governor Balderston stated certain reasons which might be given for favoring a minimal approach to legislation, along the lines described in Mr. Thomas's memorandum, particularly because of problems he envisaged in making the transition to any new plan of reserve requirements. For this reason, he felt that it would be useful to continue for a period the present classification of cities for reserve purposes, though with provision for exemptions at the Board's discretion in the case of individual banks.

Proposed visit by officers of Republic National Bank. Mr. Hackley referred to the decision reached by the Board on January 14, 1958, that the Republic National Bank of Dallas, Texas, should be regarded as a bank holding company within the meaning of the Bank Holding Company Act and stated that in a telephone conversation President Irons of the Dallas Reserve Bank had indicated that the President and certain other officers of Republic would like to come to the Board's offices on the 17th of this month for discussion of certain matters in relation to that decision. Mr. Hackley gathered that the visit would not be for the purpose of lodging a protest regarding the Board's decision but rather to review the situation in the light of that decision. He also stated that President Irons had asked whether it would be possible for a member of the Board to participate in the discussion.

Following consideration of the matter, during which it was suggested that the nature of the request might make it inadvisable for more than one member of the Board to meet with the representatives of Republic National Bank, it was agreed that Governor Shepardson would represent the Board.

Commissions for Messrs. Robertson and Irvine. In connection with their forthcoming trip to the Far East, Governor Robertson and Mr. Irvine, Economist in the Division of International Finance, were designated as Federal Reserve Examiners, effective immediately, for a period of three months.

The meeting then recessed and reconvened at 2:30 p.m. with Messrs. Martin, Balderston, Mills, Robertson, and Shepardson present. In addition to the members of the staff present at the end of the morning session, Messrs. Thurston, Assistant to the Board, Marget, Director, Division of International Finance, Shay, Legislative Counsel, Williams, Associate Adviser, Division of Research and Statistics, and Hersey, Associate Adviser, Division of International Finance, also were present. Messrs. Leonard, Masters, Horbett, Conkling, Dembitz, Solomon, and Hald were not present.

Testimony before Joint Economic Committee. Pursuant to the understanding at yesterday's meeting, there had been distributed to the members of the Board copies of a revised draft of statement to be presented by Chairman Martin on behalf of the Board in testifying before the Joint Economic Committee on February 6.

On the basis of a review of the latest draft, a number of suggestions were made for rearrangement of the material, additions, deletions, and editorial changes. It was then requested that a further revised draft be prepared for the Board's consideration.

The meeting then adjourned.

Secretary's Notes: Governor Shepardson today approved on behalf of the Board a letter to the Federal Reserve Bank of Boston (attached Item No. 12) approving the appointment of Neil H. LaBelle as examiner.

Governor Shepardson also approved on behalf of the Board today an increase in the basic salary of Harry G. Felix, Assistant Federal Reserve Examiner, Division of Examinations, from $4,350 to $4,525 per annum, effective February 9, 1958.

It having been ascertained, pursuant to action taken at the meeting on January 31, 1958, that Mr. S. L. Kopald, Jr., would accept appointment, if tendered, as a director of the Memphis Branch, Federal Reserve Bank of St. Louis, for the unexpired portion of the term ending December 31, 1960, a telegram was sent to Mr. Kopald today notifying him of his appointment.

Secretary

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

Item No. 1
2/4/58

February 4, 1958

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

Dear Mr. Smith:

This will acknowledge your letter of January 23, 1958, transmitted through the Federal Reserve Bank of New York, enclosing a certified copy of a resolution adopted at the annual meeting of shareholders of your corporation held on January 21, 1958, amending the Articles of Association to provide that the Board of Directors shall consist of not less than five nor more than twenty-five members.

It is noted the meeting of shareholders was adjourned to be reconvened on February 17, 1958, at which time it is planned to increase the membership of the Board of Directors to six members.

In accordance with your request, and pursuant to Section 3(d) of Regulation K as revised effective January 15, 1957, the Board of Governors approves the amendment to the Articles of Association.

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
2/4/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 4, 1958

Mr. Vernon C. LeFevre, President,
The First Troy National Bank and Trust Company,
Troy, Ohio.

Dear Mr. LeFevre:

Reference is made to your letter of January 8, 1958 regarding the question whether section 8 of the Clayton Act would be violated by certain individuals who apparently are serving as directors of the Citizens National Bank & Trust Company, Piqua, Ohio, and also as directors of the Troy Citizens Bank, Troy, Ohio.

As you have noted in your letter, the matter has been investigated by the Federal Reserve Bank, which reached the conclusion that the Clayton Act would not be violated because it found that Troy and Piqua were neither "contiguous" nor "adjacent" to each other within the meaning of the Clayton Act.

Prior to 1935, section 8 prohibited certain interlocking relationships, but provided that the Federal Reserve Board could issue a permit when, in its opinion, the particular interlocking relationship would be "not incompatible with the public interest."

The administration of the provision proved to be very cumbersome. The Board generally granted permits when it found that the banks were not in substantial competition. However, the decision had to be based on an extensive investigation of the facts, and an appraisal of many intangibles by the Board.

In order to remedy this difficulty, the statute was amended by the Banking Act of 1935 so as to remove the provision as to permits and to provide a set of rules which would, as far as possible, enable the individuals and banks involved to determine for themselves whether a particular relationship was permissible.

The particular subsection applicable to the situation in which you are interested grew out of the basic provision in the section, namely, that an individual should not serve as a director of two banks located in the same town. The subsection extends the prohibition to two towns whose corporate boundaries actually touch each other (for example, a town and a suburb) and also to a town which is "adjacent" to another town. Footnote 8

in Regulation L explains that this means cities, towns and villages which, although not actually contiguous, are located in such close proximity as to be in practical effect, a single city, town or village.

Your attention is directed to the fact that the reference is not to trade areas but to corporate limits. The boundaries of trade areas are so indefinite that if this test had been used in the statute there would have been little improvement over the previous provision. Some banks have customers located at a great distance.

Consequently, in the present case the issue was, first, whether the corporate limits of Piqua and Troy actually touch, and, second, if they do not, whether they are so close as to be, in practical effect, a single town or village. The Federal Reserve Bank has investigated the matter and determined that they are not. When your letter of January 8 was received, the Federal Reserve Bank was requested to submit a report to the Board. This has been received and reviewed and it appears that the finding is correct. Road maps of the State of Ohio show Troy and Piqua to be eight miles apart, but the Reserve Bank's investigation discloses the cities' corporate limits at the nearest point are separated by approximately 6.2 miles. The land lying between the two cities is primarily devoted to agriculture with the exception of a few retail sales and service enterprises, dwellings and summer cottages which front upon but are located intermittently along the highway between the two cities. The circumstances in this instance are such that they cannot be considered as supporting an interpretation that the cities of Troy and Piqua are "adjacent".

In view of these facts, it would seem to be clear that the finding of the Federal Reserve Bank is correct and in harmony with rulings in other comparable situations.

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
2/4/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 4, 1958

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

Dear Mr. Armistead:

Reference is made to the registration statement, filed on January 7, 1957, by Capitol Securities Corporation, Union Trust Building, Washington, D. C., pursuant to section 5(a) of the Bank Holding Company Act of 1956, and the Corporation's annual report (Form F.R. Y-6) for the year ended December 31, 1956.

It is understood from the Corporation's registration statement and its annual report for 1956 that as of May 9 and December 31, 1956, Capitol Securities Corporation held 25 per cent or more of the voting shares of two banks, one of which was Haverhill Morris Plan Banking Company, Haverhill, Massachusetts. Effective November 12, 1957, Haverhill Morris Plan Banking Company was absorbed by Haverhill National Bank, Haverhill, Massachusetts. It is assumed that (1) Capitol Securities Corporation does not directly or indirectly own, control, or hold with power to vote, 25 per cent or more of the voting shares of each of two or more banks or a company which is a bank holding company; (2) the Corporation does not control in any manner the election of a majority of directors of each of two or more banks; (3) trustees do not hold for the benefit of the shareholders of the Corporation 25 per cent or more of the voting shares of each of two or more banks or a bank holding company; and (4) the Corporation has not become a successor to any company falling within the definitions set forth in section 2(a) of Regulation Y.

On the basis of this assumption and its understanding of the facts as stated above, the Board is of the opinion that Capitol Securities Corporation has ceased to be a bank holding company within the meaning of the Bank Holding Company Act of 1956. Since the Corporation is not now a bank holding company, it will not be necessary for it to file an annual report for the year ended December 31, 1957.

It will be appreciated if you will advise Capitol Securities Corporation of the substance of this 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. 4
2/4/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 4, 1958.

Chase Investment Co.,
Locust at Twelfth,
Des Moines 9, Iowa.

Gentlemen:

Pursuant to your application, submitted through the Federal Reserve Bank of Chicago, there are enclosed an original and one copy of a certification made today by the Board of Governors, pursuant to sections 1101(b) and 1103(b) of the Internal Revenue Code, with respect to a proposed distribution of bank stock by your Corporation under the Bank Holding Company Act of 1956. A duplicate original is being transmitted to the Commissioner of Internal Revenue.

Under the enumerated provisions of the Internal Revenue Code, certification by the Board is an essential prerequisite to the tax benefits provided thereby. However, the Board's certification alone would not assure that the distributees of the bank stock would be entitled to such tax benefits if the Internal Revenue Service should take the position that the distribution did not meet all the statutory requirements. Accordingly, you may deem it advisable to obtain a ruling from the Tax Rulings Division of the Internal Revenue Service, before making the proposed distribution of bank stock. As you probably know, such rulings are frequently requested by corporations and other taxpayers before consummating transactions that might have substantial tax consequences.

This matter is mentioned particularly because this case involves a very close legal question regarding the interpretation of section 1103(b)--namely, whether your Company "holds prohibited property acquired by it. . . on or before May 15, 1955." The Board has come to an affirmative conclusion on this question. In the circumstances, however, you may wish to request a tax ruling in order to be certain that the Internal Revenue Service (which authoritatively interprets the provisions of the Internal Revenue

Code) agrees with the interpretation on which the enclosed certification is based. In the event Internal Revenue should conclude that the proposed distribution of bank stock would not be "tax-free" under section 1101, the Corporation could then consider possible alternative procedures for complying with the requirements of section 4 of the Bank Holding Company Act.

It will be appreciated if you will advise the Federal Reserve Bank of Chicago promptly if the proposed distribution of shares of Farmers and Merchants State Bank is made.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.

Enclosures

C E R T I F I C A T I O N

1. The Board of Governors of the Federal Reserve System has been informed by Chase Investment Company, Des Moines, Iowa, that it proposes to distribute to its shareholders 464 shares of stock of Farmers and Merchants State Bank, Winterset, Iowa.

2. Pursuant to the provisions of section 1101(b) and section 1103(b) of the Internal Revenue Code of 1954, the Board of Governors of the Federal Reserve System hereby certifies that:

(a) Chase Investment Company satisfies the requirements of subsection (b) of section 1103 of the Internal Revenue Code of 1954 and therefore is a "qualified bank holding corporation" as defined in that subsection.

(b) The 464 shares of stock of Farmers and Merchants State Bank referred to in "1" above are all or part of the property by reason of which Chase Investment Company controls (within the meaning of section 2(a) of the Bank Holding Company Act of 1956) said bank.

(c) The proposed distribution of said 464 shares of stock of Farmers and Merchants State Bank is appropriate to effectuate the policies of the Bank Holding Company Act of 1956.

Executed February 4, 1958, in Washington, D. C., pursuant to direction of the Board of Governors of the Federal Reserve System.

(SEAL)

(Signed) S. R. Carpenter
S. R. Carpenter, Secretary

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

Item No. 5
2/4/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 4, 1958

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

Dear Mr. Diercks:

Reference is made to your letter of January 24, 1958, submitting the request of the Fidelity Bank and Trust Company, Indianapolis, Indiana, for a further extension of time within which to establish a branch at 3900 Meadows Drive, in Indianapolis.

In view of the delays encountered in completing construction of the branch building, due to inclement weather conditions, the Board concurs in your favorable recommendation and extends to April 14, 1958, the time within which Fidelity Bank and Trust Company may establish the above-described branch, as originally approved in the Board's letter of March 13, 1957, provided approval of the State authorities is effective as of the date the branch is established.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Assistant Secretary.

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

Item No. 6
2/4/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 4, 1958

Board of Directors,
Chemical Corn Exchange Bank,
New York 15, New York.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of New York, the Board of Governors of the Federal Reserve System, approves the establishment of a branch by Chemical Corn Exchange Bank, New York, New York, on the southwest corner of Randall Avenue and Faile Street, Borough of the Bronx, New York, New York, provided the branch is established within 12 months from the date of this letter.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Assistant Secretary.

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

Item No. 7
2/4/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 4, 1958

Mr. F. N. Belgrano, Jr., President,
Transamerica Corporation,
San Francisco, California.

Dear Mr. Belgrano:

This refers to your letter of January 10, 1958, regarding the plan of reorganization of Transamerica Corporation and setting forth the proposed basis of allocation of earned surplus to Firstamerica Corporation. You state that all paid-in surplus of Transamerica will be allocated to Firstamerica and the earned surplus of Transamerica will be divided between the two corporations in proportion to the equity value of the net assets of the respective corporations, with such adjustment of the earned-surplus allocation as may be necessary to bring the total allocation of paid-in and earned surplus into agreement with the carrying value of the assets transferred. You request a statement by the Board as to the status, pursuant to subsection (e)(4) of section 5144, Revised Statutes, of the earned surplus thus allocated to Firstamerica Corporation.

In reply, you are advised that agreement by Firstamerica Corporation to "declare dividends only out of actual net earnings" will not prevent Firstamerica from drawing on the earned surplus account allocated to it by Transamerica for the payment of future dividends.

Very truly yours,

S. R. Carpenter,
Secretary.

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

Item No. 8
2/4/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 4, 1958.

Mr. Walter A. Schmidt,
Schmidt, Poole, Roberts & Parke,
123 South Broad Street,
Philadelphia 9, Pennsylvania.

Dear Mr. Schmidt:

This is with further reference to your letter of August 13, 1957, suggesting that the Board consider two changes in Regulation T. One change would increase the period specified in section 4(c)(2) for obtaining payment in special cash accounts from 7 full business days to 10 full business days. The other change would increase the amount specified in section 4 (c)(7) which may be disregarded by a creditor in such an account from $100 to $500.

On the basis of the information and comments received regarding the suggestions, it is evident that the major portion of the securities industry is opposed to the suggested changes. A substantial majority of the industry expressed the view that the existing provisions of the regulation are adequate and fully meet the needs of the industry and the public interest, and that disadvantages involved in the proposed changes would heavily outweigh any resulting advantages. It appeared to be the general opinion that an increase in the period specified in section 4(c)(2) would create unnecessary and costly delays in obtaining payments from customers and would place increased market risks on brokers and dealers. Concern was also expressed that an increase from $100 to $500 in section 4(c)(7) would permit "free riding" and other undue extensions of credit in transactions involving low-priced securities, thereby giving more favorable treatment to them in this regard than to other securities. Several comments suggested that greater effort on the part of the securities industry to educate customers in the importance of observing settlement dates and of making prompt payment within the time specified would be helpful in solving problems that may arise in obtaining necessary prompt payment.

In the circumstances, the Board has concluded that it would not be advisable at this time to make the proposed changes in sections 4(c)(2) and 4(c)(7) of Regulation T. The Board appreciates your interest in the problems connected with the administration of Regulation T and is grateful for your suggestions and for the occasion which they have provided for reviewing and re-examining these aspects of the regulation.

Very truly yours,
(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.

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

Item No. 9
2/4/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 4, 1958

Dear Sir:

The Board's letter of August 21, 1957, to all Federal Reserve Banks requested that the Reserve Banks forward their views to the Board with regard to two changes in Regulation T which had been suggested to the Board. One change would increase the period specified in section 4(c)(2) for obtaining payment in special cash accounts from 7 full business days to 10 full business days. The other change would increase the amount specified in section 4(c)(7) which may be disregarded by a creditor in such an account from $100 to $500.

On the basis of the information received, it is evident that the major portion of the securities industry is opposed to the suggested changes. A substantial majority of the industry expressed the view that the existing provisions of the regulation are adequate and fully meet the needs of the industry and the public interest, and that disadvantages involved in the proposed changes would heavily outweigh any resulting advantages. It appeared to be the general opinion that an increase in the period specified in section 4(c)(2) would create unnecessary and costly delays in obtaining payments from customers and would place increased market risks on brokers and dealers. Concern was also expressed that an increase from $100 to $500 in section 4(c)(7) would permit "free riding" and other undue extensions of credit in transactions involving low-priced securities, thereby giving more favorable treatment to them in this regard than to other securities. Several comments suggested that greater effort on the part of the securities industry to educate customers in the importance of observing settlement dates and of making prompt payment within the time specified would be helpful in solving problems that may arise in obtaining necessary prompt payment.

In the circumstances, the Board has concluded that it would not be advisable at this time to make the proposed changes in sections 4(c)(2) and 4(c)(7) of Regulation T.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

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

Item No. 10
2/4/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 4, 1958.

The Honorable Edward N. Gadsby,
Chairman,
Securities and Exchange Commission,
Washington 25, D. C.

Dear Mr. Gadsby:

This is with reference to the Board's letter of August 21, 1957, and your reply of October 3 concerning changes in sections 4(c)(2) and 4(c)(7) of Regulation T which had been suggested to the Board.

On the basis of information received from the Commission, the Federal Reserve Banks, and the National Association of Securities Dealers, Inc., it appears that disadvantages attaching to the suggested amendments would substantially outweigh any resulting advantages, and the Board has concluded that it would not be advisable at this time to make the proposed changes in the regulation.

The Board found the comments and suggestions contained in your letter of October 3 helpful in its study of the matter, and it would like to take this opportunity to express its appreciation for your assistance.

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. 11
2/4/58

February 4, 1958.

Mr. Wallace H. Fulton,
Executive Director,
National Association of Securities Dealers, Inc.
1625 K Street, N. W.,
Washington 6, D. C.

Dear Mr. Fulton:

This is with reference to the Board's letter of August 21, 1957, and your reply of November 11 concerning changes in sections 4(c)(2) and 4(c)(7) of Regulation T which had been suggested to the Board.

On the basis of information received from the Federal Reserve Banks, the Securities and Exchange Commission and your organization, it appears that disadvantages attaching to the suggested amendments would substantially outweigh any resulting advantages, and the Board has concluded that it would not be advisable at this time to make the proposed changes in the regulation.

The Board found the information contained in your letter of November 11 helpful in its study of the matter, and it would like to take this opportunity to express its appreciation for your assistance.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.

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

Item No. 12
2/4/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 4, 1958

Mr. Benjamin F. Groot, Vice President,
Federal Reserve Bank of Boston,
Boston 6, Massachusetts.

Dear Mr. Groot:

In accordance with the request contained in your letter of January 29, 1958, the Board approves the appointment of Neil H. LaBelle as an examiner for the Federal Reserve Bank of Boston. Please advise as to the date upon which the appointment is made effective.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Assistant Secretary.