

Minutes for August 11, 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>(M)</u>	<u>                    </u>
Gov. Szymczak	<u>                    </u>	x <u>                    </u>
Gov. Vardaman	x <u>(V)</u>	<u>                    </u>
Gov. Mills	<u>                    </u>	<u>                    </u>
Gov. Robertson	<u>                    </u>	x <u>                    </u>
Gov. Balderston	x <u>CCRB</u>	<u>                    </u>
Gov. Shepardson	x <u>CS</u>	<u>                    </u>

Minutes of the Board of Governors of the Federal Reserve System  
on Monday, August 11, 1958. The Board met in the Board Room at 2:30 p.m.

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

Mr. Kenyon, Assistant Secretary  
Mr. Fauver, Assistant Secretary  
Mr. Riefler, Assistant to the Chairman  
Mr. Leonard, Director, Division of Bank  
Operations  
Mr. Masters, Director, Division of  
Examinations  
Mr. Shay, Legislative Counsel  
Mr. Noyes, Adviser, Division of Research  
and Statistics  
Mr. Solomon, Assistant General Counsel  
Mr. Nelson, Assistant Director, Division  
of Examinations

Discount rates. Unanimous approval was given to telegrams to the following Federal Reserve Banks approving the establishment without change by those Banks on August 7, 1958, of the rates on discounts and advances in their existing schedules:

New York	St. Louis
Philadelphia	Kansas City
Cleveland	Dallas
Chicago	

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 First National Bank of Las Cruces, Las Cruces, New Mexico, approving its application for fiduciary powers. (For transmittal through the Federal Reserve Bank of Dallas)	1

1/ Entered at point indicated in minutes.

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Item No.

Letter to the Presidents of all Federal Reserve Banks concerning the treatment of substantial or significant recoveries and charge-offs in the reports of examination of State member banks.

2

Letter to the Presidents of all Federal Reserve Banks setting forth factors to be considered in interpreting cases arising under section 32 of the Banking Act of 1933.

3

Branch applications incident to proposed mergers involving Marine

Midland Group banks (Items 4 and 5). As requested by the Board in its meeting on July 22, 1958, revised and amplified memoranda relating to the proposed mergers hereinafter mentioned had been prepared by the Division of Examinations and circulated to the members of the Board prior to the meeting.

At Governor Balderston's request, Mr. Masters reviewed the circumstances surrounding each of the proposed mergers and reiterated the Division's recommendation that the Board approve the establishment of branches incident thereto. In the case of the merger of the Nyack Bank and Trust Company, Nyack, New York, with State Bank of Pearl River, Pearl River, New York, to form the Marine Midland Trust Company of Rockland County, Nyack, New York, the Division did not feel that the merger would have deleterious effect on competition because there would still remain 7 commercial banks serving Rockland County, with the newly formed Marine Midland Trust Company having only 4 of 21 banking offices and about 21 per cent of the County's commercial bank deposits. The largest bank in that

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County, the Rockland National Bank of Suffern, New York, has about 34 per cent of the deposits and 7 of the 21 banking offices. He pointed out that Rockland County is situated in the Third Banking District of the State of New York and upon completion of the proposed merger Marine Midland Corporation would control only 2 per cent of commercial bank deposits and 2 per cent of the offices of commercial banks in this District. On the basis of these figures and all other indications, the Division recommended approval of the application to establish branches in those places where the State Bank of Pearl River now operates offices incident to the merger of that bank with and into the Nyack Bank and Trust Company.

Mr. Masters then reviewed the circumstances surrounding the proposed merger of The Citizens National Bank of Waverly, Waverly, New York, into the Marine Midland Trust Company of Southern New York, Elmira, New York, and the establishment of a branch by the continuing bank at the present location of the national bank. He pointed out that in this instance the merger would mark the movement of Marine Midland into a new county adjoining a county in which it was presently operating. With regard to the competitive situation, he said that The Citizens National Bank was the only bank in Waverly and did not compete for business outside its local area. At the present time, there were 7 banking offices throughout Tioga County. The merger would be in the Seventh Banking District of the State of New York where, as of June 30, 1956, Marine Midland Trust Company held 25 per cent of the commercial bank deposits and operated 19 per cent of the

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commercial banking offices. After the proposed merger, Marine Midland would have 20 per cent of the offices and about 26 per cent of the deposits in the District. On the basis of these facts, it did not appear to the Division that competition would be materially affected. The controlling factor from the Division's point of view was that because of dissension among board members and disagreement between the board and executive management of the national bank, it appeared that the stockholders and the community would benefit from the association with a larger and more stable institution.

In response to a question about the applicability of the New York State holding company freeze law to these mergers, Mr. Masters pointed out that each of the mergers was being consummated within a single banking district.

Thereupon the Board agreed unanimously to approval of the branches incident to the proposed mergers and to the sending of letters to the applicant banks in the form attached to these minutes as Items 4 and 5.

At this point, Miss Stockwell, Economist in the Division of Research and Statistics, entered the meeting.

Small Business Investment Act of 1958 (Item No. 6). On Friday, August 8, 1958, the Board had received a request from the Bureau of the Budget for its views on enrolled bill S. 3651, the "Small Business Investment Act of 1958." A proposed draft of reply had been circulated to the members of the Board prior to the meeting expressing the view that

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S. 3651 represented a reasonable approach to the problem of providing creditworthy small businesses with the equity and long-term debt capital that they needed to prosper and grow. The draft also commented that the Board favored repeal of Section 13b of the Federal Reserve Act, as provided in Title VI of the enrolled bill.

Mr. Noyes indicated there were minor editorial changes which the staff would like to see made, and agreement was reached on those changes.

Mr. Shay commented that this product of Congress followed as much of the original outline of the legislative approach as one could reasonably expect. A principal change would provide the \$250,000,000 initial funds from appropriated monies rather than from debt transactions. The enrolled bill, he said, also contained somewhat more emphasis on the use of State development corporations than had originally been contemplated.

Following the discussion, the Board unanimously approved the sending of a letter to the Bureau of the Budget in the form attached to these minutes as Item No. 6.

At this point Messrs. Shay and Noyes and Miss Stockwell left the meeting.

Establishment of branches by The Michigan Bank, Detroit, Michigan.

Prior to the meeting there had been circulated to the Board a request of The Michigan Bank, Detroit, Michigan, for permission to establish two in-town branches, one at the southwest corner of Eight Mile Road, West, and James Couzens Highway and the other at or near the intersection of Eight

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Mile Road, East, and Kelly Road. The State authorities had approved the branches provided the basic capital stock of the bank was increased to \$4,000,000 through the sale of at least \$1,000,000 of new stock, which might be in the form of preferred stock, and the declaration of a common stock dividend of not less than \$1,000,000. The Reserve Bank had recommended approval of the requests provided the Board of Governors considered preferred stock to be a proper substitute for common stock for expansionary purposes in this instance. The Division of Examinations had also recommended approval with the understanding that the capital would be increased under the conditions prescribed by the State authorities.

While the file was in circulation, Governor Robertson had attached a memorandum indicating that he would deny the applications:

- "1. Until capital adequacy has been achieved through issuance of new common stock;
2. Until condition of membership No. 3 has been complied with in spirit; and
3. Until a clear case has been made for the need for additional banking facilities in the areas. (It would seem from the file that there is very little need, if any, for additional branch facilities in the two areas.)"

At the request of Governor Balderston, Mr. Masters commented on each of the points which had been raised by Governor Robertson.

With regard to the matter of additional capital, Mr. Masters pointed out that the bank was prepared to increase its capital and had chosen the medium of preferred stock because it was reluctant to dilute control, which was now held rather narrowly. With the addition of \$1,000,000 in new capital, whether in the form of preferred or common stock, there would seem

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to be no basis for denial of the application on the grounds of insufficient capital. He recognized, however, that as a general practice the Board did not consider preferred stock to be a proper substitute for common stock. It was questionable whether this was the kind of a case that would justify an exception to the general rule, he said.

On the question of a violation of the condition of membership relative to the investment of certain pension trust funds in stock of The Michigan Bank, Mr. Masters pointed out that Counsel for the Federal Reserve Bank of Chicago felt The Michigan Bank held a rather strong position in this matter since the particular investment made was not by the specific trust fund mentioned in the bank's condition of membership. In any event, he added, it was doubtful in the Division's view whether the current applications should be turned down on that score while the matter was still in a stage of discussion between the System and the member bank.

Finally, as to the need for the branches, there seemed to be a demonstrably stronger need in these particular instances than in several other cases that had recently come before the Board and in which approval had been granted. Both of these proposed branches were to be located in large regional shopping centers, one of which would have over 100 retail outlets and the other some 72 outlets. Both would have large suburban department store outlets as a part of the shopping center. Mr. Nelson added that in each case there were six other branch banks located within a two-mile radius of the proposed sites.



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In opening the discussion, Governor Vardaman said that while he did not concur in the other reasons for objecting to approval stated by Governor Robertson, he did have considerable reservation about the issuance of preferred stock for expansionary purposes as proposed in this instance. He felt that if the Federal Reserve System did not have the right to pass on the basis for increasing a bank's capital, an effort ought to be made to obtain such authority.

In response to a question from Governor Shepardson as to whether the System could insist on the use of common stock in this instance, Mr. Masters replied he did not believe that the Board would have such authority and that its only alternative would be to deny the applications. On this point, Mr. Solomon expressed the view that the Board had no authority to control the issuance of preferred stock as such, but he felt that the Board in looking at the matter of the adequacy of a bank's capital structure could look at the distribution between preferred and common stock and indicate what it believed was, and was not, adequate capital in this sense.

Governor Balderston commented that his concern revolved around using an indirect approach to do what the System should have full authority to do directly. He reminded the Board that the so-called friendly suit involving the Old Kent Bank and Trust Company was an outgrowth of this same kind of situation. He felt that approaching the matter indirectly left the

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Board in an unfavorable position and one that could easily be misunderstood by the public.

Governor Balderston also stated that Governor Mills, before leaving on vacation, had indicated that he would be inclined to favor the recommendation of the Division of Examinations.

Governor Vardaman then proposed that the matter be referred back to the Federal Reserve Bank of Chicago for further consideration of the method by which the bank proposed to increase its capital structure and with an indication that the Board was reluctant to approve the applications in the light of the proposed use of preferred stock. He thought it might be desirable to suggest that the Reserve Bank confer with the State supervisory authorities and the subject bank.

At this point Chairman Martin entered the meeting and Governor Balderston reviewed for him the discussion with regard to the applications of The Michigan Bank and also the suggestion which had been made for referring the matter back to the Federal Reserve Bank to obtain additional views on the method of financing proposed for increasing the bank's capital structure, following which the Chairman indicated that the proposed procedure was acceptable to him.

Thereupon it was unanimously agreed to follow such a procedure, with the understanding that an appropriate letter would be sent to the Federal Reserve Bank of Chicago.

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Governor Balderston also reviewed the other actions taken at this meeting for Chairman Martin, who indicated that he concurred in each of the actions taken.

Appointment of defense liaison officer. In accordance with the understanding reached at the Board meeting on Wednesday, August 6, Governor Shepardson reported the results of his study to find an appropriate member of the Board's staff to be appointed as liaison officer for permanent duty at High Point. It now appeared quite clear, he said, that the function of the Board's representative would be essentially liaison and that it would be logical to name Mr. Gordon Grimwood as the Board's liaison representative. It was felt that he could carry out this responsibility and still maintain his assignment at the Damage Assessment Center. While presently on leave, it was indicated that Mr. Grimwood would return before the presently indicated date for activation of the permanent cadre.

Governor Shepardson's suggestion was unanimously approved, with the understanding that the appropriate defense planning authorities would be notified.

Thereupon the meeting adjourned.

Secretary's Note: On August 8, 1958, Governor Shepardson approved on behalf of the Board the following items:

Memoranda from appropriate individuals concerned recommending the following items affecting the Board's staff:

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Appointment:

Louis W. Zidek as Assistant Federal Reserve Examiner, Division of Examinations, with basic annual salary at the rate of \$7,030, effective the date he assumes his duties.

Salary increases, effective August 10, 1958:

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Research and Statistics</u>			
Rose C. Cassedy, Research Assistant (change in title from Statistical Assistant)		\$5,090	\$5,280
Margaret V. Hastings, Research Assistant		4,340	4,980
Monica F. Jones, Statistical Assistant		5,240	5,430
Cornelia J. Motheral, Research Assistant (change in title from Statistical Assistant)		5,090	5,280
Winofred Racz, Statistical Assistant		5,240	5,430
Barbara E. Schriver, Statistical Assistant (change in title from Statistical Clerk)		3,850	4,040
Natalie C. Strader, Research Assistant (change in title from Statistical Assistant)		4,640	4,980
Ann M. Van Eckhardt, Statistical Assistant (change in title from Statistical Clerk-Typist)		4,040	4,190
Mary F. Weaver, Statistical Assistant		5,390	5,580
<u>International Finance</u>			
Margaret R. Garber, Economist		6,435	6,585
Katherine P. Hichborn, Secretary		4,640	4,790
<u>Bank Operations</u>			
Margaret K. Ball, Supervisor, Call Report Unit (change in title from Statistical Assistant)		5,390	5,580
Evelyn Bryan, Supervisor, Member Bank Statement Unit		5,390	5,580
Esther W. Conover, Supervisor, Reserve Bank Statement Unit		5,390	5,580
Pearle E. Randour, Statistical Assistant (change in title from Statistical Clerk)		4,940	5,090
Mary Louise Roberts, Statistical Assistant (change in title from Statistical Clerk)		4,940	5,090

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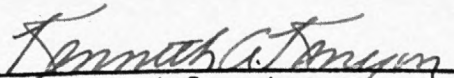
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Salary increases, effective August 10, 1958 (continued)

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Examinations</u>			
Susan Kirby, Clerk-Stenographer		\$3,755	\$3,850
John T. McClintock, Review Examiner		8,810	9,050
<u>Personnel Administration</u>			
M. Callie Wickline, Nurse		5,240	5,430
<u>Administrative Services</u>			
Rita D. Brinley, Secretary		4,340	4,490
Eleanor S. Caroglanian, Clerk		3,495	3,590
<u>Controller</u>			
Susie T. Oros, Disbursing Assistant		5,730	5,880

Memorandum dated August 6, 1958, from Mr. Young, Director, Division of Research and Statistics, recommending that a position of Statistical Clerk-Typist in the Administration Section be abolished and that a similar position be established in the Government Finance Section, with the understanding that the new position, with clear-cut duties and responsibilities, would be allocated to Grade FR-5 as a Statistical Assistant.

Letter to the Federal Reserve Bank of Atlanta approving the designation of three persons as special assistant examiners, a copy of which is attached as Item No. 7.

  
Assistant Secretary

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

Item No. 1  
8/11/58

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

August 11, 1958



Board of Directors,  
The First National Bank of Las Cruces,  
Las Cruces, New Mexico.

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 New Mexico, 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 First National Bank of Las Cruces is now authorized to exercise will be forwarded to you in due course.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.

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

Item No. 2  
8/11/58

S-1664

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

August 11, 1958.

Dear Sir:

It has been observed in reports of examination of State member banks that variations exist in the manner in which substantial or significant recoveries and charge-offs are listed for purposes of pages 4 and 4(a). Reference is made to the "Memorandum with Respect to Revised Pages of Report of Examination Form F.R. 410," enclosed with the Board's letter of August 31, 1949 (S-1120, F.R.L.S. #3614). The paragraph below supersedes the third paragraph under the section captioned "Page 4-(a)" in the memorandum regarding the listing of substantial or significant recoveries or charge-offs since the last examination in preparing page 4(a).

In those instances where substantial or significant recoveries or charge-offs have been made on the books of the bank since the last examination, it would seem desirable to detail all such changes in the reports of examination. In this connection, it is suggested that all substantial or significant recoveries or charge-offs since the last examination be listed on the appropriate pages or on supplemental pages, regardless of whether the practice of the Reserve Bank is to show operations for the last calendar year (or for the first six months of the current year) in the last column of pages 4 and 4(a), or to complete these pages to date of examination.

Your cooperation in this matter will be appreciated.

Very truly yours,

*Kenneth A. Kenyon*  
Kenneth A. Kenyon,  
Assistant Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

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

Item No. 3  
8/11/58  
S-1665

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

August 11, 1958.

Dear Sir:

Under date of January 27, 1948, following the decision in the Agnew-Fayerweather case by the Supreme Court of the United States, the Board requested the Reserve Banks to review cases in which the Board or a Reserve Bank had taken the position that an organization was not affected by section 32 of the Banking Act of 1933 on the ground that the extent to which it was engaged in any business of the kinds described in section 32 was not sufficient to make it "primarily engaged" in such business. The Board's letter was not in such form as to be placed in the Federal Reserve Loose-Leaf Service, and therefore has not been readily available for use in connection with new cases which arise from time to time. Accordingly, the portion of the letter describing the factors to be taken into consideration (slightly revised to bring it up to date) is repeated below; and this letter will be placed in the Loose-Leaf Service. It should be noted that the information described below is not applicable to cases involving investment trusts.

By way of background, attention is invited to the following brief extracts from the opinion of the Supreme Court in the Agnew-Fayerweather case:

"If the underwriting business of a firm is substantial, the firm is engaged in the underwriting business in a primary way though by any quantitative test underwriting may not be its chief or principal activity.

"Section 32 is directed to the probability or likelihood, based on the experience of the 1920's that a bank director interested in the underwriting business may use his influence in the bank to involve it or its customers in securities which his underwriting house has in its portfolio or has committed itself to take. That likelihood or probability does not depend on whether the firm's underwriting business



exceeds 50 per cent of its total business. It might, of course, exist whatever the proportion of the underwriting business. But Congress did not go the whole way; it drew the line where the need was thought to be the greatest. And the line between substantial and unsubstantial seems to us to be the one indicated by the words 'primarily engaged'."

Depending upon the circumstances, it would seem that an organization might be primarily or substantially engaged in a business of the kind covered by section 32 when the amount of such business is substantial in relation to the firm's total business (as measured by the dollar volume of each, or by some other reliable criterion), or substantial in relation to the total amount of such business of all firms in the nation, or (if the organization is not operating in a large financial center) substantial in relation to the total amount of such business of the firms and organizations in the community in which it is operating. Factors other than these may also show that an organization falls within the statute, and it is important that all pertinent facts should be taken into consideration.

In considering a case of this kind, it would be desirable to obtain the information described below and transmit it to the Board, if a ruling by the Board is desired. Of course, there will undoubtedly be cases where the amount of business described in section 32 is so small or so large that your Bank will decide to dispose of the inquiry without referring it to the Board; and in such cases it may be that it will not be necessary to obtain all the information described below, because the answer will be clearly apparent without the necessity of going into so much detail.

The following information should be obtained, if possible, for each of the last preceding four calendar years:

- (1) the dollar volume of business of the kinds described in section 32 engaged in by the firm or organization;
- (2) the percentage ratio of such dollar volume to the dollar volume of the firm's total business;
- (3) the gross income of the firm from the kinds of business described in section 32 and the percentage ratio of such income to the total gross income of the firm;
- (4) the number of issues involved in the firm's business of the kind covered by section 32;
- (5) whether the firm has a separate department for business of the kind covered by section 32;

(6) whether or not the firm holds itself out as being engaged in any business of a kind covered by section 32, and whether or not its advertisements or reports, if any, refer to or emphasize any such business;

(7) whether there is more than one office of the firm, and if so, the number and location of the other offices;

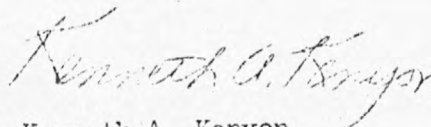
(8) if the firm is located or operating in a community other than a large financial center, the percentage ratio of the dollar volume of business of the kinds described in section 32 to the dollar volume of all such business engaged in by all firms in the community, to the extent that such information may be available; and

(9) if the firm is one of the larger firms in the country, it would be desirable to ascertain the rank of the firm in the field of business covered by section 32 as indicated by any reliable publications, and also the percentage ratio of the dollar volume of the firm's section 32 business to the total of all section 32 business engaged in by all the firms in the country.

With respect to item (9), it should be noted that section 32 applies not only to underwriting and distributing, but also to certain other activities. However, reliable comparative figures often are available only for underwriting and distributing, and especially in case of a larger firm those figures alone can be informative and may show that such a firm is subject to section 32.

In addition to these factors, there will, of course, in particular cases be other factors which may have a bearing upon the consideration of the question, and all such factors should be developed as fully as practicable. This may be true particularly in case of organizations which engage in the practice of acquiring blocks of previously issued securities and selling them for their own account (secondary distributions).

Very truly yours,



Kenneth A. Kenyon,  
Assistant Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

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

Item No. 4  
8/11/58

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

August 11, 1958

Board of Directors,  
Nyack Bank and Trust Company,  
Nyack, New York.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of New York, the Board of Governors approves the establishment of branches at

14 East Central Avenue, Pearl River, New York;  
102 North Middletown Road, Pearl River, New York;  
and at the Southeast corner of Moison Road and  
Erie Street, Blauvelt, New York,

by Marine Midland Trust Company of Rockland County, Nyack, New York. This consent is given provided

- a. the merger of State Bank of Pearl River, New York, Pearl River, New York, with and into Nyack Bank and Trust Company, Nyack, New York, to form Marine Midland Trust Company of Rockland County, Nyack, New York, is effected substantially in accordance with the terms of the Plan of Merger dated June 24, 1958;
- b. shares of stock acquired from dissenting shareholders are disposed of within six months after date of acquisition;
- c. the branches are established within six months from the date of this letter; and
- d. that formal approval of the State authorities is obtained.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.



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

Item No. 5  
8/11/58

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

August 11, 1958

Board of Directors,  
Marine Midland Trust Company  
of Southern New York,  
Elmira, New York.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of New York, the Board of Governors approves the establishment of a branch at 245 Broad Street, Waverly, New York, by Marine Midland Trust Company of Southern New York, Elmira, New York. This consent is given provided:

- a. the merger with The Citizens National Bank of Waverly, Waverly, New York, is effected substantially in accordance with the plan of merger dated June 10, 1958;
- b. shares of stock acquired from dissenting shareholders are disposed of within six months after date of acquisition;
- c. the branch is established within six months from the date of this letter; and
- d. that formal approval of the State authorities is obtained.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.



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

Item No. 6  
8/11/58

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

August 11, 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 August 8, 1958, for the views of the Board of Governors on enrolled bill S. 3651, the "Small Business Investment Act of 1958."

The Federal Reserve System has long been concerned that existing financing sources may not be adequate to provide credit-worthy small businesses with the equity and long-term debt capital that they need to prosper and grow. The bill, S. 3651, that has been passed by the Congress appears to the Board to represent a desirable approach to the problem of facilitating the flow of such funds to small business.

The "Small Business Investment Act of 1958" attempts to provide for maximum participation by private financing sources. It encourages the further development of the kind of private financing sources that are already active in this field and have done considerable pioneer work. It sets up safeguards designed to assure that funds will be advanced to small business on a sound financial basis. It permits the granting of funds for research and counseling.

The Board of Governors favors repeal of Section 13b of the Federal Reserve Act, as provided in Title VI of the enrolled bill.

While we recognize that any program designed to facilitate the flow of capital to small business must be frankly experimental at the start, the Board of Governors feels that S. 3651 represents a reasonable approach to the problem, and recommends that it be approved.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.

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

Item No. 7  
8/11/58

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

August 8, 1958

Mr. George W. Sheffer, Jr., Chief Examiner,  
Federal Reserve Bank of Atlanta,  
Atlanta 3, Georgia.

Dear Mr. Sheffer:

In accordance with the request contained in your  
letter of August 6, 1958, the Board approves the designation of:

Nicholas J. Bandi  
Edgar L. Pecot  
Earl J. Pennison

as special assistant examiners for the Federal Reserve Bank  
of Atlanta, with authority to participate in examinations of  
State member banks only.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.