## Minutes for May 23, 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	В
Chm.	Martin	* m	
Gov.	Szymczak	x Mo	
Gov.	Vardaman 1/		<u>x</u>
Gov.	Mills	*	
Gov.	Robertson	x A.C.	
Gov.	Balderston	× ccB	
Gov.	Shepardson	× lens	Management of the Control of the Con

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 23, 1958. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman

Mr. Balderston, Vice Chairman

Mr. Szymczak

Mr. Mills

Mr. Robertson Mr. Shepardson

Mr. Kenyon, Assistant Secretary

Mr. Fauver, Assistant Secretary

Mr. Leonard, Director, Division of Bank Operations

Mr. Young, Director, Division of Research and Statistics

Mr. Hackley, General Counsel

Mr. Masters, Director, Division of Examinations

Mr. Solomon, Assistant General Counsel

Mr. Goodman, Assistant Director, Division of Examinations

Mr. Hooff, Assistant Counsel

Investment by Arcturus Investment & Development, Ltd. There had been circulated to the members of the Board, with a favorable recommendation from the Division of Examinations, a file relating to a request by Chase International Investment Corporation that the Board consent to an investment by its wholly owned subsidiary, Arcturus Investment & Development, Ltd.,

Montreal, Canada, of an amount not to exceed \$250,000 in stock of Industrias San Antonio, S. A., or in a newly organized Panamanian corporation, and to the acquisition of additional shares of stock as compensation for financing to be furnished such corporation without the payment by Arcturus of any purchase price. The proposed letter to Chase International Investment Corporation would state that the Board's consent was granted with the understanding that the acquisition and holding of stock would be made as an incident to the proposed financing rather than for the primary purpose of

making a direct long-term investment and that Arcturus would dispose of the stock within a reasonable time after the termination of substantial credit or financing relationships with the Panamanian corporation.

Mr. Goodman stated that this request again raised the question of the conditions under which a stock investment should be approved for a wholly owned subsidiary of an Edge Act nonbanking corporation. Where the stock acquisition was part of a financing program, he felt that the Board might wish to consider permitting ownership of the stock following the termination of the financing relationships, in which event the Board Probably would want to remove the restrictions contained in the proposed letter. On the other hand, if the Board felt that any stock investment of that type ought to be related directly to the financing program, the conditions would, of course, be retained. In response to a question by Governor Szymczak, Mr. Goodman recalled that there had been similar cases involving another Edge Act financing corporation and that conditions were imposed similar to those provided in the proposed letter.

restrictions, following which Governor Mills, referring to discussion about a similar situation which took place in the meeting on December 10, 1957, recalled that he had taken a contrary position. He noted that an Edge Act nonbanking corporation is engaged in a field which seems to contemplate the advance of funds both through credit arrangements and through equity investments. In the case now before the Board a mixed type of financing was involved, with a stock bonus offered to Arcturus

because of its participation in loans to the Panamanian corporation, and there was the implication that the true profit that Arcturus would stand to gain in the long run would result from the eventual value of its stockholdings in the corporation. That being the case, it seemed to him that Arcturus should be permitted to retain the stock in anticipation of its future value. As he recalled, when the proposed investment in Arcturus by Chase International was submitted for the Board's consideration, it was contemplated that Arcturus would engage in equity financing provided such financing did not involve the distribution of securities within the United States.

Governor Robertson inquired whether, when the revised Regulation K Was under consideration, there were not views pro and con with respect to the acquisition of stock by Edge Act financing corporations, and Mr. Goodman replied that the majority view had favored permitting such corporations to buy stock. He recalled that he had been in the minority on this point.

Governor Robertson stated that his recollection was similar. He raised the question whether, with the regulation as it is now written, it was appropriate to say that stock acquisitions should be related to financing relationships.

Governor Mills recalled that he also had been in the minority when the point was under discussion but said that his view at present was similar to that of Governor Robertson.

In further discussion, Governor Balderston suggested that to impose time limitations on the holding of stock might force disposition of the stock at just about the time the investment was going to be profitable, thus tending to create another roadblock in the operations of Edge Act nonbanking corporations.

On this point Governor Robertson suggested that even the restrictions which had been imposed permitted the Edge Act corporation to hold the stock for a reasonable time after the termination of the financing relationships and that therefore they might not be as harsh as Governor Balderston suggested. Nevertheless, he believed it was the sense of the revised regulation, as adopted, that this sort of thing would be authorized.

Thereupon, it was <u>agreed</u> unanimously to grant the request of Chase International Investment Corporation without including in the letter of approval the conditions which had been mentioned by Mr. Goodman.

Secretary's Note: Subsequent to the meeting, Governor Szymczak suggested to the staff that before a letter reflecting the Board's decision was actually sent to Chase International Investment Corporation, the Board might wish to review the previous cases of a similar nature where its consent had been granted under prescribed conditions with respect to the holding of the stock concerned. Accordingly, it was agreed that an appropriate memorandum would be submitted for the Board's consideration before the letter was transmitted.

Application for membership by Southgate Bank (Item No. 1). As recommended in a file which had been circulated to the members of the

Board, unanimous <u>approval</u> was given to the application for membership in the Federal Reserve System filed by Southgate Bank, Southgate, Michigan, a newly organized bank which had not yet opened for business although the State authorities had approved the bank's articles of incorporation. A copy of the letter to the applicant bank which was sent pursuant to this action is attached as <u>Item No. 1</u>. The transmittal letter to the Federal Reserve Bank of Chicago stated that before issuing stock to the new institution, the Reserve Bank should satisfy itself that a certificate of authority to commence business had been issued, that the Southgate Bank's capital stock of \$200,000 had been paid in, and that not less than \$300,000 of other capital funds had been provided.

Application of Old Kent Bank and Michigan Trust Company (Item No. 2). There had been circulated to the members of the Board a file relating to the request of Old Kent Bank and Michigan Trust Company, Grand Rapids, Michigan, for permission to establish branches at various locations in Grand Rapids and Wyoming Township, Michigan, in connection With a proposed merger of that bank and the Peoples National Bank of Grand Rapids. The consent of the Board to the merger was not required under the provisions of Section 18(c) of the Federal Deposit Insurance Act. It was the recommendation of the Federal Reserve Bank of Chicago and also the Division of Examinations that the application for branches be denied in view of the adverse effect which the proposed transaction would seem likely to have on competition in the area, it being felt that consummation of the proposals would result in a distinct lessening of competition and a tendency toward monopoly.

Mended action, he regarded this as a very important decision,

particularly because the Board would be exercising its authority to

approve or disapprove branches as a means of indicating that in its

Opinion the proposed merger was contrary to the public interest and

Would result in a tendency toward monopoly. In effect, this was the

kind of problem that would arise under Section 7 of the Clayton Act

and if the case were subject to that Act a denial of the application

by the Board would presume that the decision would be sustained in the

event of litigation. This was a decision that to him ranked equally in

importance with the Board's recent decision denying a subsidiary of

Marine Midland Corporation the right to absorb an independent bank in

a two-bank community on the basis that the absorption would be contrary

to the public interest.

Of this case and the application of Baystate Corporation under the Bank Holding Company Act, where the Board's approval permitted a merger of two banks in Springfield, Massachusetts, and the merged institution became the largest bank in the community. In that instance, the majority of the Board, of which he was one, was persuaded that the competitive area in which the merged institution would operate was of such a character that the merger would not be tainted with a monopolistic color. In contrast, Grand Rapids is a self-contained community that does not have an outlying fringe area of consequence, with the result that

the merged institution would become the dominant bank in the area, without competition of significant importance other than that provided by a branch of the Michigan National Bank of Lansing. The Michigan National Bank, he noted, is prohibited by State law from establishing additional branches in the Grand Rapids area, while the merged institution would be in a position to extend its area of domination through additional branches.

While he would accept the recommendation for denial, Governor Mills again pointed out that this was an important extension of the Board's authority relative to the approval of branches by which it was reaching out to deal with a problem in the area of lessening of competition and tendency toward monopoly. It would be denying the free transfer of property rights and it would be reaching a decision that was not in line with the approval of the merger by the State supervisory authorities.

Lastly, the Board would not provide an answer to the question that would arise if a unit bank in a community should grow through its own efforts to a position of dominance and thus attain a monopolistic position which the Board presumably would be powerless to control.

Mr. Masters stated that this case was anything but clear-cut and that it had been the subject of considerable discussion within the Reserve Bank and also the Division of Examinations. Here was a city with a Population of 190,000 and 330,000 persons in its trade area being served by five banks, including a branch of the Michigan National Bank of Lansing.

The Old Kent Bank, one of the parties to the proposed merger, is now the largest unit bank, having 44 per cent of the local deposits and 50 per cent of the banking outlets, while the Peoples National Bank has 11 per cent of the deposits and 17 per cent of the offices. After the merger, these percentages would be approximately 56 and 66, respectively. In nearby communities, primarily residential, there are some small unit banks, but they are not particularly competitive and serve primarily their own communities. Therefore, the situation could not be regarded as parallel to that in the Springfield, Massachusetts, area.

aggressively competitive, with competition being strongly felt by all of them from the branch of Michigan National. In fact, this was one of the reasons for the desire to merge. In support of the application, the usual desirable results were stressed, including larger loan limits, better banking services, and alleviation of space problems, but in addition there was stressed the need to meet better the competition from Michigan National. Also cited was the interest shown recently by individuals associated with Michigan National in buying the stock of the Peoples National Bank. The banks involved in the proposed merger were in good condition, there was no question about management, the shareholders were favorable to the merger, and the attitude of depositors and the general public also appeared to be favorable. The competitive banks did not protest and the State authorities had approved the proposal.

On the other hand, Mr. Masters said, there was no question but that there would be a lessening of competition and a tendency toward monopoly. Whether this was the kind of application that should be denied seemed to depend on judgment as to the application of the philosophy of the Clayton Act provisions.

Mr. Hackley expressed the view that this was a very important and extremely close case. While the Clayton Act was not applicable because no stock acquisition was involved, the Board had taken the Position in passing on branch applications that it was obliged to consider the philosophy of the Clayton Act. Although no one could predict what a court would say as to what would constitute lessening of competition and a tendency to monopoly, the merged institution would hold a dominant position from the standpoint of deposits and banking offices. However, as to loans it would not have a dominant position, for Michigan National has 40 per cent of the loans and has been increasing its loans at a higher rate in recent years than the other banks in the community.

Mr. Hackley said that this case was somewhat comparable to the Baystate case but that Grand Rapids is a more self-contained community. In the Springfield, Massachusetts, area there are more separate sources of banking services and a larger number of units in the fringe areas.

In further discussion Mr. Masters said it was rather unfortunate in this case that there had been so much local publicity given to the

proposed merger and that possibly the applicants should be given an opportunity to appear before the Board. He then read from a memorandum prepared by Mr. Vest, formerly the Board's General Counsel, in January 1956 which expressed the view that wherever the Board felt there was undue concentration of power or a lessening of competition or a tendency toward monopoly, the Board might wish to withhold approval of branches on the grounds that approval would not be in accord with the public interest.

Mr. Hackley noted that if the case had arisen under the Clayton Act, the Board would be obliged to consider certain factors and that in the case of a branch application it must consider the philosophy of the Clayton Act. However, it is entitled to consider also factors other than the lessening of competition and to weigh all of the factors together. In other words, the Board has more latitude, even though it does take into consideration the competitive aspects.

At the conclusion of the discussion, it was <u>agreed</u> unanimously to deny the application of Old Kent Bank and Michigan Trust Company. A copy of the letter transmitted to the applicant bank through the Federal Reserve Bank of Chicago pursuant to this decision is attached as <u>Item No. 2</u>.

During the foregoing discussion Mr. Noyes, Adviser, Division of Research and Statistics, entered the room and at its conclusion Mr. Goodman Withdrew from the meeting.

<u>Discount rates</u>. Unanimous <u>approval</u> was given to telegrams to the Federal Reserve Banks of New York, St. Louis, and Dallas approving the establishment without change by those Banks on May 22, 1958, of the rates on discounts and advances in their existing schedules.

Application by The Lamesa National Bank (Item No. 3). A file had been circulated to the members of the Board containing a favorable recommendation from the Division of Examinations with respect to the application of The Lamesa National Bank, Lamesa, Texas, for full fiduciary powers. When the file was in circulation, Governor Mills stated that he believed the application should be discouraged because the bank was overloaned, because of its heavy building construction program, and because the management had not demonstrated capacity to undertake "trust" responsibility. Governor Balderston indicated that he agreed with Governor Mills.

Mr. Masters said that the condition of the applicant bank was not all that it whould be, but that it was not terribly bad. The management had been lax in its lending policies and bad weather last year had accentuated its problems, but this was regarded as a temporary condition and it was felt that the bank could work out of its difficulties without an adverse effect on its capital. The past record of the bank had been very good and the management was experienced. Capital was strong, earnings excellent, and prospects of favorable operations were good. Foreseeable losses arising out of the past year's experience did not adversely affect the bank's position too much; its ratios would still

be satisfactory if it took all of the losses that it might have to absorb. The bank was indeed involved in a new building program, but substantial charge-offs were contemplated. In substance, the bank's condition was not ideal but, on the other hand, it was not dangerous and was improving.

Mr. Masters went on to say that in this case the need for trust services appeared stronger than usual. Neither of the two local banks had trust powers, the nearest banks exercising such powers were in Lubbock, 60 miles distant, and there seemed to be a growing demand for trust services. The management seemed about as well qualified to administer trust powers as is usually the case in an application by a small national bank. The officer who would be designated to supervise this business had had considerable experience in an individual capacity, the directors seemed to be men of substance and worth, and legal counsel for the bank appeared Particularly strong. On balance, therefore, it seemed to the Division of Examinations that favorable action was warranted.

Governor Mills said that he had no strong feeling about the application but that it did not appear to him that the management of the bank had clearly demonstrated its ability to assume this kind of responsibility.

Governor Balderston said he had felt on reading the file that

perhaps the bank should work out of its overloaned status before trust

powers were granted. The bank would undoubtedly publicize the granting

of trust powers and he felt that the Board should be careful about

bestowing those powers upon a bank which had got itself into an overloaned

situation, even though that situation might be of a temporary nature.

Governor Robertson said that admittedly the bank had experienced some difficulties. However, they seemed to be difficulties which could be worked out, and the Comptroller of the Currency's Office was not disturbed. The management might not merit a top rating but neither was it poor. The aspect that convinced him that the application should be approved was the need of the community, for he felt that the bank should be given a chance to render service. Since it appeared that the bank could do so without any real danger, he believed that the authority should be granted.

Governor Shepardson expressed the view that the bank had shown good management from the standpoint of meeting the needs of the community. An agricultural community of this kind shows quite wide seasonal fluctuations and it appeared to him that the bank had done a constructive job in serving the area. Right now the bank was a little overloaned because of the carry-over from last year, but that was understandable due to the crop situation. Generally, this was a prosperous agricultural area.

Thereupon, unanimous <u>approval</u> was given to a letter to The Lamesa National Bank granting its application for fiduciary powers, for transmittal through the Federal Reserve Bank of Dallas. A copy is attached as <u>Item</u> No. 3.

Mr. Hooff then withdrew from the meeting.

Request for Section 4(c)(6) determination (Item No. 4).

Financial Institutions, Inc., Warsaw, New York, a registered bank

holding company, had requested a determination by the Board pursuant

to Section 4(c)(6) of the Bank Holding Company Act which would allow

it to retain stock of one nonbanking company, namely, Geneva Shareholders, Inc. Under the law, therefore, a hearing was mandatory. A

memorandum from Mr. Solomon dated May 22, 1958, which had been distributed

to the Board, recommended that Mr. Charles Schneider be assigned to

conduct the hearing under the usual arrangements with the National Labor

Relations Board, that Mr. John Clarke of the Federal Reserve Bank of

New York be assigned to act as Counsel for the Board in this matter,

With the Reserve Bank to receive reimbursement for travel or other

expenses but not for Mr. Clarke's salary, and that an order be issued

setting down the hearing for June 12, 1958, at the Buffalo Branch of the

New York Reserve Bank.

In a discussion of the case, Mr. Hackley pointed out that certain attorneys for the New York Reserve Bank had suggested that the holding of voting shares of Geneva Shareholders might be considered to represent an indirect ownership or control of The National Bank of Geneva which would be permitted by Section 4(a)(2) of the Bank Holding Company Act. However, he said, in the opinion of the Board's staff this would not be a proper interpretation of the statute.

Thereupon, unanimous <u>approval</u> was given to the order of which a copy is attached as <u>Item No. 4</u>, with the understanding that appropriate procedural steps would be taken to carry out the arrangements suggested in Mr. Solomon's memorandum.

At this point Mr. Koch, Associate Adviser, Division of Research and Statistics, entered the room.

Margin account panel. At the meeting of the Board yesterday there had been a brief preliminary discussion of a memorandum from Mr. Young dated May 21, 1958, concerning the margin account panel, a quarterly survey conducted by the New York Stock Exchange at the request of the Board in which information is obtained on indebtedness, collateral, and transactions in the accounts of a sample of margin customers of Stock Exchange firms. The purpose of the memorandum was to inquire whether the Board would want to consider contributing to the upkeep of the panel in the light of an indication by the Exchange that it proposed to reduce the size of the sample to a point where it appeared to the Board's staff that the data would have little statistical validity. The memorandum suggested that a supplemental appropriation of \$15,000, along with the \$10,000 appropriated by the Stock Exchange, would be sufficient to make certain decessary revisions in sampling and tabulating procedures and to maintain the survey for another year on a statistically respectable basis.

In reply to a question by Chairman Martin, Mr. Young confirmed that the suggestion contained in his memorandum would involve a direct

payment to the New York Stock Exchange. He said that thought had been given to having a part of the work done by the Federal Reserve Bank of New York, but that the only feasible method appeared to be to have the job done by the Stock Exchange itself. The staff of the Exchange, it Was understood, had been under pressure from the directors to effect economies and, as one step, consideration was being given to cutting the size of the sample in the margin account survey. In fact, the recently completed survey had been carried forward on the old basis Only because it was deemed by the Exchange undesirable to make a change Without discussion of the matter in the light of the previous understandings reached with the Board. The margin account panel, Mr. Young said, was itself a substitute proposal for one which the Board's staff had made earlier with a view to obtaining information which it was considered important for the Board to have in making judgments on the margin requirements. When the margin account panel was suggested, it was regarded favorably by the Board's staff, and the Stock Exchange then went ahead on a modest basis. Subsequently, about one year ago, the survey sample Was expanded to the minimum size considered satisfactory.

Mr. Young went on to say that over the past year the margin account panel had been found by the Board's staff to provide very helpful information in obtaining the picture of margin account trading. That kind of information seemed essential in reaching a judgment as to what might

result from margin requirement changes, particularly increases, at any particular time, and if carried forward it would tend to become more valuable. On the other hand, if the survey were reduced in scope it might as well be abandoned altogether. What the situation amounted to, he said, was that the Stock Exchange was putting pressure on the Board to relieve it of an expensive item. However, he did not think the expense was excessive in view of the importance of the Exchange in the financial community and the importance of the margin requirements to the Exchange.

Chairman Martin then suggested that the matter be handled with the Stock Exchange on a firm basis, with the position being taken that the Board would pay nothing and that the Stock Exchange would drop or curtail the survey at its own risk. He would not negotiate at all, but explain that the survey was important and that the Exchange, in the Board's opinion, would be making a serious mistake if the survey was dropped.

Question was raised regarding the Board's authority to require information of this kind, and Mr. Solomon explained that technically the statutory authority was in terms of obtaining information from brokers and dealers rather than from the Stock Exchange as such.

Governor Balderston then made certain comments about the recent expansion of stock market credit, and Mr. Young said that a memorandum on stock market developments was being prepared currently for distribution to the Board.

Following further discussion, it was <u>agreed</u> unanimously that the matter of the margin account panel should be taken up with the staff of the Stock Exchange by the Board's staff on the basis that Chairman Martin had outlined.

Messrs. Noyes and Koch then withdrew from the meeting.

Meeting with President Allen. Chairman Martin reported that President Allen of the Federal Reserve Bank of Chicago had expressed a desire to meet with the Board informally to discuss certain personnel matters at the Bank and that it had been suggested that the meeting be held next Tuesday, May 27, at 2:00 p.m.

It was  $\underline{\mathsf{agreed}}$  unanimously to meet with Mr. Allen at the time  $\mathbf{suggested}$ .

Sale of Nashville Branch building (Item No. 5). In a memorandum dated May 21, 1958, which had been distributed to the members of the Board, the Division of Bank Operations reported that the Federal Reserve Bank of Atlanta had requested that the Board approve the acceptance of an offer of \$107,500 for the present Nashville Branch building, with the understanding that \$17,500 would be paid in cash and the remainder in equal monthly payments over a period of 12 years, with interest at 4 per cent. Possession would be delivered upon completion of the new branch building, probably in August of this year. The memorandum recommended that the Board's approval be given.

Pursuant to this recommendation, unanimous <u>approval</u> was given to the telegram to the Atlanta Reserve Bank of which a copy is attached as <u>Item</u> No. 5.

Additional benefits for retired Reserve Bank employees (Item No. 6). Pursuant to the action taken at the meeting yesterday with regard to two fringe benefits proposed by the Presidents' Conference for certain classes of retirees of the Federal Reserve Banks, a draft of letter to the Chairman of the Presidents' Conference had been prepared.

The draft of letter was read at this meeting, certain changes were suggested in the language, and it was then <u>agreed</u> that a letter in the form attached as <u>Item No. 6</u> would reflect satisfactorily the position taken by the majority of the Board. Accordingly, the letter was sent following this meeting.

In this connection, Governor Balderston made a statement in explanation of his position on these matters in view of his pending overseas assignment. He said that he was in favor of assisting retired persons with their expenses incident to illness because they were part of the Federal Reserve family, even though no longer in active status at the Reserve Banks, and failure to assist in this respect would reflect on the good name of the System and injure its reputation. With regard to the proposed death benefit, however, he noted that a certain amount is provided through Social Security to help take care of burial costs.

There seemed to him to be no reason for the System to assume an insurance obligation that would benefit the descendents of a person who had been on the Reserve Bank payroll, and he did not think that that was a proper use of Federal Reserve funds. There might be, of course, a question as to whether the amount provided through Social Security was large enough, but in view of the expense involved in the present proposal his feeling was in accord with the position taken by the majority of the Board Yesterday; namely, that the proposal should not be regarded favorably.

The meeting then adjourned.

Secretary's Notes: Governor Shepardson today approved on behalf of the Board a letter to the Federal Reserve Bank of Philadelphia (attached Item No. 7) approving the designation of John C. Hummel as special assistant examiner on a part-time basis for a period not to exceed one year from this date. The action contemplated that Mr. Hummel would be paid at the rate of \$20 per day when actually employed by the Bank.

Governor Shepardson also approved on behalf of the Board a letter to the Federal Reserve Bank of Atlanta (attached Item No. 8) regarding a visit to the Board's offices by Assistant Vice President E. C. Rainey.

Assistant Secretary



OF THE

### FEDERAL RESERVE SYSTEM

WASHINGTON 25, D. C.

Item No. 1 5/23/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE SOARD

May 23, 1958

Board of Directors, Southgate Bank, Southgate, Michigan.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the application of Southgate Bank, Southgate, Michigan, for stock in the Federal Reserve Bank of Chicago, effective if and when the bank opens for business under appropriate State authorization, subject to the numbered conditions hereinafter set forth:

- 1. Such bank at all times shall conduct its business and exercise its powers with due regard to the safety of its depositors, and, except with the permission of the Board of Governors of the Federal Reserve System, such bank shall not cause or permit any change to be made in the general character of its business or in the scope of the corporate powers exercised by it at the time of admission to membership.
- 2. The net capital and surplus funds of such bank shall be adequate in relation to the character and condition of its assets and to its deposit liabilities and other corporate responsibilities.
- 3. At the time of admission to membership the bank shall have paid-in and unimpaired capital stock of not less than \$200,000, and other capital funds of not less than \$300,000.

In connection with the foregoing conditions of membership, particular attention is called to the provisions of the Board's Regulation H, as amended effective September 1, 1952, regarding

Southgate Bank

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membership of State banking institutions in the Federal Reserve System, With especial reference to section 7 thereof. A copy of the regulation is enclosed.

It appears that the bank is authorized to exercise trust powers under its charter but that it does not intend to engage in such activities. Attention is invited to the fact that if the bank desires to exercise trust powers it will be necessary under condition of membership numbered 1 to obtain the permission of the Board of Governors before exercising them.

If at any time a change in or amendment to the bank's charter is made, the bank should advise the Federal Reserve Bank, furnishing copies of any documents involved, in order that it may be determined Whether such change affects in any way the bank's status as a member of the Federal Reserve System.

Acceptance of the conditions of membership contained in this letter should be evidenced by a resolution adopted by the Board of Directors and spread upon its minutes. A certified copy of such resolution, together with advice of compliance with the condition numbered 3, should be transmitted to the Federal Reserve Bank. Arrangements will thereupon be made to accept payment for an appropriate amount of Federal Reserve Bank stock, to accept the deposit of the required reserve balance, and to issue the appropriate amount of Federal Reserve Bank stock to the bank.

Reserve System in the manner described may be accomplished is limited to 60 days from the date of this letter, unless the bank applies to the Board and obtains an extension of time. When the Board is advised that all of the requirements have been complied with and that the appropriate amount of Federal Reserve Bank stock has been issued to the bank, the Board will forward to the bank a formal certificate of membership in the Federal Reserve System.

The Board of Governors sincerely hopes that you will find Bank pleasant. The officers of the Federal Reserve Bank will be glad to assist you in establishing your relationships with the Federal Reserve System and at any time to discuss with representatives of your bank means for making the services of the System most useful to you.

Very truly yours,

(Signed) S. R. Carpenter





OF THE

### FEDERAL RESERVE SYSTEM

WASHINGTON 25, D. C.

Item No. 2 5/23/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 23, 1958

Board of Directors, Old Kent Bank and Michigan Trust Company, Grand Rapids, Michigan.

Gentlemen:

Reference is made to your request submitted through the Federal Reserve Bank of Chicago, for permission to establish branches at various locations in Grand Rapids and Wyoming Township, Michigan, in connection with a proposed merger of the Old Kent Bank and Michigan Trust Company and the Peoples National Bank of Grand Rapids, with a change in corporate title to "Old Kent Bank and Trust Company."

With respect to the proposal, the Board of Governors does not yiew of the adverse effect which the proposed transaction would seem likely to have on competition in the area.

Very truly yours,

(Signed) S. R. Carpenter



OF THE

### FEDERAL RESERVE SYSTEM

WASHINGTON 25, D. C.

Item No. 3 5/23/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 23, 1958

Board of Directors, The Lamesa National Bank, Lamesa, Texas.

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 Texas, 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 Lamesa National Bank is now authorized to exercise will be forwarded to you in due course.

Very truly yours,

(Signed) S. R. Carpenter

### FEDERAL RESERVE SYSTEM

FINANCIAL INSTITUTIONS, INC. WARSAW, NEW YORK

Item No. 4 5/23/58

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 Financial Institutions, Inc., Warsaw, New York, a bank holding company, for a determination by said Board that Geneva Shareholders, Inc., Geneva, New York, 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 retention of shares in nonbanking organizations to apply in order to carry out the purposes of the Act.

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 June 12, 1958, at 10 o'clock a.m., at the office of the Buffalo Branch of the Federal Reserve Bank of New York, 160 Delaware Avenue, in the City of Buffalo, State of New York, 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 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 New York, 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 23rd day of May 1958.

By order of the Board of Governors.

(SEAL)

Kenneth A. Kenyon, Assistant Secretary.

# TELEGRAM

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM WASHINGTON

Item No. 5 5/23/58

May 23, 1958

Patterson - Atlanta

Board will interpose no objection to sale of Nashville building as outlined in your May 20 letter.

(Signed) S. R. Carpenter

Carpenter

OF THE

### FEDERAL RESERVE SYSTEM

WASHINGTON 25, D. C.

Item No. 6 5/23/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 23, 1958

Mr. J. A. Erickson, Chairman of the Presidents' Conference, Federal Reserve Bank of Boston, Boston 6, Massachusetts.

Dear Mr. Erickson:

The Board of Governors has reviewed the proposals of the Presidents' Conference concerning the two fringe benefits; one to afford a post-retirement death benefit for certain classes of retirees of the Banks, and the other to absorb a portion of the cost of hospital surgical-medical coverage for such retirees.

retirement death benefit recommendation for the same reasons that were given when a similar proposal was made in 1953.

While the Board concurs in principle with the proposal concerning the hospital surgical-medical benefits, it would suggest that more specific recommendations for effecting it be prepared for discussion at a joint meeting of the Presidents' Conference and the Board.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter, Secretary.

ce: Mr. D. C. Johns, Chairman, Committee on Personnel of the Conference of Presidents.



OF THE

### FEDERAL RESERVE SYSTEM

WASHINGTON 25, D. C.

Item No. 7 5/23/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 23, 1958

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

Dear Mr. Hill:

This refers to your letters of May 2 and 20, 1958, concerning the proposed re-employment of Mr. John C. Hummel, a retiree of the Bank, on a part-time basis as a Special Assistant Examiner, to assist in the examination of State member banks and in the training of assistant examiners.

In view of the circumstances set forth in your letters, the Board of Governors interposes no objection to the re-employment of Mr. Hummel on the basis proposed, with the understanding that the period of his employment in such circumstances will be limited to one year from the date of this letter.

Special Assistant Examiner for the Federal Reserve Bank of Philadel-phia for the purpose of participating in the examination of the State member banks during such periods as he may be actually employed by the Bank. This approval is given on the assumption that Mr. Hummel is not indebted to any member bank and that he will not be permitted to participate in the examination of any bank to which indebted.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon, Assistant Secretary.



OF THE

### FEDERAL RESERVE SYSTEM

WASHINGTON 25, D. C.

Item No. 8 5/23/58

ADDRESS OFFICIAL CORRESPONDENCE

May 23, 1958

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

Dear Mr. Bryan:

This will acknowledge your letter of May 9, with respect to an arrangement whereby Mr. E. C. Rainey would spend a month with the Board's staff.

We shall be very happy to cooperate with you and, as you suggested, will develop a training schedule for Mr. Rainey similar to the one which was developed for Mr. McCorvey. Would you please let us know the date Mr. Rainey expects to arrive here. In the meantime we will be working on the program and will advise you in greater detail as soon as the schedule is completed.

Very truly yours,

(Signed) S. R. Carpenter