

Minutes for May 16, 1958


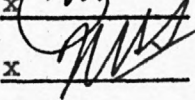
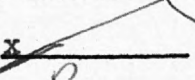
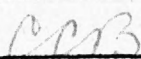
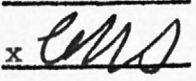
To: Members of the Board

From: Office of the Secretary

Attached is a copy of the minutes of the Board of Governors of the Federal Reserve System on the above date.

It is not proposed to include a statement with respect to any of the entries in this set of minutes in the record of policy actions required to be maintained pursuant to section 10 of the Federal Reserve Act.

Should you have any question with regard to the minutes, it will be appreciated if you will advise the Secretary's Office. Otherwise, if you were present at the meeting, please initial in column A below to indicate that you approve the minutes. If you were not present, please initial in column B below to indicate that you have seen the minutes.

	A	B
Chm. Martin	<u>x</u> 	_____
Gov. Szymczak	<u>x</u> 	_____
Gov. Vardaman <u>1/</u>	_____	<u>x</u> _____
Gov. Mills	<u>x</u> 	_____
Gov. Robertson	<u>R</u> _____	<u>x</u> _____
Gov. Balderston	_____	<u>x</u> 
Gov. Shepardson	<u>x</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 Friday, May 16, 1958. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Szymczak
Mr. Mills
Mr. Shepardson

Mr. Carpenter, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Masters, Director, Division of Examinations
Mr. Furth, Associate Adviser, Division of
International Finance
Mr. Sammons, Associate Adviser, Division of
International Finance
Mr. Solomon, Assistant General Counsel
Mr. Goodman, Assistant Director, Division of
Examinations
Mr. Davis, Assistant Counsel

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

	<u>Item No.</u>
Letter to the State Bank of Albany, Albany, New York, approving the establishment of a branch in Plattsburgh, New York. (For transmittal through the Federal Reserve Bank of New York)	1
Letter to The National Bank of Sanford, Sanford, North Carolina, approving its application for fiduciary powers. (For transmittal through the Federal Reserve Bank of Richmond)	2

Discount rates. Unanimous approval was given to telegrams to the Federal Reserve Banks of New York, Philadelphia, Chicago, Minneapolis, Kansas City, and San Francisco approving the establishment without change by the San Francisco Bank on May 14, and by the remainder of those Banks

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on May 15, 1958, of the rates on discounts and advances in their existing schedules.

Question raised by Chase International Investment Corporation.

As discussed in a staff memorandum which had been distributed to the members of the Board, representatives of Chase International Investment Corporation, an Edge Act financing corporation, had raised with Governor Szymczak the question whether the Board would consider certain proposed activities to be inconsistent with Regulation K or the Edge Act. According to the description of those activities furnished in a memorandum which had been handed to Governor Szymczak, Chase International proposed to enter into an arrangement with the Government of Jamaica under which it would provide financial advice and other services to that Government for a fee. It appeared that Chase International would act in the capacity of adviser or consultant, especially in providing various information about the United States markets which would be helpful in meeting the Jamaican Government's objectives under a long-run program involving the raising of money abroad, the further development of industry and tourism, and possibly a change or elaboration of the existing banking system. More specifically, the Jamaican Government planned to raise money in the United States market, presumably through the sale of bonds, to the extent of \$20 million, which might be raised over a period of time and not in one issue. Chase International would advise on matters such as the selection of investment bankers and the

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negotiation of terms with them, but would not have any part in the underwriting or distribution of securities or buy any such securities for its own account.

In comments amplifying the material which had been distributed, Governor Szymczak referred to the language in section 6 of Regulation K providing limitations on the operations of an Edge Act financing corporation in the United States, particularly in connection with the underwriting, sale, or distribution of securities. He pointed out that the proposal of Chase International had been presented in rather vague terms and said it was understood from representatives of the corporation that the memorandum furnished to the Board had not yet been cleared with the corporation's legal staff. He went on to say that the representatives of Chase International who had discussed the matter seemed cognizant of the many questions which might be raised under an arrangement such as the one proposed.

Following supplemental comments by Mr. Solomon, Governor Szymczak said he would be inclined to recommend advising Chase International informally that the Board did not wish at this time to raise any question about the proposed arrangement from the regulatory standpoint. However, the available information was quite limited, developments should be watched closely, and the Board should be kept fully advised, for there could be hazards in an arrangement of this kind.

Governor Mills indicated that his general reaction likewise was favorable. He suggested that the relationship might be compared to some

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extent to one where the trust department of a bank acts for a client in an advisory capacity rather than a trust capacity. While he had some over-all reservations about Edge Act nonbanking corporations as such, as long as they were actually in existence he saw no strong objection to a proposal of this kind. He suggested, however, that it might be worth while to check informally with the Department of State regarding the status of the Government of Jamaica as a part of the British West Indies Federation, with particular reference to the authority of the Jamaican Government in financial matters.

The other members of the Board concurred in the suggestion that it would be desirable to discuss the matter with the State Department. If this check did not indicate a different course of action, it was understood that Governor Szymczak would advise Chase International Investment Corporation informally that on the basis of the information available to it, the Board would raise no question from a regulatory standpoint about that corporation's entering into relationships with the Government of Jamaica along the lines described, with the understanding, however, that Chase International would be expected to keep the Board informed of developments under such an arrangement.

Messrs. Furth and Sammons then withdrew from the meeting.

Status of Republic National Bank. After expressing the view on January 14, 1958, that the Republic National Bank, Dallas, Texas, was a bank holding company within the meaning of the Bank Holding

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Company Act, the Board subsequently extended until June 9, 1958, the time for Republic to register under the Act. The Board's position was based on the fact that 25 per cent or more of the stock of each of eight different banks was held by eight different investment companies whose stock was in turn held by trustees for the benefit of shareholders of Republic. Subsequently, through the Federal Reserve Bank of Dallas, Republic advised that seven of the eight investment companies had reduced their holdings of bank stock below 25 per cent, with the result that it appeared that Republic had ceased to be a bank holding company, as defined in the Bank Holding Company Act. A memorandum from Messrs. Solomon and Davis dated May 14, 1958, which had been distributed to the members of the Board, discussed the question arising out of the fact that Republic had not yet registered as a bank holding company and apparently did not intend to do so, despite the fact that according to the view previously expressed by the Board it was a bank holding company on May 9, 1956, the date of enactment of the Bank Holding Company Act. Since it appeared, however, that Republic's failure to file a registration statement was at most no more than a technical violation of the Act, the memorandum concluded that it would not serve any useful purpose to report this matter to the Department of Justice. Accordingly, it was recommended that no further action be taken.

Following a discussion based on supplementary comments by Mr. Davis, unanimous agreement was expressed with the recommendation of the Legal Division.

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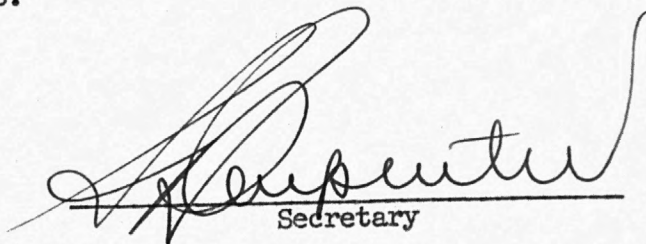
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The meeting then adjourned.

Secretary's Note: On May 15, 1958,
Governor Shepardson approved on behalf
of the Board the following items:

Memorandum dated May 6, 1958, from Mr. Connell, Controller, recommending the transfer of Susan O. Hoffman from the position of Statistical Clerk-Typist in the Division of Research and Statistics to the position of Accounting Technician in the Office of the Controller, with an increase in her basic annual salary from \$1,708 (half-time basis) to \$3,670 (full-time basis), effective the date she assumes her new duties.

Letter to the Federal Reserve Bank of Atlanta (attached Item No. 3) approving the designation of Franklin D. Hughes and John N. Elder as special assistant examiners.



Secretary

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

Item No. 1
5/16/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 16, 1958

Board of Directors,
State Bank of Albany,
Albany, New York.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of New York, the Board of Governors of the Federal Reserve System approves the establishment of a branch at 308 Cornelia Street, Plattsburgh, Clinton County, New York, by the State Bank of Albany, Albany, New York, provided the branch is established within six months from the date of this letter.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.



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

Item No. 2
5/16/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 16, 1958

Board of Directors,
The National Bank of Sanford,
Sanford, North Carolina.

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 North Carolina, 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 National Bank of Sanford is now authorized to exercise will be forwarded to you in due course.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.

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

Item No. 3
5/16/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 15, 1958

Mr. J. E. Denmark, Vice President,
Federal Reserve Bank of Atlanta,
Atlanta 3, Georgia.

Dear Mr. Denmark:

In accordance with the request contained in your letter of May 9, 1958, the Board approves the designation of Franklin D. Hughes and John N. Elder as special assistant examiners for the Federal Reserve Bank of Atlanta to participate in examinations of State member banks only.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.

