

Minutes for May 8, 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>WM</u>	_____
Gov. Szymczak	x <u>[Signature]</u>	_____
Gov. Vardaman <u>1/</u>	_____	x _____
Gov. Mills	_____	x <u>[Signature]</u>
Gov. Robertson	x <u>R</u>	_____
Gov. Balderston	x <u>CCB</u>	_____
Gov. Shepardson	x <u>[Signature]</u>	_____

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

Minutes of the Board of Governors of the Federal Reserve System  
on Thursday, May 8, 1958. The Board met in the Board Room at 10:00 a.m.

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

Mr. Carpenter, Secretary  
Mr. Kenyon, Assistant Secretary  
Mr. Young, Director, Division of Research and  
Statistics  
Mr. Johnson, Director, Division of Personnel  
Administration  
Mr. Hackley, General Counsel  
Mr. Masters, Director, Division of Examinations  
Mr. Farrell, Assistant Director, Division of Bank  
Operations  
Mr. Noyes, Adviser, Division of Research and  
Statistics  
Mr. Sprecher, Assistant Director, Division of  
Personnel Administration  
Mr. Solomon, Assistant General Counsel  
Mr. Hexter, Assistant General Counsel  
Mr. Hostrup, Assistant Director, Division of  
Examinations  
Mr. Davis, Assistant Counsel

Matter relating to the Retirement System (Item No. 1). There had been circulated to the members of the Board a memorandum from the Division of Personnel Administration dated April 25, 1958, recommending adoption, effective June 1, 1958, of a resolution which would amend in a minor respect the 1943 resolution establishing the Board Plan of the Retirement System of the Federal Reserve Banks. In addition to the proposed resolution, the file contained a suggested letter to the Chairman of the Retirement Committee and a proposed amendment to the working rules for the Board Plan which would be in harmony with the resolution.

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1/ Withdrew from meeting at point indicated in minutes.

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Pursuant to the recommendation of the Division of Personnel Administration, the proposed resolution was adopted by unanimous vote and the suggested amendment to the working rules was approved unanimously. A copy of the letter sent to the Chairman of the Retirement Committee pursuant to the Board's decision is attached hereto as Item No. 1, under which item number are attached also copies of the resolution and the amendment to the working rules.

Messrs. Johnson and Sprecher then withdrew from the meeting.

Requests for extension of time under Bank Holding Company Act (Items 2 through 14). There had been distributed to the members of the Board memoranda from the Division of Examinations recommending favorably with respect to requests from the following bank holding companies for extensions of time within which to comply with the divestment provisions of the Bank Holding Company Act in respect to shares of specified non-banking subsidiaries:

Financial Institutions, Inc., Warsaw, New York  
Consolidated Naval Stores Company, Sebring, Florida  
Northwest Bancorporation, Minneapolis, Minnesota  
Otto Bremer Company, St. Paul, Minnesota  
Montana Shares, Inc., Havre, Montana  
The Farmers & Mechanics Trust Company, Childress, Texas  
Union Bond & Mortgage Company, Port Angeles, Washington  
The First Virginia Corporation, Arlington, Virginia  
Wisconsin Bankshares Corporation, Milwaukee, Wisconsin

Following comments by Mr. Masters on the reasons given in support of the requests and the reasons why, in the opinion of the Division of Examinations, the extensions of time would be reasonable and not detrimental

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to the public interest, unanimous approval was given to letters to the applicant bank holding companies for transmittal through the appropriate Federal Reserve Banks. Copies of the letters are attached hereto as Items 2 through 10, inclusive.

In addition, similar requests had been received from the following bank holding companies and the files relating to the respective requests were now in circulation to the members of the Board:

Chase Investment Company, Des Moines, Iowa  
The Kemper Investment Company, Kansas City, Missouri  
Keystone Corporation, Kansas City, Missouri  
St. Joseph Agency, Inc., South Bend, Indiana

Since the recommendation of the Division of Examinations was favorable in each case and the circumstances surrounding the requests for extension of time were similar in nature to those involved in the requests just approved by the Board, the suggestion was made that the Secretary be authorized to send letters granting the requested extensions of time to the applicant bank holding companies, through the appropriate Federal Reserve Banks, after the files had completed circulation to the members of the Board, unless some question should be raised by a member of the Board in the course of circulation.

There was unanimous agreement with this suggestion.

Copies of the letters sent to the respective bank holding companies pursuant to this action are attached to these minutes as Items 11 through 14, inclusive.

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Request by Northwest Bancorporation (Items 15 and 16). Northwest Bancorporation, Minneapolis, Minnesota, had requested determinations by the Board pursuant to section 4(c)(6) of the Bank Holding Company Act which would allow it to retain shares of the three following nonbanking subsidiaries:

Northwestern Mortgage Company, Minneapolis,  
Minnesota  
South Side Insurance Agency, Inc., Minneapolis,  
Minnesota  
Union Investment Company, Minneapolis, Minnesota

Under the law this made a hearing mandatory and in a memorandum from the Legal Division and the Division of Examinations dated May 6, 1958, which had been distributed to the members of the Board, it was recommended that the Board (1) issue an order setting down the hearing for July 14, 1958, in Minneapolis, Minnesota; (2) assign Mr. Arthur Leff to conduct the hearing; and (3) confirm tentative arrangements for Mr. Strothman of the Federal Reserve Bank of Minneapolis to act as Counsel for the Board in this matter, with the Reserve Bank to receive reimbursement for any travel or expenses but not for the salary for Mr. Strothman. The memorandum also suggested that the Board might wish to have arrangements made for Counsel from another Reserve Bank to participate as an observer in order to broaden hearing experience in the System.

Since the hearing could not be completed by May 9, 1958, Northwest Bancorporation had requested an extension of time under section 4(a) of the Act with regard to its stock of the above three companies, and the memorandum recommended that this request be granted.

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In a discussion of the matter, Governor Balderston noted that the hearing was being deferred until the date indicated at the request of Northwest Bancorporation so that its President, Mr. J. Cameron Thomson, could participate in the hearing upon his return from a trip abroad. He inquired whether it seemed advisable to defer the hearing on this account.

In response, Mr. Solomon said that Northwest Bancorporation seemed to want very much to have Mr. Thomson's counsel and assistance at the hearing. He expressed the view that the requested delay would not be out of order, although a request for a longer delay might raise more of a question about the circumstances in which such a deferment would be justified.

Thereupon, unanimous approval was given to the arrangements for the hearing suggested in the memorandum, with the understanding that the necessary procedural steps would be taken. A copy of the order issued pursuant to this action is attached as Item No. 15. Unanimous approval also was given to the request of Northwest Bancorporation for an extension of time for compliance with the provisions of section 4(a)(2) of the Bank Holding Company Act with respect to the three organizations involved in the request for section 4(c)(6) determinations. A copy of the letter which was sent to the bank holding company through the Federal Reserve Bank of Minneapolis pursuant to this action is attached as Item No. 16.

Mr. Davis then withdrew from the meeting and Messrs. Riefler, Assistant to the Chairman, and Wood, Economist, Division of Research and Statistics, entered the room.

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Proposed housing legislation (Item No. 17). A memorandum from Mr. Young dated May 7, 1958, which had been distributed to the members of the Board, discussed a request from the Bureau of the Budget for the Board's views on (1) a joint resolution proposed by the Housing and Home Finance Agency to provide an immediate increase in the general insurance authorization of the Federal Housing Administration and (2) amendments proposed to be offered to S. 3399, the Housing Act of 1958. A draft of letter to the Bureau was submitted with the memorandum.

In discussion, several minor changes in the proposed letter were agreed upon, the principal change being with a view to expressing the Board's position in terms of the purpose of Amendment No. 2 to the National Housing Act rather than in terms of the importance attached to that proposal by the Housing and Home Finance Agency.

During the discussion Governor Balderston expressed concern about the extent of outstanding commitments on the part of the Federal Government resulting from guarantee, insurance, and similar features of housing legislation. He pointed out that under certain circumstances these commitments, being large in volume, might lead to an unsound financial situation from the standpoint of the Federal Government and also that the commitments were being built up under successive pieces of legislation in such a way as to tend to obscure the over-all amount. He inquired, therefore, whether the Board should not take whatever opportunity seemed appropriate to express its apprehension.

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Comments concerning the point raised by Governor Balderston included the comment by Mr. Riefler that it was fundamental that the insurance, guarantee, and similar programs involving commitments be sound administratively. This was to him a more important factor than the total amount of outstanding commitments.

Governor Robertson then suggested that it would be helpful to the Board, in deciding what kind of action, if any, it should take, if the staff were to give further thought to the subject and submit a memorandum for the Board's consideration. It was his feeling that such a paper would be desirable even if the Board did not have occasion to use it.

At the conclusion of the discussion, unanimous approval was given to a letter to the Bureau of the Budget in the form attached as Item No. 17.

Currency collections at Federal Reserve Banks. At the joint meeting of the Board and the Reserve Bank Presidents on February 11, 1958, reference was made to a question which had been raised by the Federal Reserve Bank of Chicago concerning the appropriate disposition of certain currency items which, although possibly not in suitable condition for inclusion in Reserve Bank currency exhibits, were believed to be worth more than face value. Pursuant to a suggestion of the Presidents at that time, Messrs. Farrell and Hexter subsequently discussed the question with the Treasury Department and under date of May 5, 1958, they submitted a memorandum on the subject which had been distributed to the members of



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the Board before this meeting. In summary, the memorandum stated that a representative of the Treasury had taken the position that currency items of the kind in question should be forwarded to the Treasury for redemption, the indication being that if this were done the items would be added to the miscellaneous collection of other similar items which the Treasury carries in its cash account. Therefore, if the Board concurred in the opinion that unusual currency items should be forwarded to the Treasury, it seemed desirable to request the Treasury to furnish instructions to the Reserve Banks regarding the manner of shipment and the shipment costs, and also to suggest amendment of the Treasury's regulations covering the currency destruction operation to provide for shipment to the Treasury of items of historical value.

At the request of the Board, Messrs. Farrell and Hexter commented on various phases of the matter, particularly the views expressed to them during their discussion at the Treasury Department, following which Governor Shepardson suggested a procedure under which the respective Reserve Banks would notify the Chicago Bank of any gaps in their currency collections with a view to filling those gaps. After this had been accomplished, the remaining currency items in question would be sent to the Treasury Department for redemption. This would involve working out certain instructions from the Treasury to the Federal Reserve Banks and amendments to Treasury regulations such as referred to in the memorandum from Messrs. Farrell and Hexter.

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There was unanimous agreement with the procedure suggested by Governor Shepardson, the view being stated that the Federal Reserve Banks should not engage in selling unusual currency items for a profit. It was pointed out that if the existence of unusual currency items became known to collectors, there might be requests for these items and also an increasing number of requests for specific issues of currency. In this connection, it was recalled that the Federal Reserve Banks had taken the position in the past that the function of the Banks was to supply currency for the ordinary needs of business rather than to meet the needs of collectors.

Accordingly, it was agreed unanimously that a letter reflecting the consensus of the Board would be prepared and sent to the Conference of Presidents of the Federal Reserve Banks.

Messrs. Farrell and Hexter then withdrew from the meeting.

Testimony before Senate Housing Subcommittee. There had been distributed to the members of the Board a draft of testimony to be given by Chairman Martin on Tuesday, May 13, before the Housing Subcommittee of the Senate Banking and Currency Committee. The occasion for the request for testimony was consideration by the Subcommittee of a group of housing bills dealing with activities of the Federal Government relating to real estate, mortgage finance, and urban renewal programs. The effort made in drafting the testimony was to recognize and classify the various bills and to state why the Board took no position on any of them except S. 2791,

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to establish a Home Loan Guarantee Corporation, on which the Board had already taken an adverse position.

Preliminary consideration of the proposed testimony indicated that the members of the Board were sympathetic to the approach of refraining from detailed expressions concerning the several bills, which were for the most part technical in the sense that they were designed to facilitate carrying out established policies and programs.

Accordingly, it was understood that the general approach embodied in the draft of testimony would be maintained and that on Monday, May 12, the Board would give further consideration to the testimony on the basis of a draft incorporating changes of a technical nature only.

Designation of security officer (Item No. 18). In a memorandum dated May 1, 1958, which had been circulated to the members of the Board and a copy of which is attached as Item No. 18, Governor Robertson recommended that the designations of Security Officer and Personnel Security Officer be combined, that Mr. Johnson, Director of the Division of Personnel Administration, be designated as Security Officer, and that Mr. Chase, Assistant General Counsel, be designated to assist in matters pertaining to the safeguarding of defense information.

Following a brief discussion, the recommendations contained in Governor Robertson's memorandum were approved unanimously.

Chairman Martin withdrew from the meeting at this point in order to keep an appointment outside the building.

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Small business legislation. Following the discussion at the Board meeting yesterday concerning the possibility of the Federal Reserve System being assigned responsibilities in connection with a program of financial assistance to small business, Governor Balderston distributed to the members of the Board a memorandum dated May 8, 1958, under the title of the Federal Reserve System's relationship to equity and long-term financing of small businesses.

In commenting on his memorandum Governor Balderston said that he had been aided greatly in its preparation by Messrs. Hackley and Young but that he was not sure whether the line of thinking followed therein was agreeable to them. He said that he was searching for a way in which the Board could reaffirm its opposition to any participation in a small business financing program, since affirmation of that position seemed important for the sake of unity throughout the System, while on the other hand he had tried to indicate certain characteristics that he hoped legislation might embrace in the event that the Congress should override the Board's objection and force the conduct of such a program upon the System. The danger of trying to marry the two things--of trying to say "no, but" instead of a straight "no"--was that the program was more likely to be assigned to the System if the Board indicated in any way what it would like to see done in the event the System was forced to undertake certain responsibilities. Nevertheless, his memorandum represented an effort to see what could be done in the way of a statement that

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would represent a "no, but" position. Since Mr. Hackley was to be out of town next week, Governor Balderston then called upon him for a statement of his views.

Mr. Hackley said he felt very strongly that it would be unfortunate if the System had to participate in any such program since this would be going far afield from central banking functions and, in addition, would impose upon the Board administrative burdens far greater than those under the Bank Holding Company Act, for example. Furthermore, participation in a small business financing program would carry political overtones which are not present in connection with administration of the bank holding company legislation. Therefore, if there was any feasible way of doing so, he would favor adhering to the position of endeavoring to avoid participation in any way except perhaps in a fiscal agent capacity. If, however, the Congress should insist on giving the Board certain functions in this field--which seemed possible in the light of the past record--he wondered whether there was not much to be said for taking on the function completely instead of performing only functions such as chartering and examining, and letting some other agency set regulations and standards. To put it another way, if the System had to exercise any functions, perhaps it should exercise not only the chartering and examining functions but also undertake regulation and supervision, although to as limited an extent as possible. One possibility would be

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to have standards set up in the statute, thus leaving the Board as restricted an area of discretion as possible. However, that would be an extremely difficult task. Another alternative would be to vest in the Board general power to regulate and supervise the operations of such a program through broad and general provisions in the statute. That would, of course, place on the Board a considerable burden of supervisory detail and the Board would be vulnerable to all kinds of pressures, as distinguished from a situation where limitations on authority are stated in the law. In substance, he would favor attempting to avoid any participation. However, if the System had to do the job, perhaps it would be better for the System to do it alone than to share the responsibility with others.

Mr. Young then made a statement in which he expressed the view that participation in such a program was clearly not a business for the central bank. He went on to say, however, that the pressure for System participation apparently was not going to diminish and, in fact, might increase. He was inclined to agree with Mr. Hackley that if the job had to be done it would be better for the System to take the full responsibility and try to get the program working well. This would, of course, be a substantial addition to the Board's workload, certainly for a considerable period. He would hope that if the responsibility had to be performed, it would not have to be performed with meticulous language in the statute, but rather under a general delegation of power to the Board with the specifics worked out by a series of regulations.

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Governor Balderston then commented further on his memorandum, stating that it attempted to bring out that, if the function had to be performed at all by the System, the legislation should be designed so as to enable certain pitfalls to be avoided. There should be no appropriation of funds by the Congress because of the implications which would be involved from the standpoint of other System operations, and there should be no provision for outside auditing. An effort should be made to keep the statute free from specific regulations so that the System would have latitude to supplement the statute with its own regulations. He would hope that the legislation, if passed by the Congress in its wisdom, might be about as simple in its form as the provisions of section 13b of the Federal Reserve Act. That would permit the System to establish perhaps three Federal investment banks, and then let those banks proceed to finance such State development corporations and Federally chartered investment companies as might come into being. In a sense, that would put the Board in somewhat the same relationship to the program as the Bank of England occupies with respect to the British experiment in small business financing.

However, Governor Balderston said, if any document along these lines were to emanate from the Board, that might be an invitation to exert further pressure to those who desired to place the operation within the Federal Reserve System. In other words, it might be so interpreted by those elements and by the banking fraternity, and might

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serve as a divisive force within the System. Nevertheless, if the Board should lose in its effort to avoid any participation, he was somewhat at a loss to know how to work toward legislation framed in the most acceptable manner.

Discussion which followed Governor Balderston's comments indicated that the other members of the Board continued to favor taking a strong position at this time against participation of the Federal Reserve System, because they felt that any different position might make it more likely that the program would be thrust upon the System. In this connection, Governor Shepardson said that if there was even a remote possibility of such an outcome, he felt that the Board would be well advised to be thinking about various alternatives in order that it might be as prepared as possible. Governors Szymczak and Robertson expressed agreement with Governor Shepardson.

Governor Robertson then read notes that might form the basis for a letter arguing strongly that a small business financing program should not be assigned to the central banking system. It was understood that a draft of letter along those lines would be prepared for consideration at the meeting on Monday, May 12, along with the draft which the staff was requested to prepare at the meeting of the Board yesterday. It was suggested, also, that the staff be thinking about what proposal might be made, if necessary, concerning the ultimate withdrawal from the program of any capital that the Federal Reserve Banks might be required to contribute.



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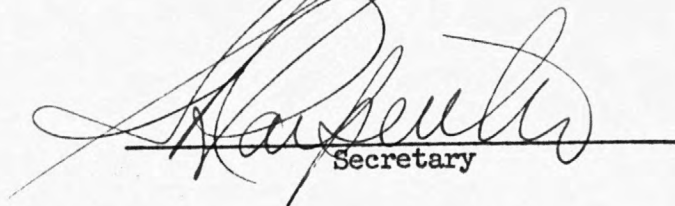
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The meeting then adjourned.

Secretary's Notes: Governor Shepardson today approved on behalf of the Board letters to the Federal Reserve Banks of Boston and Philadelphia approving the appointments of Howard B. Everett and Joseph J. Ponczka as assistant examiners for the respective Banks. Copies of the letters are attached as Items 19 and 20, respectively.

A telegram was received today from the Federal Reserve Bank of Dallas advising that the directors of that Bank had established, subject to approval by 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 and 2-1/4 per cent on advances under section 10b. Pursuant to the action taken by the Board on April 17, 1958, the Secretary advised the Dallas Bank by telegram of approval of these rates, effective May 9, 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.

During the day advice also was received from the Federal Reserve Banks of New York, Cleveland, Richmond, Atlanta, St. Louis, Minneapolis, and Kansas City that the directors of those Banks had established without change, subject to approval by the Board of Governors, the rates on discounts and advances in their existing schedules. Pursuant to the procedure authorized by the Board on January 24, 1958, the Secretary advised the seven Federal Reserve Banks of approval of the reestablishment of the existing rates.

  
Secretary

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

Item No. 1  
5/8/58

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

May 8, 1958



Mr. Marcus Harris,  
Chairman of the Retirement  
Committee,  
Retirement System of the  
Federal Reserve Banks,  
Federal Reserve Bank of New York,  
New York 45, New York.

Dear Mr. Harris:

In accordance with Section 10 of the Rules and Regulations of the Retirement System of the Federal Reserve Banks, the Board has approved the attached resolution to amend "The Resolution of the Board of Governors of the Federal Reserve System Establishing a New Retirement Plan for Its Employees" adopted November 2, 1943. This modification of the Plan is to be effective as of June 1, 1958.

The Board of Governors has also approved the attached amendment to Section IV (B) of the Working Rules for the Board of Governors Plan to bring these Rules into conformance with the changes in the Plan. It is understood that the Retirement Committee is in agreement with the proposed amendment and it is further understood that this change in the Working Rules will be approved by the Retirement Committee before being put into use.

This change in the Working Rules is simply for purposes of clarification and does not amend or modify the provisions of the "Board of Governors Plan".

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,  
Secretary.

Attachments (2)

RESOLUTION OF THE BOARD OF GOVERNORS AMENDING THE  
RESOLUTION OF THE BOARD OF GOVERNORS OF THE FEDERAL  
RESERVE SYSTEM ESTABLISHING A NEW RETIREMENT PLAN  
FOR ITS EMPLOYEES ADOPTED NOVEMBER 2, 1943.

RESOLVED: That the last sentence of paragraph (9) of the Resolution of the Board of Governors of the Federal Reserve System, establishing a new retirement plan for its employees, adopted November 2, 1943, be amended to read as follows: "Upon request of such employee or of his designated beneficiary or legal representative, the Retirement Committee may in its discretion make payment of the benefit provided in this paragraph, either in whole or in part, in instalment payments, such deferred payments to include interest at a rate fixed by the Board of Trustees of the Retirement System not in excess of the regular rate of interest as provided in section 8, subdivision (5), of the Rules and Regulations of the Retirement System."

(Deletions are shown by canceled type and additions by capital letters)

Section IV (B), Working Rules for Board of Governors Plan.

B. Upon request of any person who has this insurance coverage or of his designated beneficiary or legal representative, the benefit may be paid either in whole or in part in instalment payments, such deferred payments to include interest at a rate ~~1-per-cent-per-annum-less-than-the regular-rate-of-interest-as~~ fixed by the Board of Trustees NOT IN EXCESS OF THE REGULAR RATE OF INTEREST for the regular plan of the Retirement System. (Instalment payments may also include the refund of accumulated contributions payable upon death of any such person.)

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

Item No. 2  
5/8/58

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

May 8, 1958

Mr. W. J. Humphrey, President,  
Financial Institutions, Inc.,  
Warsaw, New York.

Dear Mr. Humphrey:

This refers to the application of Financial Institutions, Inc., for an extension 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 an extension to November 9, 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. 3  
5/8/58

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

May 8, 1958

Mr. F. Elgin Bayless, President,  
Consolidated Naval Stores Company,  
P. O. Box 153,  
Sebring, Florida.

Dear Mr. Bayless:

This refers to Consolidated Naval Stores Company'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.



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

Item No. 4  
5/8/58

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

May 8, 1958

Mr. H. Raymond Horn,  
Senior Vice President,  
Northwest Bancorporation,  
1215 Northwestern Bank Building,  
Minneapolis, Minnesota.

Dear Mr. Horn:

This refers to Northwest Bancorporation's application, pursuant to section 4(a) of the Bank Holding Company Act of 1956, for an extension, for one year from May 9, 1958, of the period within which it may retain indirect ownership or control of voting shares of the following listed nonbanking organizations:

Downtown Auto Park, Minneapolis, Minnesota.  
The Shawmut Company, Duluth, Minnesota.  
DeWitt-Seitz Company, Duluth, Minnesota.  
Friendship Oil Co., New York, New York.

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.



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

Item No. 5  
5/8/58

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

May 8, 1958



Mr. R. O. Bishop, Vice President,  
Otto Bremer Company,  
419 Robert Street,  
St. Paul 1, Minnesota.

Dear Mr. Bishop:

This refers to Otto Bremer Company's application, pursuant to section 4(a) of the Bank Holding Company Act of 1956, for an extension, for one year from May 9, 1958, of the period within which it may retain ownership of voting shares of the following nonbanking organizations:

Citizens Agency, Inc., Brainerd, Minnesota.  
Western State Agency, Inc., Marshall, Minnesota.  
New England Insurance Agency, New England, North Dakota.  
Drovers Exchange Agency & Realty, Inc., South St. Paul,  
Minnesota.  
Willmar Investment Co., Willmar, Minnesota.

In view of the status of the hearing pursuant to section 4(c)(6) of the Act with respect to the above-named companies, the Board has granted, in accordance with the provisions of section 4(a) of the Act, an extension to November 9, 1958. The question of a possible further extension can be considered, at the request of your Company, prior to November 9, 1958, in the light of the then existing circumstances.

Referring now to your Company's second application, which was for a six-month extension with respect to its holdings of voting shares of Saulpaugh Corporation, Mankato, Minnesota, and Williston Realty Company, Williston, North Dakota, the Board has granted the requested extension to November 9, 1958, in accordance with the provisions of section 4(a) of the Act.

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  
5/8/58

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

May 8, 1958



Mr. Charles W. Rubie, President,  
Montana Shares, Inc.,  
Citizens Bank Building,  
Havre, Montana.

Dear Mr. Rubie:

Reference is made to Mr. Fred J. Weber's letter dated April 23, 1958, with which there was enclosed an application for an extension of not less than six months from May 9, 1958, of the period within which Montana Shares, Inc., Havre, Montana 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 an extension to November 9, 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  
5/8/58

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

May 8, 1958

Mr. J. M. Crews, President,  
The Farmers & Mechanics Trust Company,  
P. O. Box 669,  
Childress, Texas.

Dear Mr. Crews:

This refers to The Farmers & Mechanics Trust Company'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 view of the Company's stated reasons for deferment of a decision regarding its divestment plans, the Board, in accordance with the provisions of section 4(a) of the Act, has granted the requested extension.

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. 8  
5/8/58

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

May 8, 1958



Mr. benj. N. Phillips, President,  
Union Bond & Mortgage Company,  
First National Bank Building,  
Port Angeles, Washington.

Dear Mr. Phillips:

This refers to Union Bond & Mortgage Company'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.

It is noted that the Company has not reached a final decision on a plan for divestment of that portion of its interests in nonbanking organizations the retention of which may be prohibited by section 4 of the Act. However, in view of the Company's statement that the plan selected will be submitted promptly, the Board has granted the requested extension in accordance with the provisions of section 4(a) of the Act.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,  
Secretary.

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

Item No. 9  
5/8/58

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

May 8, 1958

Mr. Edwin T. Holland, President,  
The First Virginia Corporation,  
2926 Columbia Pike,  
Arlington, Virginia.

Dear Mr. Holland:

This refers to The First Virginia Corporation's application dated March 28, 1958, as supplemented in its letter of April 15, 1958, 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.

It is apparent from the Corporation's application that it feels that the applicability of section 4(a)(2) to it and its activities is dependent to some extent upon action on the Corporation's application filed pursuant to section 3(a)(2) of the Act. First Virginia Corporation is now, and would be if it is permitted to acquire the majority of the outstanding voting shares of Old Dominion Bank, Arlington, Virginia, a bank holding company. It, therefore, appears that section 4(a)(2) of the Act is applicable to the Corporation under both the present and contemplated corporate structures, and that possible procedures mentioned in the Corporation's application of March 28, 1958, would not be affected by either the approval or disapproval of the application filed pursuant to section 3(a)(2) of the Act.

In the circumstances, in accordance with the provisions of section 4(a) of the Act, the Board has granted an extension, to November 9, 1958, of the period within which the Corporation must comply with the provisions of section 4(a)(2) of the Act. The question of a possible further extension, if that proves to be necessary, can be considered at the request of your Corporation prior to November 9, 1958, in the light of the then existing circumstances.

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  
5/8/58

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

May 8, 1958



Mr. Orth I. Dains, Vice President and  
Secretary-Treasurer,  
Wisconsin Bankshares Corporation,  
735 N. Water Street,  
Milwaukee 2, Wisconsin.

Dear Mr. Dains:

This refers to Wisconsin Bankshares Corporation's application, pursuant to section 4(a) of the Bank Holding Company Act of 1956, for an extension for one year from May 9, 1958, of the period within which it may retain ownership of voting shares of Title Guaranty Company of Wisconsin. The Board has granted the requested extension.

Referring now to the Corporation's requests for confirmations: (1) as to the applicability of section 4(c)(1) or 4(c)(4) of the Act to four companies (First Wisconsin Company, First Wisconsin Mortgage Company, Wisconsin Equities, Inc., and First Central Company), and (2) that neither First Wisconsin Foundation, Inc., nor any of its assets are subject to the controls or prohibitions of the Act, the Board has granted, pursuant to the provisions of section 4(a) of the Act, an extension to November 9, 1958, of the period within which the Corporation may retain direct or indirect ownership or control of shares of nonbanking organizations (other than Title Guaranty Company of Wisconsin) which exceed five per cent of the outstanding voting shares of such organizations. The extension for six months has been granted, rather than the period of one year requested by the Corporation, with the thought that the shorter period should allow sufficient time for consideration of the questions raised by the requests for confirmation. If the Board's interpretation of the Act proves to be at variance with that expressed by the Corporation with respect to any of the various matters presented, an application for an additional extension of the period for divestment, if that should prove to be necessary, would, of course, be considered in the light of the then existing circumstances.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,  
Secretary.

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

Item No. 11  
5/8/58

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

May 8, 1958

Gibson, Stewart & Garrett,  
Des Moines 9, Iowa.

Attention Mr. Harry T. Watts

Gentlemen:

Reference is made to your letter dated April 10, 1958, in which you request an extension of time until December 31, 1958, of the period within which Chase Investment Company, Des Moines, Iowa, 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.

It is understood, of course, that, although the Board has granted the extension of time until December 31, 1958, Chase Investment Company will proceed with its plan to cease to be a bank holding company at the earliest practicable time.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,  
Secretary.



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

Item No. 12  
5/8/58

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

May 8, 1958



Miss Elizabeth Daniel, Assistant Secretary,  
The Kemper Investment Company,  
1510 Commerce Building,  
Kansas City 6, Missouri.

Dear Miss Daniel:

This refers to The Kemper Investment Company'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.

It is understood, of course, that, although the Board has granted the extension for one year, the Company will proceed with diligence to carry out its plan to cease to be a bank holding company.

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. 13  
5/8/58

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

May 8, 1958



Mr. Hugh M. Hiller, Secretary,  
Keystone Corporation,  
Commerce Building,  
Kansas City, Missouri.

Dear Mr. Hiller:

This refers to Keystone 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.

It is understood, of course, that, although the Board has granted the extension for one year, the Corporation will proceed to consummate its plan to cease to be a bank holding company at the earliest practicable time.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,  
Secretary.



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

Item No. 14  
5/8/58

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

May 8, 1958



Mr. Paul M. LaMar, President,  
St. Joseph Agency, Inc.,  
St. Joseph Bank Building,  
South Bend, Indiana.

Dear Mr. LaMar:

This refers to the application of St. Joseph Agency, Inc. for an extension of one hundred and twenty days 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.

## BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

## NOTICE OF REQUEST FOR DETERMINATION

PURSUANT TO SECTION 4(c)(6) OF  
BANK HOLDING COMPANY ACT OF 1956 AND  
ORDER FOR HEARING THEREON

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

1. Northwestern Mortgage Company, Minneapolis, Minnesota
2. South Side Insurance Agency, Inc., Minneapolis, Minnesota
3. Union Investment Company, Minneapolis, Minnesota

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

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

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

Any person desiring to give testimony in this proceeding should file with the Secretary of the Board, directly or through the Federal Reserve Bank of Minneapolis, on or before June 5, 1958, a written request relative thereto, said request to contain a statement of the reasons for wishing to appear, the nature of the petitioner's interest in the proceeding, and a summary of the matters concerning which said petitioner wishes to give testimony. Such request will be

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

This 8th day of May 1958.

By order of the Board of Governors.

(Signed) S. R. Carpenter

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S. R. Carpenter,  
Secretary.

(SEAL)

Washington, D. C.

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

Item No. 16  
5/8/58

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

May 8, 1958



Mr. H. Raymond Horn, Senior Vice President,  
Northwest Bancorporation,  
Northwestern Bank Building,  
Minneapolis, Minnesota.

Dear Mr. Horn:

This refers to Northwest Bancorporation'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 with respect to the three organizations covered by its request for determinations by the Board pursuant to section 4(c)(6) of the Act; namely, Northwestern Mortgage Company, South Side Insurance Agency, Inc., and Union Investment Company, all of Minneapolis, Minnesota.

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.

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

Item No. 17  
5/8/58

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

May 8, 1958.

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

Dear Mr. Hughes:

This is in reply to your request of May 2 for the Board's views on a Joint Resolution proposed by the Housing and Home Finance Agency to provide an immediate increase in the general insurance authorization of the Federal Housing Administration, and on amendments proposed to be offered to S. 3399, the Housing Act of 1958, now before the Senate.

With the exception of the proposed change in Section 2 of the National Housing Act (Amendment No. 2), the amendments and the proposed Joint Resolution appear to be technical in nature. The Board would have no objection to their enactment.

Amendment No. 2, by increasing the maximum amount and maximum maturity of loans insurable under Section 2 of the National Housing Act would clearly liberalize this program. In view of the possible usefulness of this program as a means of encouraging rehabilitation of structures as part of the urban renewal program and as a means of stimulating some kinds of construction activity in this period, the Board would have no objection to this liberalization.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,  
Secretary.

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

1455

Item No. 18  
5/8/58

Date May 1, 1958

Office Correspondence

To Board of Governors

Subject: Designation of Security Officer

from Governor Robertson

At the present time the Board, by formal designation, has two Security Officers:

Mr. Thurston - Security Officer for purpose of Board's regulations relating to the safeguarding of defense information

Mr. Johnson - Personnel Security Officer

In order to centralize this responsibility, I recommend that both assignments be given to one person; that Mr. Johnson, Director of Personnel Administration, be designated as Security Officer; and that Mr. Chase, Assistant General Counsel, be designated to assist in matters pertaining to the safeguarding of defense information.

It is my understanding that the general practice within the Government is to have one Security Officer deal with both personnel and information aspects of security matters.

For many years, when Mr. Shay was in the Legal Division, he participated in the drafting of the Board's regulations relating to the safeguarding of defense information and was consulted from time to time as to questions arising under the regulations and as to pertinent executive orders and laws.

In his capacity as Communications Officer, Mr. Chase must keep in touch with the security procedures relating to defense information, and it is with this background in mind that the assignment to work with Mr. Johnson on matters pertaining to security information is recommended.

These proposed changes have been discussed with and are agreeable to Messrs. Thurston, Johnson, Chase, and Hackley.

Item No. 19  
5/8/58

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

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

May 8, 1958



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

Dear Mr. Groot:

In accordance with the request contained in your letter of May 5, 1958, the Board approves the appointment of Howard B. Everett as an assistant examiner for the Federal Reserve Bank of Boston. Please advise as to the date on which the appointment is made effective.

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. 20  
5/8/58

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

May 8, 1958



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

Dear Mr. Hill:

In accordance with the request contained in your letter of May 5, 1958, the Board approves the appointment of Joseph J. Ponczka as an assistant examiner for the Federal Reserve Bank of Philadelphia. Please advise as to the date on which the appointment is made effective.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,  
Secretary.