

Minutes for March 19, 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 <u>M</u>	_____
Gov. Szymczak	X <u>MS</u>	_____
Gov. Vardaman	X <u>VS</u>	_____
Gov. Mills	_____	X <u>_____</u>
Gov. Robertson	X <u>R</u>	_____
Gov. Balderston	X <u>CB</u>	_____
Gov. Shepardson	X <u>LS</u>	_____

Minutes of the Board of Governors of the Federal Reserve System
on Wednesday, March 19, 1958. The Board met in the Board Room at 10:00 a.m.

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

Mr. Carpenter, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Hackley, General Counsel
Mr. Masters, Director, Division of Examinations
Mr. Benner, Assistant Director, Division of Examinations

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

	<u>Item No.</u>
Letter to the Trust Company of Georgia, Atlanta, Georgia, approving the establishment of branches at Peachtree and Pharr Roads and in the Lenox Square Shopping Center. (For transmittal through the Federal Reserve Bank of Atlanta)	1
Letter to the Citizens National Bank of St. Petersburg, St. Petersburg, Florida, granting its application for permission to exercise fiduciary powers. (For transmittal through the Federal Reserve Bank of Atlanta)	2
Letter to the Security Bank, Lincoln Park, Michigan, approving the establishment of a branch at a new location in Taylor Center. (For transmittal through the Federal Reserve Bank of Chicago)	3
Letter to the Panhandle State Bank, Borger, Texas, approving the establishment of a branch across the street from the main bank building. (For transmittal through the Federal Reserve Bank of Dallas)	4

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Matter involving the North Shore Bank, Miami Beach, Florida
(Items 5 and 6). In a letter to Chairman Martin dated March 14, 1958, Senator Fulbright, Chairman of the Committee on Banking and Currency, requested information on the recent indictment of four officials of the North Shore Bank, Miami Beach, Florida, including information relating to the chartering, financial history, examination, and supervision of the bank, as well as the background of the current indictments and any views as to legislation needed to prevent a recurrence of the practices involved in this case. Copies of the letter had been distributed to the members of the Board along with a suggested letter to the President of the Federal Reserve Bank of Atlanta requesting at the earliest practicable date all information which may have been developed concerning the points of inquiry, particularly relating to the examination and supervision of the member bank and the background of the current indictments.

During a discussion of the matter, Messrs. Masters and Benner reviewed the information thus far available to the Board in connection with this case, which involved alleged violations of section 23A of the Federal Reserve Act concerning relations with affiliates, and they also discussed additional information which should be obtained from the Federal Reserve Bank of Atlanta in order to complete the file. It was pointed out that the Atlanta Reserve Bank had been unable to obtain copies of the indictments, but that the documents had been obtained for the Division of Examinations by the Board's legal staff and copies had

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been sent to the Reserve Bank. It was also stated that Vice President Denmark of the Atlanta Bank met last week with the directors of the North Shore Bank, but that the Board had not yet been notified of the results of that conference.

Question was raised whether the history of the matter reflected any laxity in examination procedures at the Federal Reserve Bank of Atlanta such as to indicate the desirability of sending a representative of the Division of Examinations to Atlanta for discussion, to which Governor Robertson replied that he, Mr. Masters, and Mr. Benner had arranged to meet next Tuesday with President Bryan following the Federal Open Market Committee meeting and that he thought it would be preferable to await the results of that discussion before deciding what additional steps ought to be taken.

At the conclusion of the discussion it was agreed unanimously to follow the procedure suggested by Governor Robertson and to send the proposed letter to President Bryan. It was also agreed unanimously that a letter of acknowledgment should be sent to Senator Fulbright. Copies of the two letters sent pursuant to this action are attached under Items 5 and 6, respectively.

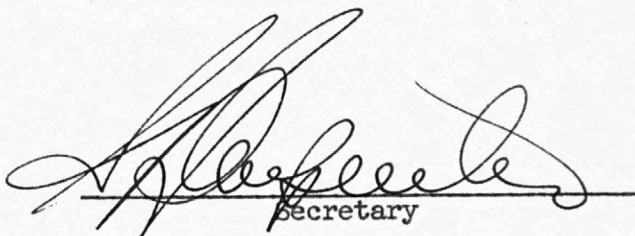
Reserve requirement legislation. Following the meeting yesterday, there were distributed to the members of the Board, with a memorandum from Mr. Hackley dated March 18, 1958, copies of a revised draft of reserve requirements bill reflecting the conclusion reached by the Board.

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In a further brief discussion of the matter, Governor Robertson said he assumed that it was contemplated that the draft bill, when sent to the Congress, would be accompanied by an explanatory memorandum of the kind now being prepared by Mr. Thomas, and the Chairman stated that this was correct.

The meeting then adjourned.



Secretary

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

Item No. 1
3/19/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 19, 1958

Board of Directors,
Trust Company of Georgia,
Atlanta, Georgia.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Atlanta, the Board of Governors approves the establishment by Trust Company of Georgia, Atlanta, Georgia, of branches at:

the northwest corner of Peachtree and Pharr
Roads, Atlanta, Georgia, and

in the Lenox Square Shopping Center at the
intersection of Peachtree Road and Lenox
Road, Atlanta, Georgia,

provided the branches are established within one year
from the date 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. 2
3/19/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 19, 1958

Board of Directors,
Citizens National Bank of St. Petersburg,
St. Petersburg, Florida.

Gentlemen:

The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers and grants you authority to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies or other corporations which come into competition with national banks are permitted to act under the laws of the State of Florida, the exercise of all such rights to be subject to the provisions of section 11(k) of the Federal Reserve Act and Regulation F of the Board of Governors of the Federal Reserve System.

A formal certificate indicating the fiduciary powers which the Citizens National Bank of St. Petersburg is now authorized to exercise will be forwarded to you in due course.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.

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

Item No. 3
3/19/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



March 19, 1958

Board of Directors,
Security Bank,
Lincoln Park, Michigan.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Chicago, the Board of Governors approves the establishment of a branch by Security Bank at 22339-43 Ecorse Road, Taylor Center, Wayne County, Michigan, rather than at 23135 Ecorse Road, as originally approved by the Board of Governors on January 10, 1957, provided the branch is established at the new location by July 10, 1958, and the approval of the State authorities is effective as of the date the branch is established.

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
3/19/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 19, 1958



Board of Directors,
Panhandle State Bank,
Borger, Texas.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Dallas, the Board of Governors approves the establishment of a branch by Panhandle State Bank, Borger, Texas, across the street from the main bank building, provided the branch is established within one year from the date 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. 5
3/19/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 19, 1958



AIR MAIL

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

Dear Mr. Bryan:

Enclosed is a copy of a letter dated March 14, 1958, addressed to Chairman Martin by Senator J. W. Fulbright, Chairman of the Committee on Banking and Currency of the United States Senate, regarding the recent indictment of four officials of the North Shore Bank, Miami Beach, Florida. You will note Chairman Martin is asked to furnish the Committee information relating to the chartering, financial history, examination and supervision of the North Shore Bank, as well as the background of the current indictments, and to offer any views which he may have as to legislation needed to prevent a recurrence of the practices involved in this case.

In order that the Chairman's reply may be as comprehensive as possible, will you please forward any information which may have been developed concerning the points of inquiry, particularly relating to the examination and supervision of the member bank, and the background of the current indictments. We would hope to have your reply at the earliest practicable date.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.

Enclosure



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 6
3/19/58

OFFICE OF THE CHAIRMAN

March 19, 1958

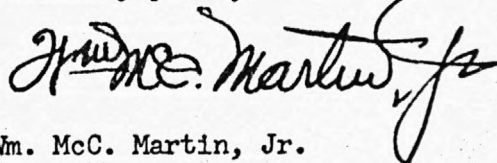
The Honorable J. W. Fulbright,
Chairman,
Committee on Banking and Currency,
United States Senate,
Washington 25, D. C.

Dear Mr. Chairman:

This letter is an interim response to yours of March 14 requesting information and views in connection with the matter involving the North Shore Bank in Miami Beach, Florida.

Various aspects of this case have been before the Board for some time and we were in the process of getting full current information when your letter was received. As soon as that information is obtained and the Board has an opportunity to formulate the views requested in the last paragraph of your letter, I will write you again.

Sincerely yours,



Wm. McC. Martin, Jr.