Minutes for April 30, 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.

Chm. Martin
Gov. Szymczak
Gov. Vardaman
Gov. Mills
Gov. Robertson
Gov. Balderston
Gov. Shepardson
Minutes of the Board of Governors of the Federal Reserve System on

Wednesday, April 30, 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. Leonard, Director, Division of Bank Operations
Mr. Johnson, Director, Division of Personnel Administration
Mr. Hackley, General Counsel
Mr. Masters, Director, Division of Examinations
Mr. Daniels, Assistant Director, Division of Bank Operations
Mr. Sprecher, Assistant Director, Division of Personnel Administration
Mr. Solomon, 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:

Letter to The Union Commerce Bank, Cleveland, Ohio, extending the time within which it may establish a branch in a shopping center in Garfield Heights, Ohio, and also extending the time within which it may establish an additional branch (drive-in facility) on the parking lot of the same shopping center. (For transmittal through the Federal Reserve Bank of Cleveland)

Letter to The Central Bank Company, Lorain, Ohio, approving the establishment of a branch in Sheffield Lake. (For transmittal through the Federal Reserve Bank of Cleveland)
Letter to The New Iberia National Bank, New Iberia, Louisiana, approving its application for permission to exercise fiduciary powers. (For transmittal through the Federal Reserve Bank of Atlanta)

Letter to the Union Bank and Trust Company, Grand Rapids, Michigan, approving the establishment of a branch in Walker Township. (For transmittal through the Federal Reserve Bank of Chicago)

Letter to General Contract Corporation, St. Louis, Missouri, granting a one-year extension of time within which to comply with the provisions of section 4(a)(2) of the Bank Holding Company Act. (For transmittal through the Federal Reserve Bank of St. Louis)

Letter to Bank Shares Incorporated, Minneapolis, Minnesota, granting an extension of time to November 10, 1958, within which to comply with the provisions of section 4(a)(2) of the Bank Holding Company Act. (For transmittal through the Federal Reserve Bank of Minneapolis)

Letters to the Federal Reserve Banks, the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the Bureau of the Budget relating to the forthcoming mid-year call for reports of condition. 1/

Telegram to the Federal Reserve Bank of St. Louis authorizing the preparation of plans and specifications for modernizing mechanical and electrical facilities in the head office main building and annex, and also authorizing the Bank to request bids if final cost estimates are in line with the present estimate.

Memorandum from the Division of Personnel Administration recommending that no further action be taken by the Board on the matter of the retirement, or retention in employment, of Reserve Bank employees in the months preceding the effective date of the increased Retirement System benefits.

1/ With the understanding that the letter to the Federal Reserve Banks would be sent after replies were received from the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the Bureau of the Budget.
With reference to the foregoing Item No. 3, Governor Balderston noted that one of the persons proposed for appointment to the applicant bank's trust committee had had a classified loan to the bank outstanding since 1947 and a personal checking account overdrawn almost continually since 1951. In response, Mr. Masters explained that in the view of the Division of Examinations the individual appeared to have reasonable qualifications, by virtue of his professional background, to serve as a member of the trust committee. He suggested that the matters which Governor Balderston had mentioned were of a type which would be followed up in the regular course through the bank examination function.

These comments led to a discussion concerning the information that should be available to the Board in passing upon applications for authority to exercise fiduciary powers during which it was brought out that information concerning the composition of the trust committee tended to afford an indication as to whether trust affairs would be satisfactorily administered. This did not mean, of course, that the Board had any responsibility for approving the membership of the trust committee; in fact, the membership of such a committee was subject to change at any time.

Governor Vardaman indicated that he had some question about the desirability of furnishing the Board the names of proposed members of the trust committee and suggested that approval of an application for permission to exercise fiduciary powers might carry some implication
as to the Board's views regarding the competency of the committee members. On the other hand, the view was expressed that this was a part of the total information which should be available in the file for the purpose of enabling the Board to reach a decision on whether the right to exercise trust powers should be granted. Without such information, it would be difficult to decide whether persons qualified to administer trust affairs were available to the applicant bank, and if it appeared that such persons were not available, this fact no doubt would have a bearing upon the Board's decision.

Messrs. Leonard, Johnson, Daniels, and Sprecher then withdrew from the meeting.

Indictments involving officials of the North Shore Bank (Item No. 13). There had been circulated to the members of the Board a draft of letter to Senator Fulbright, Chairman of the Senate Banking and Currency Committee, in response to his request of March 14, 1958, for information regarding the circumstances surrounding the recent indictment of four directors of the North Shore Bank, Miami Beach, Florida, on charges growing out of transactions between affiliated financial institutions, among them the State member bank. Among other things, Senator Fulbright had asked whether there appeared to be a need for legislation to prevent a recurrence of the practices involved in this case. The information on which the proposed reply was based had been obtained in part through the Federal Reserve Bank of Atlanta in response to the Board's letter of March 19, 1958.
After reviewing the circumstances involved in the Miami Beach case, Mr. Masters said the Division of Examinations was convinced that the examination procedures of the Federal Reserve Banks in the area of affiliations were quite satisfactory. He pointed out that this was the only incident of its kind that had arisen since the enactment of the Banking Act of 1933. Therefore, the staff saw no need for changes in the existing law. However, it was proposed to send a letter, in the form which had been circulated with the file, to the Vice Presidents in charge of the examination function at the Federal Reserve Banks requesting that existing procedures for obtaining information on affiliate relationships be reviewed and tightened in every possible way. Mr. Masters also stated that examinations of the North Shore Bank and the affiliated Industrial National Bank of Miami, Florida, were started simultaneously on April 20, 1958.

In a discussion which ensued, Governor Mills noted that the proposed letter to Senator Fulbright referred to certain statutory violations which had been disclosed in the course of examinations of the North Shore Bank and which had been corrected by the member bank. In order to avoid possible misunderstanding, it was agreed to amend the letter so as to clarify the fact that the violations were noncriminal in character.

At the conclusion of the discussion, unanimous approval was given to a letter to Senator Fulbright in the form attached as Item No. 13, with
the understanding that a copy would be sent to the Federal Reserve Bank of Atlanta.

Request of Brenton Companies (Item No. 14). Following comments by Mr. Hostrup in amplification of a memorandum from the Division of Examinations dated April 29, 1958, which had been distributed to the members of the Board, unanimous approval was given to an order extending from May 1 to May 15, 1958, the time for Brenton Companies, Des Moines, Iowa, to acquire ownership of from 51 per cent to 95 per cent of the voting shares of the proposed South Des Moines National Bank, Des Moines, Iowa, pursuant to the approval originally granted by the Board on July 1, 1957. A copy of the approved order is attached as Item No. 14. This action contemplated that the order would be published in the Federal Register and that copies would be sent to the appropriate parties.

Request of Otto Bremer Company (Item No. 15). A memorandum from Mr. Solomon dated April 28, 1958, which had been distributed to the members of the Board, discussed the request of Otto Bremer Company, St. Paul, Minnesota, for a further extension until June 30, 1958, of the time for submitting to the Hearing Examiner proposed findings and conclusions and supporting brief in connection with the hearing held under section 4(c)(6) of the Bank Holding Company Act. The reason cited by the Company was that bills had been introduced in the Congress which would have the effect of excluding Otto Bremer Company from the coverage of the Act. In these circumstances, it was suggested by Mr. Solomon that
it would not seem unreasonable to grant the request for a further extension of time. The memorandum pointed out, however, that among the amendments to the Bank Holding Company Act which the Board had tentatively decided to recommend to the Congress in connection with its report concerning the Bank Holding Company Act was one which would repeal the exemption of charitable organizations. While acceptance of that recommendation would not affect the present case, an alternative recommendation, suggested for Congressional consideration in the event it should be decided not to repeal the exemption, would broaden the exemption to include wholly-owned subsidiaries of exempted charitable organizations and would have the effect of exempting Otto Bremer Company from the coverage of the Act. Should this alternative recommendation be made to the Congress, the Board might appear to be acting inconsistently thereafter unless it granted Otto Bremer Company further extensions of time until the recommendation had been considered by the Congress.

Following comments by Mr. Solomon, unanimous approval was given to an order granting the extension of time requested by Otto Bremer Company, with the understanding that copies would be sent to the appropriate parties. A copy of the order issued pursuant to this action is attached as Item No. 15.

Request from Congressman Patman for examination reports (Item No. 16). Pursuant to the understanding at the meeting of the Board yesterday, there had been distributed to the members of the Board before
this meeting a draft of letter to Congressman Patman, with reference to
his letter of April 23, 1958, which would advise him that copies of the
reports of examination of the twelve Federal Reserve Banks made during
the year 1957 were being sent to the offices of the House Banking and
Currency Committee. The letter would state that the reports were being
forwarded with the understanding that they would be made available in
confidence only to members of Congress and their staffs. A copy of the
letter would be sent to the Chairman of the Banking and Currency Committee
along with the reports of examination.

In discussing the draft the Secretary pointed out that the
language with regard to the understanding on which the reports were being
furnished was in accord with that used on other occasions when examination
reports or other material had been sent to the House Banking and Currency
Committee pursuant to requests from Congressman Patman.

During a discussion which followed, Governor Robertson suggested
that it might be more appropriate to send the principal letter to the
Chairman of the Banking and Currency Committee, with a copy to Mr. Patman,
since this would have the effect of indicating to the Committee as a whole
the confidential character of the reports.

While agreement was expressed with the procedure suggested by
Governor Robertson, question was raised whether it could not be assumed
that the members of the Congress would appreciate the confidential nature
of the reports, including the material therein concerning relationships
between the Reserve Banks and banks transacting business with them. For this reason it was felt by some of the Board members that a less detailed transmittal letter might suffice.

The conditions which should appropriately govern the transmittal of material of various kinds to members of the Congress were discussed at some length, following which the view was expressed that the Board was under some obligation to call attention to the confidential character of the information in the examination reports, both in the light of the conditions under which such reports had been transmitted in the past and in the light of the recent public disclosure by Mr. Patman of information drawn from certain such reports. In addition, the Board had indicated to the President of the Federal Reserve Bank of New York that on the next occasion when reports of examination were transmitted, reference would be made to the confidential nature of the relationships involved in gold loans made by that Bank to foreign correspondents. It was proposed, however, that the letter to the Chairman of the Banking and Currency Committee be revised in such a way as to indicate clearly that the Board was not reluctant to furnish the reports of examination for the information of members of the Congress and their staffs. The letter would then cite the circumstances surrounding loans on gold to illustrate why the Board was concerned that the confidentiality of the reports be preserved.
At the conclusion of the discussion, the Secretary was requested to prepare a letter to Chairman Spence, of which a copy would be sent to Mr. Patman, in line with the suggestions made at this meeting. A copy of the letter sent pursuant to this action is attached as Item No. 16.

Reserve requirement legislation. Chairman Martin reported that he received a visit yesterday from Mr. Daniel W. Bell, Chairman of the Committee on Legal Reserve Requirements of the American Bankers Association, who informed him that the Committee had recommended to the three appropriate standing committees of the Association endorsement of the bill introduced in the Congress at the Board's request relating to member bank reserve requirements and that the recommendation of the Committee on Legal Reserve Requirements had been accepted. While there were three dissenting votes within the Committee on Federal Legislation, it appeared that those negative notes were based on a misunderstanding of the effect of the proposed legislation, it apparently being erroneously understood that the effect of the legislation would be to enable the Board to establish additional reserve classifications. In these circumstances, Mr. Bell did not feel that the three negative votes were too important.

The meeting then adjourned.
Secretary Notes

On April 30, 1958, a telegram was received from the Federal Reserve Bank of San Francisco advising that the directors of that Bank had established, subject to approval of the Board of Governors, rates of 1-3/4 per cent on discounts and advances under sections 13 and 13a of the Federal Reserve Act, 2-1/4 per cent on section 10(b) advances, and 3-1/2 per cent on advances under the last paragraph of section 13. Other rates in the Bank's existing schedule were established without change. Pursuant to the action taken by the Board on April 17, 1958, the Secretary advised the San Francisco Bank by telegram of approval of these rates, effective May 1, 1958. All Federal Reserve Banks and branches were notified of this action by telegram, a press statement was issued in the usual form, and arrangements were made for publication of a notice in the Federal Register.

Governor Shepardson today approved on behalf of the Board increases in the basic annual salaries of the following persons on the Board's staff in the amounts indicated, effective May 4, 1958:

George L. Spencer, Jr., Secretary to Governor Szymczak, from $5,440 to $5,915.

John Kakalec, from $6,605 to $7,570, with a change in title from Accountant to Budget and Planning Assistant in the Office of the Controller.
Board of Directors,
The Union Commerce Bank,
Cleveland, Ohio.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Cleveland, the Board of Governors of the Federal Reserve System extends until July 10, 1958, the time within which The Union Commerce Bank may establish a branch in the Turneytown Shopping Center at 5000 Turney Road, Garfield Heights, Ohio, and also extends until October 23, 1958, the time within which the bank may establish an additional branch (drive-in facility) on the parking lot of the same shopping center in the vicinity of 5000 Turney Road, under the authorization contained in the Board's letter of October 23, 1957.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.
Board of Directors,
The Central Bank 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 the southeast corner of Lake Road and Lake Breeze Road in the Village of Sheffield Lake, Ohio, by The Central Bank Company, Lorain, Ohio, provided the branch is established within nine months 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) S. R. Carpenter

S. R. Carpenter,
Secretary.
Board of Directors,
The New Iberia National Bank,
New Iberia, Louisiana.

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 Louisiana, 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 New Iberia National Bank 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 Directors,
Union Bank and Trust Company,
Grand Rapids, Michigan.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Chicago, the Board of Governors of the Federal Reserve System approves the establishment by Union Bank and Trust Company of a branch in the vicinity of the intersection of Leonard Street, N. W., and Walker Avenue, N. W., in Walker Township, Kent County, Michigan, provided the branch is established within six months from the date of this letter, and approval of the State banking authorities is effective as of the date the branch is established.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.
Mr. Daniel S. Hapke, Vice President,
General Contract Corporation,
Ninth & Washington,
St. Louis 1, Missouri.

Dear Mr. Hapke:

This refers to General Contract Corporation's application for an extension, for one year from May 9, 1958, of the period within which it must comply with the provisions of section 4(a)(2) of the Bank Holding Company Act of 1956.

In accordance with the provisions of section 4(a) of the Act, the Board has granted the requested extension.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.
Mr. Carl R. Pohlad, President,
Bank Shares Incorporated,
Seventh at Marquette,
Minneapolis 2, Minnesota.

Dear Mr. Pohlad:

This refers to Bank Shares Incorporated's application for an extension, from May 9, 1958, to November 10, 1958, of the period within which it must comply with the provisions of section 4(a)(2) of the Bank Holding Company Act of 1956.

In accordance with the provisions of section 4(a) of the Act, the Board has granted the requested extension.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.
Dear Sir:

The indicated number of copies of the following forms are being forwarded to your bank under separate cover for use of State member banks and their affiliates in submitting reports as of the next call date. A copy of each form is attached.

Number of copies

Form F. R. 105 (Call No. 148) Report of condition of State member banks.

Form F. R. 105e (Revised November 1955), Publisher's copy of report of condition of State member banks.

Form F. R. 105e-1 (Revised November 1955), Publisher's copy of the report of condition of State member banks.

Form F. R. 105e-2 (Revised November 1955), Publisher's copy supplement.

Form F. R. 105fa (Revised May 1958), Schedule FA—Supplementary data on time deposits of individuals, partnerships, and corporations.

Form F. R. 220 (Revised March 1952), Report of affiliate or holding company affiliate.

Form F. R. 220a (Revised March 1952), Publisher's copy of report of affiliate or holding company affiliate.

With the exception of form F. R. 105fa, all of the forms are the same as those used on March 4, 1958.
Supplementary Schedule FA. This schedule has been added in order to obtain from all insured commercial banks, a breakdown of time deposits of individuals, partnerships, and corporations, item 14 on the report of condition. The present Schedule FA is similar to that collected with the June 6, 1957 call except that it omits requests for the number of accounts and data relative to reserves for bad debts.

The purpose of the proposed supplementary schedule is to obtain current information on changes in the types of deposits included in the regularly reported item and on the holders of these deposits. This information is particularly important in view of the rapid increase in time deposits of individuals, partnerships, and corporations since last summer and the changes in the level of interest rates.

Deposits by Counties. Continuing the program for collecting branch statistics biennially, it is requested that reports of deposits by counties be obtained from those State member banks that have out-of-county branches. This information will be used to tabulate data to be published in the pamphlet, "Distribution of Bank Deposits by Counties and Standard Metropolitan Areas," which was last published as of June 30, 1956.

These reports should be as of the same date as the call for reports of condition and should include the following:

1. Demand deposits of individuals, partnerships, and corporations. (Total should agree with item 13 of the report of condition.)
2. Time deposits of individuals, partnerships, and corporations. (Total should agree with item 14 of the report of condition.)
3. Other deposits. (Total should agree with the total of items 15, 16, 17, and 18 of the report of condition.)

The banks should estimate data for counties in which they have branches that accept deposits but do not maintain separate records. Figures for each branch may be furnished, arranged by counties, in lieu of county totals.

The reports received from the respondent banks should be checked for reasonableness and to assure that the totals by counties...
are in agreement with the corresponding items on the reports of condition, and should then be forwarded to the Board. Reasonable extensions of time may be granted the member banks to prepare these reports.

Similar reports are being collected from national banks by the Comptroller of the Currency and from nonmember banks by the Federal Deposit Insurance Corporation. The Bureau of the Budget has approved collection of these data under Budget Bureau No. 55-R182.3.

Reporting of Securities Purchased or Sold Under Repurchase Agreements. The Board's letter of October 4, 1957 contained revised instructions for the reporting of securities purchased under resale agreements and similar arrangements. The Office of the Comptroller of the Currency has decided to print, in the Memoranda section of its report of condition and publisher's copy, two optional memoranda items: (1) for reporting the amount of United States Government obligations purchased from others under their agreement to repurchase, included in the loan item, and (2) for reporting United States Government obligations sold under similar arrangements and included in the bills payable item.

Because of the relatively small number of banks that would use these optional items, the Board has decided to continue the present forms without these additions, but it is suggested that the State member banks be advised that they have the option of reporting and publishing either or both of the following as sub-items of item 32 in the Memoranda section:

Loans as shown above include United States Government obligations purchased from others under their agreement to repurchase.......................... $_______

Bills payable, etc., as shown above include United States Government obligations sold to others under our agreement to repurchase.......................... $_______

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.

Enclosures.
The Honorable Ray M. Gidney,
Comptroller of the Currency,
Washington 25, D. C.

Dear Mr. Gidney:

The Board has approved the attached draft of Schedule FA, a supplement to the report of condition of State member banks for use in obtaining additional information on time deposits of individuals, partnerships, and corporations at the forthcoming mid-year call. The Board's approval is subject to Budget Bureau clearance of the supplement, and with the understanding that corresponding data will be obtained from national banks and insured nonmember banks.

The breakdown of time deposits of individuals, partnerships, and corporations by type of deposit was obtained in a similar supplement at the June 6, 1957 call, and as part of the regular condition report on June 30, 1945.

The purpose of the proposed supplementary schedule is to obtain current information on changes in the types of deposits included in the regularly reported item and on the holders of these deposits. This information is particularly important in view of the rapid increase in time deposits of individuals, partnerships, and corporations since last summer and the changes in the level of interest rates.

The proposed schedule differs from that collected on June 6, 1957 in that it omits requests for the number of accounts and data relative to reserves for bad debts which were collected then. Information on these items collected in the previous supplement seems to be sufficient for current purposes; also, these portions of the June 6 supplement were the major burden to the reporting banks, and they caused the major difficulties in editing and tabulating.

Members of your staff have been kept advised regarding the proposed schedule, and the present draft form and instructions take account of their suggestions. It will be appreciated if you will advise us whether you will use this schedule at the next call. A similar letter is being sent to the Federal Deposit Insurance Corporation.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.

Enclosure.
The Honorable Jesse P. Wolcott, Chairman,
Federal Deposit Insurance Corporation,
National Press Building,
Washington 25, D. C.

Dear Mr. Wolcott:

The Board has approved the attached draft of Schedule FA, a supplement to the report of condition of State member banks for use in obtaining additional information on time deposits of individuals, partnerships, and corporations at the forthcoming mid-year call. The Board's approval is subject to Budget Bureau clearance of the supplement, and with the understanding that corresponding data will be obtained from national banks and insured nonmember banks.

The breakdown of time deposits of individuals, partnerships, and corporations by type of deposit was obtained in a similar supplement at the June 6, 1957 call, and as part of the regular condition report on June 30, 1945.

The purpose of the proposed supplementary schedule is to obtain current information on changes in the types of deposits included in the regularly reported item and on the holders of these deposits. This information is particularly important in view of the rapid increase in time deposits of individuals, partnerships, and corporations since last summer and the changes in the level of interest rates.

The proposed schedule differs from that collected on June 6, 1957 in that it omits requests for the number of accounts and data relative to reserves for bad debts which were collected then. Information on these items collected in the previous supplement seems to be sufficient for current purposes; also, these portions of the June 6 supplement were the major burden to the reporting banks, and they caused the major difficulties in editing and tabulating.

Members of your staff have been kept advised regarding the proposed schedule and the present draft form and instructions take account of their suggestions. It will be appreciated if you will advise us whether you will use this schedule at the next call. A similar letter is being sent to the Comptroller of the Currency.

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

Enclosure.

S. R. Carpenter,
Secretary.
Mr. Paul F. Krueger, Clearance Officer,
Office of Statistical Standards,
Bureau of the Budget,
Washington 25, D. C.

Dear Mr. Krueger:

We are enclosing two copies of your form 83 and of a proposed draft of Schedule FA, Supplementary Data on Time Deposits of Individuals, Partnerships, and Corporations, which would be submitted by State member banks as a supplement to the reports of condition at the forthcoming mid-year call date. We understand that the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation would request similar data from national and insured nonmember banks, respectively.

The proposed schedule is similar to the upper half of the schedule collected with reports of condition as of June 6, 1957, which carried Budget Bureau No. 55-5701. Similar information was obtained on June 30, 1945, and annually or oftener as part of the call report prior to June 30, 1942.

The purpose of the proposed supplementary schedule is to obtain current information on changes in the types of deposits included in the regularly reported item and on the holders of these deposits. This information is particularly important in view of the rapid increase in time deposits of individuals, partnerships, and corporations since last summer and the changes in the level of interest rates.

The proposed schedule differs from that collected on June 6, 1957 in that it omits requests for the number of accounts and data relative to reserves for bad debts which were collected then. Information on these items collected in the previous supplement seems to be sufficient for current purposes; also, these portions of the June 6 supplement were the major burden to the reporting banks, and they caused the major difficulties in editing and tabulating.

Although it is not contemplated that the proposed schedule will be collected from banks regularly, it may be found desirable to collect such data from time to time.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.
April 30, 1958

Johns - St. Louis

Reurlet April 10, Board approves entering into contract with consulting engineer for preparation of plans and specifications covering work recommended in his report and, if upon completion of plans current cost estimates are in line with present estimate of $270,000, to request bids. Summary report of bids would then be submitted to Board in accordance with usual procedure.

(Signed) S. R. Carpenter

Carpenter
On September 16, 1957, the attached letter was sent by the Board to the Presidents of the Federal Reserve Banks concerning the retirement, or retention in employment, of employees in the few months prior to the effective date of the increased retirement benefits on September 1, 1957. In that letter it was pointed out that it appeared that the practice of the Reserve Banks had varied and that it was not clear that in all cases employees who were retired were given an opportunity to remain in the employ of the Bank until the effective date of the amendments on September 1, 1957.

In its review of the matter, the Board felt that steps should be taken to be certain that there had been no cases involving inequity and, therefore, suggested that the matter be discussed by the Presidents and that in the light of that discussion each Reserve Bank review the cases of retired employees to see what, if any, action needed to be taken because of the experience of all the Reserve Banks. It was also pointed out in the letter that it is recognized that if any adjustments are necessary they would have to be made outside the Retirement System unless the Rules and Regulations were further amended.

As a result of this letter the individual Federal Reserve Banks have made this review and the attached excerpts or briefs are taken from their replies to the letter of September 16, 1957.

Recommendation

On the basis of these replies and the discussion at the Presidents' Conference on September 30, 1957, it is recommended that no further action be taken by the Board.

Comments

Attached are excerpts from replies of the ten Banks which represented the majority opinion at the Conference of Presidents in October of 1957. The letters of Kansas City and Minneapolis are attached to give the Board the benefit of the reactions in detail of these two Banks, particularly that of Kansas City wherein Mr. Leedy holds to the view expressed by him at the Conference that "in order to remove any possible jeopardy to the Retirement System, as well as to allay all questions of inequity, all employees who reached age 65 after a determined date should be treated alike. That date should be, and perhaps necessarily is, the earliest date prior to the date that the increased benefits became effective on which an employee became age 65 who has been given the increased benefits." From our review of the retirees status the date indicated by Mr. Leedy in his letter would then become February 8, 1957, as that is the earliest date on which an employee of a Bank became 65 and was extended the increased benefits as she retired on September 1, 1957.
It should be noted from the discussion at the joint meeting of the Presidents and the Board that Mr. Leedy was in favor of relating any cut-off date to the attainment of retirement age (65). The cut-off date of April 1, 1957, accepted by the majority of the Presidents and suggested by the Board was related to the date of actual retirement rather than the date of attainment of age 65. Mr. Johns, presenting the point of view of the Presidents, said "that a procedure of fixing an arbitrary cut-off date after which all employees reaching age 65 would be entitled to the increased benefits seemed to leave out of account that there might have been, in fact undoubtedly were, some cases in which persons were fully advised concerning the possible revision of retirement benefits and had decided to retire and forego these benefits. Whether the retirement allowance should be supplemented in such circumstances seemed to him questionable.

While the reply from the Federal Reserve Bank of Minneapolis follows somewhat the reasoning of Mr. Leedy, it would go even further and relate back to other than regular service retirement cases, including early retirement under special service provisions, and would also question whether January 1, 1957, might not be as logical a date as April 1.

It would appear that the review by the Federal Reserve Banks pursuant to the request of the Board has been made on the basis of an April 1, 1957 cut-off date, and that to go back of the time when the first Bank on March 19, 1957, decided on a uniform policy of handling its employees would result in increasing retirements for several individuals who had knowledge of the prospective amendments and in some cases desired to leave the Bank before September 1, 1957. Extensions in some cases would lead to increased benefits for individuals who were furthering their own best interests through retirement before September 1, 1957, and taking employment in other areas.

It would appear that as the great majority of the Banks have accepted the April 1 cut-off date and have made no specific recommendations for consideration of particular individuals, it could be concluded that no further action is necessary. The April 1 cut-off date appears to be supportable on the basis of uniform handling of all cases of retirements after a time when it was reasonable to believe that knowledge of the prospective amendments could be weighed alike in the consideration by employees in their decision to retire.

Attachments.
Item No. 13
4/30/58

OFFICE OF THE CHAIRMAN

May 1, 1958

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

Dear Mr. Chairman:

Reference again is made to your letter of March 11, 1958, previously acknowledged on March 19, relating to the indictment of four officials connected with the Miami Beach Federal Savings and Loan Association, Miami Beach, Florida, the Industrial National Bank of Miami, Florida, and the North Shore Bank, Miami Beach, Florida; the latter a State member bank. The following information is furnished regarding the original chartering, financial history, examination, and supervision of the North Shore Bank, as well as the background of the current indictments and the Board's views as to what legislation, if any, is needed to prevent a recurrence of the practices involved in the case. Part of this information has been obtained from reports of examination and other sources which the Board of Governors regards as confidential, and, accordingly, is furnished with the understanding that it will be available in confidence to members of Congress and the staff of your Committee.

The North Shore Bank, chartered by the State of Florida, opened for business and was admitted to membership in the Federal Reserve System on October 15, 1946. It is located in a rapidly expanding residential and resort community in the greater Miami area and has experienced steady growth as reflected in the following figures taken from reports of examination made by examiners for the Federal Reserve Bank of Atlanta:

<table>
<thead>
<tr>
<th>Date</th>
<th>Deposits</th>
<th>Loans</th>
<th>Capital Accounts</th>
</tr>
</thead>
<tbody>
<tr>
<td>6-11-47</td>
<td>$1,063</td>
<td>$300</td>
<td>$188</td>
</tr>
<tr>
<td>10-8-48</td>
<td>$6,110</td>
<td>$1,370</td>
<td>$552</td>
</tr>
<tr>
<td>5-9-49</td>
<td>$10,526</td>
<td>$1,816</td>
<td>$558</td>
</tr>
<tr>
<td>6-23-50</td>
<td>$13,396</td>
<td>$3,307</td>
<td>$662</td>
</tr>
<tr>
<td>7-2-51</td>
<td>$16,915</td>
<td>$3,022</td>
<td>$820</td>
</tr>
<tr>
<td>1-29-52</td>
<td>$19,632</td>
<td>$5,355</td>
<td>$811</td>
</tr>
<tr>
<td>1-13-53</td>
<td>$27,050</td>
<td>$3,125</td>
<td>$1,005</td>
</tr>
<tr>
<td>8-9-54</td>
<td>$25,767</td>
<td>$6,366</td>
<td>$1,387</td>
</tr>
<tr>
<td>5-18-55</td>
<td>$27,955</td>
<td>$10,321</td>
<td>$1,150</td>
</tr>
<tr>
<td>1-9-56</td>
<td>$31,204</td>
<td>$10,581</td>
<td>$1,161</td>
</tr>
<tr>
<td>12-7-56</td>
<td>$30,211</td>
<td>$16,782</td>
<td>$2,112</td>
</tr>
<tr>
<td>5-27-57</td>
<td>$35,028</td>
<td>$11,304</td>
<td>$2,248</td>
</tr>
</tbody>
</table>

Digitized for FRASER
http://fraser.stlouisfed.org/
The bank opened with a total capital structure of $500,000, including 40,000 shares of $10 par value common stock. From organization through December 1957 all earnings were retained, stock dividends of $200,000 and $250,000 were paid in 1953 and 1956, respectively, and capital was further augmented by the sale of $150,000 par value of new common stock at a premium of $150,000 in 1956. The most recent report of condition of the bank, submitted as of March 4, 1958, showed capital $1,000,000, consisting of 100,000 shares par value $10, surplus $1,000,000, and other capital accounts and bad debt reserves of $522,000. On that date, deposits and loans amounted to $36,017,000 and $14,213,000, respectively.

Over the years, the condition of the bank has been generally satisfactory, the amounts of classified and specially mentioned loans have not been large, and losses have been nominal. The management of the bank has been considered capable and its loan and investments policies have been conservative. The rapid growth of the bank has prompted almost continuous supervisory pressure to retain earnings and otherwise augment capital and this program has been reasonably successful as indicated by the foregoing figures and comments relating to capital structure. Reports of examination have disclosed occasional violations of Section 11(m), 22(g), and 23A of the Federal Reserve Act, as well as a few violations of the Comptroller of the Currency's regulations relating to investment securities and of the State Banking Code. However, these violations, which were noncriminal in character, were said to have been inadvertent and were promptly corrected when brought to the attention of the management.

The persons named in the indictments to which you refer are alleged to have violated Title 18, United States Code, sections 656 and 657, relating to misapplication of funds, section 1006, relating to false entries, as well as nonnal statutes, section 22(g) of the Federal Reserve Act, as amended, relating to loans to executive officers, and section 23A, relating to loans to affiliates. The indictments also allege that these persons engaged in a conspiracy in violation of Title 18, United States Code, section 371.

The Board's first knowledge of the over-all situation was gained in November 1956, when the Federal Home Loan Bank Board requested simultaneous examinations of the Miami Beach Federal Savings and Loan Association, Miami Beach, Florida, the Industrial National Bank of Miami, Florida, and the North Shore Bank, Miami Beach, Florida. The purpose of these simultaneous examinations, according to the Home Loan Bank Board, was (1) to investigate certain facts disclosed in a civil suit tried in the Federal Court at Spartanburg, South Carolina, which appeared to involve a person connected with the Miami Beach Savings and Loan Association, and (2) to investigate a possible misuse of the borrowing privilege by the association at the Federal Home Loan Bank of Greensboro, North Carolina. In connection with the latter, the Home Loan Bank Board
The Honorable J. W. Fulbright - 3 -

wished to investigate certain financial activities of directors common to the various institutions. A simultaneous examination was arranged for December 7, 1956, under the direction of the late J. Moyer Sink, President of the Home Loan Bank. Examiners for the State of Florida participated with examiners for the Federal Reserve Bank of Atlanta in the examination of the North Shore Bank.

An examination of the Federal Title and Insurance Corporation of Miami Beach, Florida, which was known to be affiliated with the Industrial National Bank of Miami, Florida, also was made by national bank examiners. This examination disclosed that an affiliation between the Federal Title and Insurance Corporation and the North Shore Bank, Miami Beach, Florida, through interlocking directors, which was terminated in 1950, had been re-established early in 1952 but that it had not been reported as an affiliate of the State member bank to Federal Reserve examiners during the course of their examinations of such bank for the years 1952 to 1955, inclusive. During those years, a number of loans were made by the North Shore Bank to the Federal Title and Insurance Corporation and several of its subsidiaries which constituted violations of section 23A of the Federal Reserve Act but were not listed as violations in reports of examination. All such loans were on a short-term basis and were paid at maturity. Therefore, no loss was sustained by the North Shore Bank as a result of these transactions.

The violations of law alleged in the indictments as they relate to the four officials of the North Shore Bank constitute the first case of this kind which has developed since the enactment of the Banking Act of 1933. Based on this experience, the Board believes that the examination procedures of the several Federal Reserve Banks in this area of affiliations have been quite effective and that the possibility of a recurrence of a case such as this is so remote that no change in existing law is needed at this time. However, the facts of this situation have been brought to the attention of the Reserve Banks and they have been asked to review existing examination procedures and tighten them in every possible way.

Should you desire any additional information regarding this situation, the Board will make every effort to supply it.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.
UNITED STATES OF AMERICA

BEFORE THE

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

WASHINGTON, D. C.

IN THE MATTER OF
THE APPLICATION OF
BRENTON COMPANIES
FOR APPROVAL PURSUANT TO
SECTION 3(a)(2) OF BANK HOLDING
COMPANY ACT OF 1956

ORDER EXTENDING TIME FOR COMPLETION OF
ACQUISITION OF VOTING SHARES OF
SOUTH DES MOINES NATIONAL BANK

In the matter of the application of Brenton Companies for approval of acquisition of voting shares of South Des Moines National Bank, Des Moines, Iowa.

The above matter having come before the Board on the application of Brenton Companies, Des Moines, Iowa, dated January 10, 1957, filed pursuant to the provisions of section 3(a)(2) of the Bank Holding Company Act of 1956, for prior approval of acquisition by Brenton Companies of direct ownership of 51 per cent to 95 per cent of a total of 2,000 voting shares of the proposed South Des Moines National Bank, Des Moines, Iowa, and it appearing after due consideration thereof in the light of the factors enumerated in section 3(c) of the Bank Holding Company Act of 1956 that such application should be granted,
And such application having been granted pursuant to Order of the Board, dated July 1, 1957 (22 F.R. 4767), provided the acquisition is completed within three months from the date of the Board's Order, and the time in which such acquisition may be completed having been extended to May 1, 1958 (22 F.R. 6258),

IT IS HEREBY ORDERED, That the time in which such acquisition may be completed is further extended to May 15, 1958.

This 30th day of April, 1958.

By order of the Board of Governors.

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

(SEAL)

Washington, D. C.
April 30, 1958.
UNITED STATES OF AMERICA

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

IN THE MATTER OF
THE APPLICATIONS OF
OTTO BREMER COMPANY

DOCKET NUMBERS
BHC - 29, 31-33, 35

ORDER EXTENDING TIME WITHIN WHICH APPLICANT
MAY SUBMIT TO HEARING EXAMINER PROPOSED FINDINGS
AND CONCLUSIONS, AND SUPPORTING BRIEF

Additional time having been requested by the Applicant, Otto Bremer Company, within which to submit to the Hearing Examiner proposed findings and conclusions, and supporting brief, and it appearing to the Board that such request should be granted, it is hereby ORDERED that the time within which the Applicant may file such proposed findings and conclusions, and supporting brief, be, and the same hereby is, extended to and including June 30, 1958.

This 30th day of April 1958.

By order of the Board of Governors.

S. R. Carpenter,
Secretary.

(SEAL)

Washington, D.C.
April 30, 1958.
The Honorable Brent Spence, Chairman,  
Committee on Banking and Currency,  
House of Representatives,  
Washington 25, D. C.

Dear Mr. Chairman:

Pursuant to the request contained in a letter dated April 23, 1958, from Mr. Patman, a copy of which is attached, the reports of examination of the twelve Federal Reserve Banks made during the year 1957 are being sent today to the offices of the Committee on Banking and Currency of the House of Representatives. For the reasons stated below, the reports are being forwarded to the Committee with the understanding that they will be made available in confidence only to members of Congress and their staffs.

Although the Board in no way is reluctant to comply with Mr. Patman's request, we do wish to point out the need to preserve the confidentiality of the information contained in the reports. For example, they contain information with respect to borrowings by member banks, concerns and individuals as well as information relating to loans on gold by the Reserve Banks to foreign central banks. My letter of January 7, 1958, to Mr. Patman, a copy of which was sent to you, commented that transactions in accounts maintained by the Federal Reserve Bank of New York with foreign central banks traditionally have been held in strict confidence for substantially the same reasons that, as a matter of policy, banks in general hold in strict confidence transactions on behalf of any of their customers. This confidential relationship has been considered to be especially necessary with respect to operations of foreign central banks. Disclosure of such operations, including loans on gold, would be of interest to many persons who follow political and economic developments in foreign countries, but such disclosure might well have serious repercussions and imperil the confidence that foreign countries place in the Federal Reserve Banks.
It will be appreciated if the reports of examination are returned to the Board as soon as convenient.

Sincerely yours,

Wm. McC. Martin, Jr.

Enclosure