

Minutes for March 21, 1958


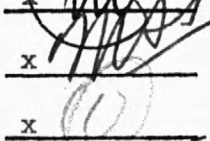
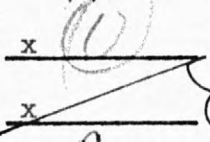
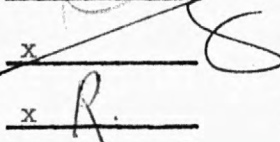
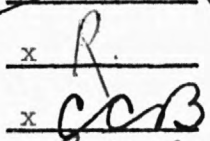
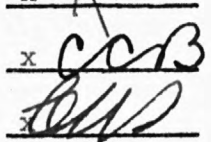
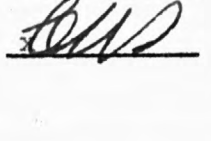
To: Members of the Board

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	<u>X</u> 	_____
Gov. Szymczak	<u>X</u> 	_____
Gov. Vardaman	<u>X</u> 	_____
Gov. Mills	<u>X</u> 	_____
Gov. Robertson	<u>X</u> 	_____
Gov. Balderston	<u>X</u> 	_____
Gov. Shepardson	<u>X</u> 	_____

Minutes of the Board of Governors of the Federal Reserve System
on Friday, March 21, 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. Mills
Mr. Robertson
Mr. Shepardson

Mr. Carpenter, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Riefler, Assistant to the Chairman
Mr. Thomas, Economic Adviser to the Board
Mr. Young, Director, Division of Research and Statistics
Mr. Hackley, General Counsel
Mr. Masters, Director, Division of Examinations
Mr. Conkling, Assistant Director, Division of Bank Operations
Mr. Farrell, Assistant Director, Division of Bank Operations
Mr. Noyes, Adviser, Division of Research and Statistics
Mr. Hexter, Assistant General Counsel
Mr. O'Connell, Assistant General Counsel
Mr. Hostrup, Assistant Director, Division of Examinations
Mr. Wood, Economist, Division of Research and Statistics
Mr. Young, Assistant Counsel

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 the Rhode Island Hospital Trust Company, Providence, Rhode Island, approving the establishment of a branch in Wakefield, Rhode Island. (For transmittal through the Federal Reserve Bank of Boston)	1
---	---

3/21/58

-2-

	<u>Item No.</u>
Letter to the Federal Reserve Bank of Richmond waiving the assessment of a penalty incurred by the Lynchburg National Bank and Trust Company, Lynchburg, Virginia, because of a deficiency in required reserves.	2
Letter to the Zeeland State Bank, Zeeland, Michigan approving the establishment of a branch in Hamilton, Michigan. (For transmittal through the Federal Reserve Bank of Chicago)	3
Letter to the Federal Reserve Bank of Dallas approving an investment in bank premises by the East End State Bank, Houston, Texas.	4
Letter to the Federal Reserve Bank of Kansas City approving an investment in bank premises by the Stockmen's Bank, Gillette, Wyoming.	5
Letter to the Federal Reserve Bank of Philadelphia accepting the revised budget for 1958 submitted pursuant to the Board's letter of December 30, 1957.	6
Letter to the Federal Reserve Bank of Chicago approving the payment of salaries to three officers at rates fixed by the directors.	7
Letter to Senator Proxmire of Wisconsin regarding questions raised in connection with the removal of a branch of the First Wisconsin National Bank of Milwaukee to a new shopping center on Capitol Drive.	8

With respect to the foregoing Item No. 2, Governor Mills observed that the circumstances surrounding the deficiency in required reserves seemed to involve two errors, first, an error on the part of the Federal Reserve Bank of Richmond in crediting the reserve account of the Lynchburg National Bank and Trust Company in the amount of \$1 million, and, second, an error on the part of the member bank in accepting a credit of such an amount without question and in making use of its funds on the basis

3/21/58

-3-

of that credit. In making this comment, he did not wish to suggest a change in the proposed letter but merely to point out that the member bank appeared to have been at fault as well as the Reserve Bank.

Preceding approval of the foregoing Item No. 8, there was some discussion at the instance of Governor Vardaman concerning whether the Board could have appropriately made a recommendation to the Comptroller of the Currency regarding the application of the First Wisconsin National Bank to move one of its existing branches to the location where its parent company, Wisconsin Bankshares Corporation, had applied unsuccessfully under the Bank Holding Company Act to establish a new bank. It was brought out that the Board's decision on the application had made reference to the prior entrance of the Milwaukee Western Bank into that territory. The discussion covered the point that, pursuant to the informal understanding among the Federal bank supervisory agencies, a check is made between them regarding applications to establish branches but that the information which is exchanged relates only to conflicting applications and the order of priority of applications. It was stated that in any event the Comptroller of the Currency was aware of the Board's decision on the application of Wisconsin Bankshares Corporation and that the decision whether to permit the subsidiary national bank to move one of its existing branches to the location in question was a matter entirely within the responsibility of the Comptroller. Doubt was expressed, therefore, whether under such conditions it would have been appropriate for the Board to make a

3/21/58

-4-

recommendation to the Comptroller with regard to the application of the national bank.

Messrs. Conkling and Farrell then withdrew from the meeting.

Prospectus filed by Northwest Bancorporation (Item No. 9). In accordance with the information contained in a memorandum from the Division of Examinations dated March 20, 1958, copies of which had been sent to the members of the Board, unanimous approval was given to a letter to the Securities and Exchange Commission in response to the request of that agency for comments on a prospectus filed with it by Northwest Bancorporation, Minneapolis, Minnesota, concerning the issuance of convertible preferred stock. A copy of the letter is attached as Item No. 9.

Report on S. 3447 and S. 3497. The Senate Banking and Currency Committee had requested that the Board report on S. 3447, known as the Area Economic Redevelopment Act, and S. 3497, known as the Community Facilities Act of 1958. A draft of letter to the Committee had been sent to the members of the Board.

At the request of the Board, Mr. Wood outlined the major provisions of each bill following which Mr. Shay reported having been advised that a letter from the Board might be regarded by the Committee as an acceptable substitute for testimony in connection with the hearings currently being conducted by the Committee. It appeared that S. 3447, under which public and private organizations in "industrial redevelopment areas" and "rural redevelopment areas" would be eligible for several types of Federal

3/21/58

-5-

assistance, represented a combination of the features of several previous bills which was generally satisfactory to those who had sponsored the other bills while S. 3497, sponsored by Senator Fulbright, was introduced only recently and might be regarded as a measure designed to supersede S. 3447. This bill would considerably enlarge the scope of the program now carried on by the Community Facilities Administration under authority of the Housing Amendments of 1955.

It was stated that thus far only one copy of each bill was available to the Board's staff and that there was considerable pressure for a response. The view also was expressed that this pressure constituted a reason why the Board could not clear its proposed report through the Bureau of the Budget and should instead make a direct reply, with a copy to the Bureau.

Question was raised by Governor Mills, and also later by Governor Robertson, whether the circumstances under which the report was requested permitted sufficient review of the proposed legislation to make a considered reply; on the other hand, the Chairman noted that comment with respect to these items of proposed legislation appeared to be regarded as urgent by the Committee.

In the ensuing discussion, certain suggestions were made for possible changes in the proposed letter following which it was agreed that a revised draft would be prepared for consideration by the Board at the meeting on Monday, March 24.

3/21/58

-6-

Application of Financial Institutions, Inc. As set forth in a memorandum from Mr. Hackley dated March 20, 1958, which had been distributed to the Board, Financial Institutions, Inc., a bank holding company in Warsaw, New York, had applied to the Board in January 1958 for approval of the acquisition of stock of the Pavilion State Bank, Pavilion, New York. Prior thereto the company had been advised by the New York State Banking Department that the proposed transaction would violate the New York State "freeze" law now in effect, but the application nevertheless had been submitted to the Board because, as stated in a letter from the applicant, it was anticipated that the "freeze law" might expire May 1, 1958. As required by the Bank Holding Company Act, the Board requested the views of the New York State Superintendent of Banks who, in a letter dated March 18, 1958, expressed disapproval of the application on the ground that the transaction would be illegal under State law. Under the Act, the Board was now required "forthwith" to give written notice to the applicant of the State Superintendent's position and then, within three days after giving such notice, set a date for a hearing. Since it now seemed likely that the "freeze law" would be extended, question was raised whether the Board would wish its staff to ascertain informally whether the applicant wished to withdraw the application. The case was reported to involve issues similar to those in the pending First National City Bank case, except that it involved acquisition of the stock of a State bank rather than a national bank.

3/21/58

-7-

In presenting the matter, Mr. Hackley said that the facts of the case suggested strongly that it should be approved on the merits. Apparently, the sole question would be the effect of the New York statute, that is, whether that statute precluded the Board from approving the application and whether, in view of that statute, the Board should disapprove an application that otherwise warranted approval. He added that the hearing on the matter would have to commence not later than 30 days from the date of advice to the applicant.

Members of the Board expressed the view that it would be desirable to proceed in the manner prescribed by the Bank Holding Company Act. Governor Mills suggested that an informal approach to the applicant might be regarded as indicating that the Board had reached a decision to support the Hearing Examiner's recommendation in the First National City Bank case and also that the Board had reached a judgment that the New York State "freeze" statute was superior to the Bank Holding Company Act in the event of conflict, a point not yet determined by the courts. He pointed out that Financial Institutions, Inc., upon receiving the advice in writing specified by the Bank Holding Company Act, could decide at that point whether it wished to withdraw the application or to go forward with a hearing. Governor Balderston stated that a case involving clear-cut facts might be particularly suitable for judicial review of the questions raised by the New York "freeze" law.

Governor Robertson agreed generally, but suggested as an alternative possibility that the Board might authorize its staff to get in touch with

3/21/58

-8-

representatives of the applicant by telephone on a courtesy basis to make sure that there was a full understanding on their part regarding the steps that would be required under the Bank Holding Company Act in the present posture of the proceeding.

In view of the apparent desire of the Board to go forward in the normal manner in the absence of voluntary withdrawal of the application, Mr. Hackley raised the question whether any objection would be seen to arranging for the services of Hearing Examiner Charles G. Schneider, who conducted the First National City Bank case and was understood to be available at this time. It was the view of the Board that the use of Mr. Schneider would present no problem, particularly because the primary duty of the Hearing Examiner is to compile a factual record.

Mr. O'Connell commented at this point that yesterday there were introduced in the New York State legislature two bills, under either of which the transactions envisaged by this application as well as that of First National City Bank would become permissible. The "freeze" law would be allowed to terminate on the first of May.

Thereupon, it was agreed to proceed with the application of Financial Institutions, Inc., in the manner contemplated by the provisions of the Bank Holding Company Act.

Report on enrolled bill S. 3418 (Item No. 10). The Bureau of the Budget had requested the views of the Board on enrolled bill S. 3418, "to stimulate residential construction", which incorporated, in general,

3/21/58

-9-

Provisions contained in S. 2995, S. 3336, and S. 3373, with respect to which the Board reported to the Senate Banking and Currency Committee by letter dated March 6, 1958. A suggested reply which had been distributed to the members of the Board would state that although S. 3418 did not conform in all respects to the views stated by the Board in its March 6 letter, the Board would have no objection to approval of the enrolled enactment.

Messrs. Riefler and Noyes said that after the proposed reply had been distributed the staff had examined the provisions of the enrolled bill more fully. Accordingly, it was now suggested that the reply state that the enrolled bill did not conform in several respects to the views expressed by the Board in its March 6 letter, which views the Board continued to feel merited serious consideration.

It was agreed unanimously that the reply should be sent in the revised form which had been suggested, and a copy of the letter sent pursuant to this action is attached as Item No. 10.

Study of float. Governor Robertson referred to the authority given by the Board at the meeting on February 12, 1958, to ascertain whether Mr. Davis, retired First Vice President of the Federal Reserve Bank of Philadelphia, would be interested in undertaking an assignment in connection with the current System study of float and said that it had been found that Mr. Davis was not in a position to accept for personal reasons. He then mentioned the name of Mr. Arthur Phelan, retired Vice

3/21/58

-10-

President of the Federal Reserve Bank of New York, and suggested that he would ascertain whether Mr. Phelan was interested if the Board was agreeable.

Governor Robertson was authorized to make inquiry of Mr. Phelan, with the understanding that he would recommend to the Board a basis of employment if Mr. Phelan was willing to undertake the assignment.

The meeting then adjourned.

Secretary's Note: Pursuant to recommendations contained in memoranda from appropriate individuals concerned, Governor Shepardson today approved on behalf of the Board the following items affecting the Board's staff:

Appointments

Harris Loewy as Economist in the Division of Research and Statistics, with basic annual salary at a rate not less than \$12,500 but within the range of Salary Group Y (presently \$11,610-\$12,690), with the understanding that a recommendation regarding the specific rate of salary would be submitted to the Board for approval before the date on which Mr. Loewy assumes his duties.

Charles P. Brown as Messenger in the Division of Administrative Services, with basic annual salary at the rate of \$2,690, effective the date he assumes his duties.

Mary E. Weikel as Substitute Telephone Operator, Division of Administrative Services, with salary at the rate of \$14 per day when actually employed, effective upon approval by the Board.

Reemployment following maternity leave

Eleanor S. Frase, Economist, Division of Research and Statistics, with basic annual salary at the rate of \$9,420, effective March 23, 1958.

3/21/58

-11-

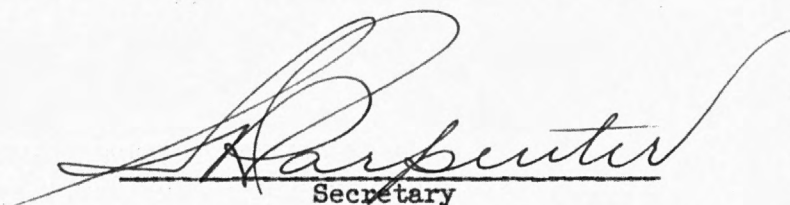
Salary increases

Doris J. Hodge, Clerk-Stenographer, Division of Bank Operations, from \$3,670 to \$3,805 per annum, effective March 23, 1958, with a change in title to Secretary.

Claudina V. Kane, Clerk-Stenographer, Division of Bank Operations, from \$3,840 to \$3,940 per annum, effective March 23, 1958, with a change in title to Secretary.

Resignation

Saul B. Klamman, Economist, Division of Research and Statistics, effective March 26, 1958.


Secretary

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

Item No. 1
3/21/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 21, 1958

Board of Directors,
Rhode Island Hospital Trust Company,
Providence, Rhode Island.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Boston, the Board of Governors of the Federal Reserve System approves the establishment of a branch at Nos. 9-10 Robinson Street, Wakefield, Town of South Kingstown, Rhode Island, by Rhode Island Hospital Trust Company, Providence, Rhode Island, provided the branch is established within six months from the date of this letter, and the approval of the State authorities is in effect at the time of the establishment of the branch.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.

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

Item No. 2
3/21/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 21, 1958



Mr. Edward A. Wayne,
First Vice President,
Federal Reserve Bank of Richmond,
Richmond 13, Virginia.

Dear Mr. Wayne:

This refers to your letter of March 12, regarding the penalty of \$212.55 incurred by the Lynchburg National Bank and Trust Company, Lynchburg, Virginia, on a deficiency of 6.2 per cent in its required reserves for the semimonthly period ended February 28, 1958.

It is noted that the deficiency resulted from the fact that your Bank erroneously credited the member bank's reserve account with \$1,000,000 on February 21; that the member bank considered the reserve balance as shown on your statement of February 21 as correct, did not receive your advice of the reversal of this credit on February 24, and transferred \$800,000 out of its account on February 24, thus causing a deficiency; that the member bank stated that it had additional funds with other correspondents which could have been transferred to its account with you; and that it has been deficient in its required reserves only once in the past two years.

In the circumstances, and in view of your recommendation, the Board authorizes your Bank to waive the assessment of this penalty.

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
3/21/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 21, 1958



Board of Directors,
Zeeland State Bank,
Zeeland, 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 the Zeeland State Bank on West Washington Street in Hamilton, Michigan, provided the branch is established within six months from the date of this letter and 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
3/21/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 21, 1958

Mr. L. G. Pondrom, Vice President,
Federal Reserve Bank of Dallas,
Dallas 2, Texas.

Dear Mr. Pondrom:

Reference is made to your letter of March 7, 1958, recommending that the Board approve, under Section 24A of the Federal Reserve Act, an investment by the East End State Bank, Houston, Texas, in bank premises in excess of the capital stock of the bank.

After consideration of the information submitted, the Board of Governors concurs in your recommendation and approves an additional investment by the East End State Bank, Houston, Texas, of not to exceed \$500,000 for the construction of new banking quarters.

It is understood that net proceeds from the sale of the present quarters will be used to reduce the carrying value of the proposed building. It is further understood that capital accounts are to be augmented at least \$250,000 by the sale of additional shares of stock for cash within a 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
3/21/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 21, 1958

Mr. D. W. Woolley, Vice President,
Federal Reserve Bank of Kansas City,
Kansas City 6, Missouri.

Dear Mr. Woolley:

Reference is made to Mr. Koppang's letter of February 28, 1958, recommending approval under the provisions of Section 24A of the Federal Reserve Act of an investment by Stockmen's Bank, Gillette, Wyoming, in bank premises in excess of the capital stock of the bank, and to Mr. Mills' letter of March 10, 1958.

After consideration of all available information, the Board of Governors approves an investment in bank premises by Stockmen's Bank of \$188,500 for the purpose of constructing a new building. This amount includes architect's fee of about \$12,700 and building construction costs of approximately \$175,800. It is noted the bank plans to charge-off the book value of bank premises at an accelerated rate so long as earnings permit.

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. 6
3/21/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 21, 1958



Mr. Karl R. Bopp,
President,
Federal Reserve Bank of Philadelphia,
Philadelphia 1, Pennsylvania.

Dear Mr. Bopp:

The Board of Governors has reviewed and accepts the revised 1958 budget of the Federal Reserve Bank of Philadelphia, which was requested in the Board's letter of December 30, 1957, and submitted with Mr. McCreedy's letter of January 22, 1958.

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. 7
3/21/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 21, 1958

CONFIDENTIAL (FR)

Mr. Carl E. Allen, President,
Federal Reserve Bank of Chicago,
Chicago 90, Illinois.

Dear Mr. Allen:

The Board of Governors approves the payment of salaries to the following officers of the Federal Reserve Bank of Chicago for the period May 1, 1958 through December 31, 1958, at the rates indicated, which are the rates fixed by your Board of Directors as reported in your letter of March 6, 1958:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
H. J. Helmer	Vice President	\$15,500
H. S. Schultz	Assistant Vice President	11,000
Elbert O. Fults	Assistant Chief Examiner	11,400

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 8
3/21/58

OFFICE OF THE CHAIRMAN

March 21, 1958

Honorable William Proxmire,
United States Senate,
Washington, D. C.

Dear Senator Proxmire:

This is in reply to your letters of March 10 and March 13, regarding questions raised by letters you have received dealing with the moving of a branch of the First Wisconsin National Bank of Milwaukee to a new shopping center on Capitol Drive in that city.

As your correspondents state, Wisconsin Bankshares Corporation, a bank holding company, asked this Board in 1957 to approve, under the Bank Holding Company Act of 1956, the establishment of a new bank to be located in the Capitol Court Shopping Center. The application was denied December 20, 1957 for the reasons described in the enclosed copy of the Board's Statement and Order. Early this year the First Wisconsin National Bank, a subsidiary of Wisconsin Bankshares Corporation, applied to the Comptroller of the Currency for permission to move one of its established branches to the location previously proposed for the new bank. This change of location was approved by the Comptroller pursuant to authority vested in him by section 5155(e) of the Revised Statutes (12 U.S.C. 36), and the branch has been in operation at the Capitol Court location since March 13.

It is clear that Mr. Ench, Chairman of the Board of Milwaukee Western Bank, thoroughly understands the distribution of authority among Federal agencies with respect to supervision of banks and bank holding companies. However, it seems to me that your other correspondent may misconceive the extent of the authority conferred upon this Board by the Bank Holding Company Act of 1956. Congress has not made the Board "the supreme authority" over bank holding companies and their subsidiary banks. For example, if a subsidiary of a holding company is a national bank, as in this instance, the Board has no authority with respect to expansion of that bank (and consequently of the holding company system) either through the establishment of new branches or through absorption of other banks by merger or otherwise. Likewise, changes in the location of either the main offices or branches of national banks in a holding company system do not require the permission of the Board. These matters, generally speaking, are subject

Honorable William Proxmire

-2-

to the authority of the Comptroller of the Currency in his supervision of the national banking system, and Congress decided that it was not advisable to superimpose the authority of the Board.

The Board is now preparing the report to Congress required by section 5(c) of the Bank Holding Company Act, which must state:

"substantial difficulties [which] have been encountered in carrying out the purposes of this Act, and any recommendations as to changes in the law which in the opinion of the Board would be desirable."

In connection with the preparation of this report, the Board is studying questions such as those presented by your correspondents, in order to determine, in the light of all relevant considerations, what recommendations should be made to Congress with respect to amendment of the Holding Company Act.

In accordance with your request, I am returning Mr. Emch's letter and enclosures. Please let us know if we can be of further assistance.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.

Enclosures

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

948

Item No. 9
3/21/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 21, 1958

Mr. Harry Heller, Assistant Director,
Division of Corporation Finance,
Securities and Exchange Commission,
Washington 25, D. C.

Re: Northwest Bancorporation
File No. 2-13944

Dear Mr. Heller:

This refers to your letter of March 13, 1958, concerning the prospectus filed with your Commission on March 6, 1958, by Northwest Bancorporation, Minneapolis, Minnesota.

Northwest Bancorporation's annual report to the Board for 1957 has not been received; therefore, we are not in a position to comment on the information pertaining to the corporation for the year 1957 or as at the end of that year. Furthermore, much of the financial data regarding subsidiaries for 1957 and prior years included in the prospectus could not be verified from information readily available in the Board's files. However, the sections of the prospectus dealing with "Summary of Earnings", "Dividends", "The Corporation and Affiliated Banks", "Operations of Affiliated Banks", and "Supervision and Regulation", have been reviewed in the light of our information regarding the corporation and its subsidiaries, and the only suggestions noted are as follows:

In the first full paragraph under "Supervision and Regulation", the statement beginning at the end of the seventh line is as follows: "; require the Corporation and affiliated banks, whether or not members of the Federal Reserve System, to be subject to examination by examiners approved by the Board of Governors of the Federal Reserve System;". It is felt that it would be preferable to change this statement to read as follows: "; require the Corporation and its affiliated nonbanking organizations to be subject to examination by examiners duly authorized to examine the affiliated banks;".

Mr. Harry Heller

-2-

The second paragraph under "Supervision and Regulation" beginning with the third sentence is as follows: "Affiliated state banks are also subject to examination by the Federal Reserve System, either by reason of membership in that System or by reason of agreements made in connection with the granting of voting permits to the Corporation. All affiliated banks are members of the Federal Deposit Insurance Corporation and as such are subject to examination by that corporation, which in practice makes regular examinations of affiliated state banks." It is believed the foregoing should be changed to read as follows: "Affiliated national and state banks are also subject to examination by the Federal Reserve System, either by reason of membership in that System or by reason of agreements made in conjunction with the granting of voting permits to the Corporation; in practice the Federal Reserve System makes regular examinations of affiliated state banks which are members of that System. All affiliated banks are members of the Federal Deposit Insurance Corporation and as such are subject to examination by that corporation, which in practice makes regular examinations of affiliated state banks which are not members of the Federal Reserve System."

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
3/21/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 21, 1958

Mr. Phillip S. Hughes,
Acting Assistant Director for
Legislative Reference,
Bureau of the Budget,
Washington 25, D. C.

Dear Mr. Hughes:

This is in response to your communication of March 20, 1958, requesting the Board's views on an enrolled bill, S. 3418, "To stimulate residential construction." The bill incorporates, in general, provisions contained in S. 2995, S. 3366 and S. 3373, with respect to which the Board reported to the Chairman of the Senate Banking and Currency Committee by letter dated March 6, 1958, five copies of which are enclosed.

S. 3418 does not conform in several respects to the views stated by the Board in its letter of March 6, 1958, which views the Board continues to feel merit serious consideration.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.

Enclosures (5)