

Minutes of the Board of Governors of the Federal Reserve System
on Tuesday, October 14, 1958. The Board met in the Special Library at
10:00 a.m.

PRESENT: Mr. Balderston, Vice Chairman
Mr. Szymczak
Mr. Mills
Mr. Robertson
Mr. Shepardson

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Fauver, Assistant Secretary
Mr. Hackley, General Counsel
Mr. Masters, Director, Division of Examinations
Mr. Farrell, Associate Director, Division of
Bank Operations
Mr. Daniels, Assistant Director, Division of
Bank Operations
Mr. Solomon, Assistant General Counsel
Mr. Hexter, Assistant General Counsel
Mr. Young, Assistant Counsel
Mr. Poundstone, Federal Reserve Examiner,
Division of Examinations

Items circulated or distributed to the Board. The following items,
which had been circulated or distributed 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 Bank of America, New York, New York, regarding the examination of that bank made as of November 22, 1957. (With copies to the Federal Reserve Banks of New York and San Francisco)	1
Letter to Chase International Investment Corporation, New York, consenting to an additional investment by Arcturus Investment & Development, Ltd., Montreal, Canada, in stock of Concreto Redimex do Rio de Janeiro. (For transmittal through the Federal Reserve Bank of New York)	2

10/14/58

-2-

	<u>Item No.</u>
Letter to the State Bank of East Moline, East Moline, Illinois, approving an additional investment in bank premises. (For transmittal through the Federal Reserve Bank of Chicago)	3
Letter to the First National Bank of Niles, Niles, Michigan, approving its application for fiduciary powers. (For transmittal through the Federal Reserve Bank of Chicago)	4
Letter to the Helena National Bank, Helena, Arkansas, approving its application for fiduciary powers. (For transmittal through the Federal Reserve Bank of St. Louis)	5
Letter to the Smackover State Bank, Smackover, Arkansas, approving the establishment of a branch in Norphlet, Arkansas. (For transmittal through the Federal Reserve Bank of St. Louis)	6
Letter to the California Bank, Los Angeles, California, approving the establishment of a branch at Adams Boulevard and South Broadway. (For transmittal through the Federal Reserve Bank of San Francisco)	7
Telegram to the Federal Reserve Bank of Philadelphia interposing no objection to a program for improving the Bank's electrical system at a cost of \$70,000.	8
Letter to the Federal Reserve Bank of Chicago approving the payment of salary at a specified annual rate to the Bank's marble man.	9
Letter to the Montgomery County Bank and Trust Company, Norristown, Pennsylvania, approving the establishment of three branches incident to a proposed merger with The National Bank of Pottstown. (For transmittal through the Federal Reserve Bank of Philadelphia)	10
Letter to the Fidelity-Philadelphia Trust Company, Philadelphia, Pennsylvania, granting an extension of time within which to establish a branch in Upper Darby Township. (For transmittal through the Federal Reserve Bank of Philadelphia)	11

10/14/58

-3-

Prior to approval of Item No. 11, Governor Robertson withdrew a tentative objection to granting a further extension of time for establishment of the branch after Mr. Masters explained that the Fidelity-Philadelphia Trust Company intended to terminate operations at an existing branch located .3 of a mile away when the new facilities became available.

Mr. Poundstone then withdrew from the meeting.

Electrical and mechanical program at St. Louis Bank (Item No. 12).

In a letter dated October 9, 1958, President Johns of the Federal Reserve Bank of St. Louis stated that the Bank's directors had approved, subject to the approval of the Board of Governors, accepting the low bids for an electrical and mechanical program that contemplated discontinuance of the Reserve Bank's steam generating plant, purchase of steam for heating the bank premises, and replacement of certain electrical and air-conditioning equipment. The Division of Bank Operations had reviewed the matter and had prepared a draft of telegram to the St. Louis Bank interposing no objection to acceptance of the low bids, but there had not been an opportunity to circulate the file to the members of the Board. However, in view of time pressures mentioned by Mr. Johns, Governor Balderston presented the item for consideration at this meeting.

Mr. Daniels explained that last spring the Board authorized the St. Louis Bank to have detailed plans and specifications drawn up for the program in question and to call for bids if the final estimates were in line with the original estimate. Bids were received from three electrical and

10/14/59

-4-

three mechanical contractors, but the plans were then revised somewhat in the light of advice from the Bank's consulting engineers regarding certain alternates and the Bank decided to renegotiate with the two lowest bidders for the mechanical work. According to the letter of Mr. Johns, the highest bidder for the mechanical work was not brought into the renegotiations because it was felt that his bid was too far out of line to make this worth while.

Mr. Young commented that no legal question appeared to be involved but there was a question of policy involved in having a party go to the expense of preparing an initial bid and then excluding that party from further negotiations.

Following discussion of this point, the Board approved unanimously a telegram to the Federal Reserve Bank of St. Louis (attached Item No. 12), interposing no objection to acceptance of the low bids or to the related expenditure. At the same time it was noted that the question of appropriate bidding procedure had also been raised in a previous case involving another Reserve Bank. Therefore, it was decided that a letter on this subject should be sent to all of the Federal Reserve Banks.

Governor Mills then referred to the capital expenditure programs at Federal Reserve Banks and suggested the desirability of calling to their attention the need for care in avoiding programs for which the need is not very clearly demonstrated. He pointed out that in the case of the Reserve Banks such expenditures can be made easily because the funds are

10/14/58

-5-

available, which tends to increase the responsibility of the Board and the Banks.

In the light of the comments by Governor Mills, it was understood that steps would be taken to place the topic on the agenda for the meeting of the Conference of Chairmen of the Federal Reserve Banks to be held in December.

Mr. Young then withdrew from the meeting.

Application of The Michigan Bank to establish branches (Item No. 13).

On August 20, 1958, the Board approved the application of The Michigan Bank, Detroit, Michigan, for permission to establish two additional in-town branches provided that prior to the establishment of such branches the capital structure of the bank would be increased by not less than \$1 million through the sale of additional common stock. The State authorities previously had approved the establishment of the branches provided the basic capital stock of the bank was increased to \$4 million through the sale of at least \$1 million of new stock, which might be in the form of preferred stock, and the declaration of a stock dividend of not less than \$1 million. Subsequently, on September 5, 1958, representatives of the member bank met with the available members of the Board for discussion of this matter and another matter of concern to the bank. There had now been distributed to the members of the Board a memorandum from the Division of Examinations recommending for reasons stated that no change be made in the

10/14/58

-6-

condition prescribed by the Board in connection with approval of the establishment of the branches. In a second memorandum, distributed under date of October 9, 1958, Mr. Masters stated that although his preference rested with common stock as the most acceptable method of providing needed bank capital, in this particular case he felt there was considerable merit in the views of the applicant bank supporting its desire to employ preferred stock as a means of providing additional capital. Mr. Masters pointed out that there was no legal basis on which the Board could object to the issuance of preferred stock and that if the applicant had sold the proposed issue of preferred stock in advance of filing the branch applications with the Board, it would have been most difficult to object on the basis of an undercapitalized situation. It was his opinion, therefore, that the circumstances of this case were such as to warrant action by the Board consistent with the requirements of the State banking authorities.

In response to questions by members of the Board, Mr. Masters said that he would like to see this case decided as a special case and not one which would establish a precedent. He cited the origin of the member bank as an industrial bank and pointed out that the institution had enjoyed unexpected and very substantial growth, particularly in time deposits. He noted that it is a family-owned institution and that the owners did not want to dilute their control.

10/14/58

-7-

Governor Szymczak referred to the Board's position of long standing that additional capital should be obtained by a bank through the sale of common stock except in an emergency. He said that a desire on the part of the owners to retain control would be present in many cases and that a deviation by the Board in this case would tend to create more problems than it would solve.

Governor Robertson concurred and stated that he saw no basis for a change in the Board's previous decision.

In reply to questions by Governor Shepardson, Mr. Masters recalled that Mr. Stoddard of The Michigan Bank had indicated that he felt that the growth of the bank was tending to level off. Governor Shepardson then stated that he had raised the question because further growth of the bank, which might in part result from the establishment of new branches, would mean that the bank again would be faced with the problem of adequate capitalization. Hence, the question of the issuance of preferred stock would be likely to come into the picture again. It was noted that Mr. Stoddard had expressly stated that the owners of the bank would prefer to sacrifice further expansion rather than to dilute their control of the institution. In response to a further question, Mr. Masters stated that the bank was in need of additional capital in any event but that the addition of \$1 million of stock would put the bank in a reasonably good capital position.

10/14/58

-8-

Governor Balderston said he felt that the Board ought not to deviate from past policy. He cited the reasons advanced by Governor Szymczak at this meeting and the reasons advanced by Governor Vardaman at the time of earlier discussion of The Michigan Bank's applications.

Governor Mills, who was on vacation when the Board's decision was reached, recalled that before leaving on vacation he had taken a position in favor of approval of the requested branches and that following his return he had recorded his position in the minutes. He concurred in the views expressed by Mr. Masters, stating that by and large the Board, through counseling with member banks, was able to explain its position regarding the sale of preferred stock, and member banks usually were willing to adhere to the Board's recommendation. In a case in Minnesota, the Board recently approved the issuance of a hybrid form of debenture as, in essence, a form of capital. It was extremely difficult to draw a line and not deviate from it, he said, and in this case there was a question whether the Board's position could be sustained at law. Hence, it seemed to him that an attempt to maintain that position would be impolitic.

Mr. Hackley commented that the legal point was debatable. In view of the possibility that the matter might be taken to court, he suggested that it might be desirable to send the member bank a copy of the memorandum prepared by the Secretary's Office concerning the meeting held on September 5, although he was not sure whether this would be of any aid to the Board in the event of litigation. It would only serve the purpose of showing

10/14/58

-9-

that the Board had not acted without considering the views and comments of the applicant institution.

Governor Szymczak observed that nothing brought out at the meeting changed the circumstances of the case in any significant way. The Board had been aware before the meeting that Michigan State law permits a bank to sell preferred stock. Moreover, regardless of local law it seemed to him that on a national basis the Board must take a position with regard to what it considers the best way to obtain additional capital, and the Board had heretofore taken the position that the best way to proceed was on the basis of the sale of additional common stock.

Governor Balderston said he thought the Board should go to the Congress for explicit authority in matters of this kind before test cases developed.

At the instance of Governor Shepardson, there ensued a discussion of the reasons for preferring common stock to preferred stock. Reference was made to reasons cited when the applications of The Michigan Bank first came up for discussion before the Board, following which Governor Robertson brought out that the issuance of preferred stock enables parties holding common stock to maintain control of the bank and in effect to borrow additional capital in the form of preferred stock. As a result, a small group may be able to maintain control of a banking institution.

Furthermore, once resort is had to preferred stock the only option when additional capital is needed may be to obtain that capital through the

10/14/58

-10-

sale of more preferred stock. Governor Szymczak called attention to the fact that preferred stock is of a temporary character because it is borrowed money. In addition, he said, preferred stock has a special status which places a financial strain on the bank issuing it.

Governor Mills agreed with Governor Robertson's comments regarding the general question of the issuance of preferred stock. He observed that the proposed Financial Institutions Act contains a provision which would impose some limitations on the issuance of preferred stock by national banks, so that within the Federal regulatory authorities there is a rather clearly defined position. Because of statements made in connection with that Act, he pointed out, the Board had not been remiss in presenting its views to the Congress. However, until the Congress took a stand on the matter through legislation it was his contention that the Board did not have legal authority to impose a requirement such as that attached to its approval of the branches for The Michigan Bank.

In further discussion Mr. Masters said it was his view that the Board had a responsibility to consider not only the dollar adequacy of capital but also the form of capital stock. In his opinion the Board should not apply the principle arbitrarily and always insist on the issuance of common stock regardless of the circumstances of a particular case. In the case of The Michigan Bank it was his view that factors such as the quality of management, the record of good administration, and good earnings would support a deviation from an otherwise sound approach.

10/14/58

-11-

At the conclusion of the discussion the Board reaffirmed, with Governor Mills dissenting, the position originally taken with regard to the branch applications filed by The Michigan Bank. A copy of the letter to The Michigan Bank transmitted through the Federal Reserve Bank of Chicago pursuant to this action is attached as Item No. 13.

Processing of branch and merger applications (Item No. 14). Under date of October 10, 1958, there had been distributed to the Board copies of a draft of letter to the Federal Reserve Bank of New York with respect to the procedural suggestion for processing branch and merger applications which was made on the occasion of the recent visit to the Board's offices by Mr. George A. Mooney, New York State Superintendent of Banks. A copy of the letter would be sent to Mr. Mooney.

In discussing the proposed letter, Governor Robertson cited reasons why Mr. Mooney and his staff might have left the Board's offices with an erroneous understanding of the suggested procedure. In the event of such misunderstanding, he stated, it would be better to have the matter cleared up now than to risk a possible dispute at a later date.

At the suggestion of Governor Mills, the letter was changed to state more fully the role played by the Federal Reserve Bank of New York in the functioning of an application, and the letter was approved unanimously in the form of attached Item No. 14.

Request from the Council of Economic Advisers. Governor Mills reported a request from the Council of Economic Advisers for the

10/14/58

-12-

cooperation of the Board's staff in an informal study of the prospective growth of the money supply under certain assumptions. The request grew out of a recent staff paper, transmitted informally by Chairman Martin to the Secretary and Under Secretary of the Treasury, in which estimates were made regarding investment funds that would be available for the Treasury in its financing operations. Although it was recognized at both the Board and the Council that a thorough study of the money supply would be a monumental task, the request anticipated a study that could be made within a period of approximately three weeks. As finally worked out, Governor Mills said, the study would be a Board project from inception to completion. It would then be reviewed by representatives of the Treasury and the Council of Economic Advisers.

At the conclusion of Governor Mills' comments, it was agreed that there would be no objection to the undertaking of the study on the basis indicated.

Mr. Masters then withdrew from the meeting.

Denver Branch building site. Governor Balderston reported that on October 9 he talked with Chairman Hall of the Federal Reserve Bank of Kansas City on two occasions concerning the controversy that had developed regarding the Denver Branch building site. He said he informed Mr. Hall that in addition to certain telegrams that had been relayed to Kansas City the Board also had been in receipt of inquiries from Congressional offices, prompted apparently by the publicity that had arisen from the controversy.

10/14/58

-13-

He said he urged Mr. Hall to ascertain the true facts by seeking written statements from Denver bankers as to their views and also made the suggestion that, if possible, a final decision on the matter come out of a joint meeting of the head office and branch directors. At the time of the second telephone call, Mr. Hall stated that the owner of a piece of land adjacent to the present Denver Branch building reportedly had now stated in public that he would give the land to the Federal Reserve. Also, the owner of land on the other side of the branch building, who had previously taken the position that he would not sell, reportedly had now changed his mind. Therefore, the Kansas City Board of Directors had decided to seek, if possible, an option from each of those owners with the minimum payment that would make the options legal, the purpose being to ascertain whether the reported offers were real. With regard to the site selected for a new branch building, it appeared that technical difficulties stood in the way of obtaining good title to some of the parcels, and this was giving the directors some concern. Accordingly, they were taking steps to see whether those technicalities could be resolved satisfactorily. In all the circumstances, the Kansas City directors had decided to await the ascertainment of the necessary facts and then, in conference with the branch directors, review the whole situation. In the meantime, the directors were considering the approval by the Board of Governors as "not existing," for it was their feeling

10/14/58

-14-

that no matter how the problem was eventually resolved they would want to come back to the Board for approval.

Governor Balderston said Mr. Hall also had stated that he would personally call both of the Colorado Senators to advise them of the current status of the matter. Furthermore, it was proposed to issue a press statement in a form which Governor Balderston then read.

Processing of bank holding company cases. Governor Shepardson referred to the discussion at the meeting of October 3, 1958, relating to the Board's desire to expedite processing of bank holding company applications and informed the Board of steps designed to accomplish this end by eliminating certain review work in the Division of Examinations. He stated that some headway already was reported in cleaning up the backlog and that he was keeping closely in touch with the situation.

All of the members of the staff then withdrew and the Board went into executive session.

Correspondence with Congressman Wright (Item No. 15). The Secretary was later informed that during the executive session the Board approved a letter (attached Item No. 15) to Congressman James C. Wright of Texas regarding the appointment and removal of Federal Reserve Bank Presidents.

The meeting then adjourned.

Secretary's Note: Pursuant to the recommendations contained in memoranda from appropriate

10/14/58

-15-

individuals concerned, Governor Shepardson approved on behalf of the Board on October 13, 1958, increases in the basic annual salaries of the following persons on the Board's staff in the amounts indicated, effective October 19, 1958:

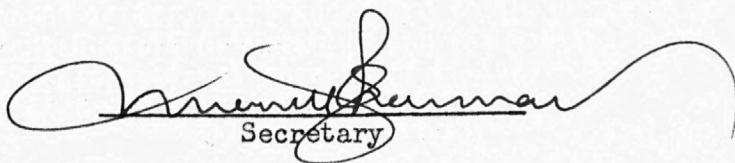
<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Office of the Secretary</u>			
Dorothy A. Crutcher, Secretary		\$4,790	\$4,940
Ruth W. Eschmeyer, Records Clerk		3,850	3,945
Ava Mae Landes, Records Clerk		3,850	3,945
<u>Legal</u>			
Hallie A. Desmond, Secretary		4,640	4,790
<u>Research and Statistics</u>			
Virginia Lambert, Clerk-Stenographer		4,325	4,515
Lucile R. MacLean, Librarian		5,985	6,135
<u>Examinations</u>			
G. Halvor Bockman, Assistant Federal Reserve Examiner		6,735	6,885
Malcolm F. Johnson, Federal Reserve Examiner		7,510	7,750
<u>International Finance</u>			
Gordon B. Grimwood, Economist		10,130	10,370
<u>Administrative Services</u>			
Ruth A. Brown, Charwoman		3,245	3,340
Edith C. Hartzell, Charwoman		3,340	3,435
<u>Controller</u>			
Joseph H. Hoyle, Supervisor, Payroll and Disbursing (Change in title from Payroll Clerk)		5,390	5,580

10/14/58

-16-

As recommended by the Controller in a memorandum dated October 7, 1958, Governor Shepardson approved on behalf of the Board on October 13, 1958, an expenditure of \$761.31 for the purchase of a dictating machine and transcriber by the Division of International Finance.

The National Labor Relations Board having responded favorably to the Board's request for an extension of the detail of Charles W. Schneider, Hearing Examiner, for an additional period of six months from June 30, 1958, a letter was sent to the Civil Service Commission on October 13 requesting approval of the extension.


Secretary

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

Item No. 1
10/14/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 14, 1958



Mr. Jesse W. Tapp,
Chairman of the Board of Directors,
Bank of America,
40 Wall Street,
New York 15, New York.

Dear Mr. Tapp:

This refers to a letter dated June 27, 1958, addressed to the Board of Governors of the Federal Reserve System by Executive Vice President Russell G. Smith, regarding the report of examination of Bank of America, New York, made as of November 22, 1957, by examiners for the Board of Governors. The letter was accompanied by a second letter, also addressed to the Board by Executive Vice President Russell G. Smith, which referred particularly to certain organizational changes of Bank of America, New York, placed in effect on May 12, 1958.

It has been noted that the report of examination was presented to the Board of Directors at its meeting on May 19, 1958, and that it has been carefully reviewed by your Auditing and Examining Committee and by Executive Officers. It is also noted that special consideration has been given to the comments, recommendations and suggestions of the examiner as well as to the Past Due and Classified Loans, Other Loans Subject to Special Comment, and Nonconforming Extensions of Credit, Nonconforming Deposit Accounts, and to the Examiner's suggestions in connection with Records, Systems, and Controls.

With respect to the comment of the Examiner that the credit policies of the Corporation appear liberal in relation to capital funds and that outstandings in certain countries are considered large, it is noted that unsecured outstandings in Venezuela, Brazil, and Colombia have been reduced to less than 20 per cent of Capital and Surplus by the sale of participations to the parent company, and that outstandings in France and Israel have also been reduced. It is noted that the outstandings in these countries and in Uruguay have the close attention of the management. The changes outlined in Mr. Smith's letter relative

Mr. Jesse W. Tapp

- 2 -

to Foreign Exchange Trading operations to be placed in effect July 1, 1958, will undoubtedly provide an improvement in the control of such operations.

The detailed replies to each of the nonconforming extensions of credit and deposit accounts listed by the Examiner in the report of examination have been reviewed.

The only extension of credit considered nonconforming by the Examiner which appears to require mention here is the loan commitment for \$700,000 to Marshall Transportation Corporation, a Liberian corporation. The Examiner stated that the proceeds of the loan are to be used for shipbuilding in a domestic shipyard. The Corporation replies that "the loan is secured by mortgages on two Liberian flag vessels engaged in international trade. Thus, under this loan an obligation has been acquired of a foreign corporation engaged in international trade." In view of the use of the proceeds of the loan, the facts indicate that the loan is nonconforming irrespective of the nationality of the borrower or nature of the collateral.

Nonconforming deposit accounts of citizens of the United States domiciled in foreign countries as well as nonconforming time balances of domestic depositors and nonconforming accounts of foreign banks and foreign individuals appear to be receiving proper attention.

In connection with demand accounts of domestic depositors listed as nonconforming by the Examiner, the reply of the Corporation indicates that some of the accounts have since been closed and that others have either been brought into conformity or that steps have been taken to do so. However, the information furnished concerning the following demand deposit accounts of domestic customers listed as nonconforming is not of such nature as to warrant the conclusion that the deposit accounts conform to the requirements of Regulation K.

American Israeli Shipping Co.
American Steamship Agencies
Bahia Ceras Products, Inc.
A. L. Burbank & Co., As Agents for Daido Lines
Equipment & Supply Corp.
J. M. Santo Domingo & Co., Inc.
General Tire & Rubber Co.
Ingres Nassau Line, Ingres Line Agency (2 accounts)

Mr. Jesse W. Tapp

- 3 -

Jethmal & Sons, Ltd.
Kervin Shipping Corp.
Ocean Shipping and Trading Corp.
Overseas Steamship Corp.
Rutland Navigation Co. (2 accounts)
San Jacinto Venezolano, C. A.
San Mateo Compania Naviera, S. A.
Transatlantic Navigation Corp.
Transmundo, S. A.

It will be noted that ten of the accounts named above are those of steamship companies or their agents in New York. In some instances, the depositors, including a few Panamanian or Liberian companies, maintain their main offices in New York, while other depositors act as agents for foreign companies whose principal offices are abroad. These shipping company accounts usually are used solely in conjunction with disbursements necessary in the operation of foreign flag vessels calling at American ports. It appears that the Corporation considers such accounts to be conforming. While the shipping accounts might in a sense be said to arise in connection with international business, the acceptance of such deposit accounts is not considered by the Board to be permissible under the Federal Reserve Act and Regulation K at an office of an Edge Act corporation in the United States.

Advice is requested, with regard to each deposit account above named, as to the steps that will be taken to bring the accounts into conformity with the Regulation or to terminate the deposit relationship.

The report of the Examiner included some comments critical of the limited authority in administrative matters found at the office of the Corporation in New York, and also of the fact that the direction of foreign branch operations was from San Francisco rather than from New York. Whether the organizational changes described in the letter of Executive Vice President Smith will correct the administrative procedures to a satisfactory extent probably cannot be determined at this time. However, these changes appear to be in line with the recommendations of the Examiner and it is believed that the proposed steps will transfer a substantially greater measure of autonomy to New York in the over-all operations of the Corporation.

The Board appreciates the problems confronting an Edge Act corporation arising out of the specialized character of business to which such corporations must necessarily be limited. The Board has

Mr. Jesse W. Tapp

- 4 -

found the letters of Executive Vice President Smith in regard to matters in the recent report of examination, to be comprehensive and informative as well as cooperative.

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
10/14/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 14, 1958

Mr. V. E. Rockhill, Executive Vice President,
Chase International Investment Corporation,
18 Pine Street,
New York 5, New York.

Dear Sir:

In accordance with your request and on the basis of the information submitted in your letter of September 26, 1958, transmitted through the Federal Reserve Bank of New York, the Board of Governors grants its consent to an additional investment by Arcturus Investment & Development, Ltd., Montreal, Canada, a wholly-owned subsidiary of Chase International Investment Corporation, of Cruzeiros 1,080,000 (approximately U.S. \$7,000 equivalent) in stock of Concreto Redimix do Rio de Janeiro, S.A.

The Board's consent is granted with the understanding that Arcturus will be expected to dispose of the stock of the Brazilian corporation as promptly as practicable in the event that operations of the Brazilian corporation should at any time be inconsistent with the provisions of Section 25(a) of the Federal Reserve Act or regulations thereunder relating to corporations whose stock is owned by an Edge corporation.

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. 3
10/14/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 14, 1958

Board of Directors,
State Bank of East Moline,
East Moline, Illinois.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Chicago, the Board of Governors of the Federal Reserve System approves an additional investment in bank premises by the State Bank of East Moline of not to exceed \$310,000 for the purpose of constructing a new bank building.

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. 4
10/14/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 14, 1958



Board of Directors,
First National Bank of Niles,
Niles, Michigan.

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 Michigan, 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 First National Bank of Niles 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. 5
10/14/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 14, 1958

Board of Directors,
Helena National Bank,
Helena, Arkansas.

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 Arkansas, 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 Helena National Bank 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. 6
10/14/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 14, 1958



Board of Directors,
Smackover State Bank,
Smackover, Arkansas.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of St. Louis, the Board of Governors of the Federal Reserve System approves the establishment of a branch in the unincorporated town of Norphlet, Union County, Arkansas, provided the branch is established within nine months from the date of this letter.

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
10/14/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 14, 1958



Board of Directors,
California Bank,
Los Angeles 54, California.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of San Francisco, the Board of Governors of the Federal Reserve System approves the establishment of an in-town branch in the vicinity of the intersection of Adams Boulevard and South Broadway, Los Angeles, California, by California Bank, Los Angeles, California, provided the branch is established within six months from the date of this letter, and the approval of the State authorities is in effect as of the date of the establishment of the branch.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

T E L E G R A M
LEASED WIRE SERVICEBOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON

October 14, 1958

Bopp - Philadelphia

Board will interpose no objection to your proceeding with the proposal to improve the Bank's electrical system at a cost of approximately \$70,000, as outlined in Mr. Wilgus' letter of September 29, 1958.

(Signed) Kenneth A. Kenyon

Kenyon

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

Item No. 9
10/14/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 14, 1958



CONFIDENTIAL (FR)

Mr. H. J. Newman, Vice President,
Federal Reserve Bank of Chicago,
Chicago 90, Illinois.

Dear Mr. Newman:

The Board of Governors approves the payment of salary by the Federal Reserve Bank of Chicago to the Bank's "marble man" at the annual rate of \$5,592.60, retroactive to September 29, 1958, in accordance with the request contained in your letter of October 1, 1958.

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. 10
10/14/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 14, 1958



Board of Directors,
Montgomery County Bank and Trust Company,
Norristown, Pennsylvania.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Philadelphia, the Board of Governors approves the establishment of the following branches by Montgomery County Bank and Trust Company, Norristown, Pennsylvania:

205 High Street, Pottstown, Pennsylvania.
High and Wilson Streets, Pottstown, Pennsylvania.
West High Street, Stowe, Pennsylvania.

This consent is given provided:

- a. the merger with The National Bank of Pottstown, Pottstown, Pennsylvania is effected substantially in accordance with the joint plan of merger dated August 7, 1958;
- b. shares of stock acquired from dissenting shareholders are disposed of within six months from date of acquisition;
- c. the branches are established within six months from date of this letter;
- d. that formal approval of 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. 11
10/14/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 14, 1958

Board of Directors,
Fidelity-Philadelphia Trust Company,
Philadelphia, Pennsylvania.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Philadelphia, the Board of Governors extends until October 1, 1959, the time within which Fidelity-Philadelphia Trust Company may establish a branch in the Oak Park Shopping Center, situated between Oak Road and Bishop Road, West Baltimore Pike, Upper Darby Township, Pennsylvania, under authority contained in the Board's letter of July 12, 1956.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.



TELEGRAM
LEASED WIRE SERVICEItem No. 12
10/14/58BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON

October 14, 1958

Johns - St. Louis

Reurlet October 9, 1958, Board will interpose no objection to your Bank's acceptance of low bids for electrical and mechanical work referred to in your letter, and expenditure of approximately \$283,000, including engineering fees.

(Signed) Kenneth A. Kenyon

Kenyon

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

Item No. 13
10/14/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 20, 1958



AIR MAIL REGISTERED
RETURN RECEIPT REQUESTED

Board of Directors,
The Michigan Bank,
Detroit, Michigan.

Gentlemen:

This is with further reference to your application for approval of the establishment of two branches, which was the subject of the Board's letter of August 20, 1958 and also of a discussion between representatives of the Board and your Bank on September 5, 1958.

While the Board's Regulation H provides that the terms "capital" and "capital stock" include preferred stock, this refers to the minimum capital required by statute as one of the pre-conditions for admission to membership in the System, and does not purport to determine the general question of capital adequacy. Quite aside from that provision, however, it is true that preferred stock issued by a bank is part of the bank's capital structure, but it is also recognized that preferred stock is substantially different in nature from common stock. The differences include the claim, in fact if not legally, of preferred stock on bank earnings, problems connected with undue separation of control from investment in the institution, and problems preferred stock may create later in connection with necessary flotation of additional stock. Any appraisal of capital adequacy must necessarily take into account not merely the amount but the nature of capital.

Your representatives indicated at the discussion that they would not anticipate a large increase in deposits in the near future from the proposed branches, and that the persons who control the bank do not wish to dilute such control by having the bank issue additional common stock which they do not wish to purchase. Your representatives also indicated, however, that the growth of the bank to the present time had greatly exceeded expectations. The Board is of the opinion that unwillingness of controlling stockholders to purchase additional common stock or to permit dilution of their control does not satisfy or offset a bank's need for capital.

Board of Directors,
The Michigan Bank.

-2-

Having carefully reconsidered this matter in the light of all relevant circumstances, including those explored at the discussion with your representatives, the Board has again reached the conclusion that approval of the branches you have requested would not be warranted without the sale of at least \$1 million of common stock in addition to your Bank's proposed stock dividend of \$1 million. Accordingly, the Board must continue to specify such a sale of common stock as a condition to its approval of your application to establish the branches.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 14
10/14/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 14, 1958.



Mr. Howard D. Crosse,
Assistant Vice President,
Federal Reserve Bank of New York,
New York 45, New York.

Dear Mr. Crosse:

The Superintendent of Banks for the State of New York, Mr. George A. Mooney, visited the Board's offices recently in company with members of his staff to discuss certain matters of mutual interest with the members of the Board. One of the problems considered at that time related to the possibility of the New York State banking authorities and the Board of Governors announcing conflicting decisions with respect to a branch or merger application which requires both State and Federal Reserve approval.

As you know, the Board of Governors has for some time followed the practice of not taking action on any branch or merger application unless such application has received the favorable consideration of the State banking authorities concerned. While this serves to reduce substantially the number of cases where conflicting decisions conceivably could be rendered, it leaves open the possibility that the Board of Governors, in the exercise of its statutory responsibilities, might decide adversely on an application which already bears the announced approval of the State authorities.

It is understood that the New York State Banking Department confers informally with the Federal Reserve Bank of New York at an early stage concerning any branch or merger application received by that Department which will also require the approval of the Board of Governors, and that thereafter the State Banking Department decides upon the recommendation which it intends to make to the State Banking Board. In the meantime, the New York Reserve Bank processes the application received by it for Federal Reserve approval and formulates its recommendation, which is weighed heavily by the Board of Governors in making its decision. After this processing is completed, the Reserve Bank transmits the application, along with its recommendation, to the Board of Governors and advises of the recommendation which is to be made by the State Banking Department. However, before the Board of Governors acts upon the matter it awaits the decision of the State Banking Board.

Mr. Howard D. Crosse

-2-

The Board's understanding of the agreement reached during Mr. Mooney's visit is that none of the foregoing procedures will be changed. In other words, the State Banking Department and the Federal Reserve Bank of New York will proceed in exactly the same manner as heretofore. However, before the decision of the State Banking Board is announced to the applicant, the Board of Governors will advise the Reserve Bank of its decision and this information will be communicated by the Reserve Bank to the New York State authorities. Assuming that the decisions by the Board of Governors and the State Banking Board are both favorable, the State authorities will then announce their decision and, at the same time, advice of the action taken by the Board of Governors will be transmitted to the applicant through the New York Reserve Bank. If it should develop that the decision of the Board of Governors is unfavorable, discussion between the Federal and State authorities may be desired.

As stated to Mr. Mooney at the time of his visit to the Board's offices, it is the Board's sincere desire to avoid the occurrence of any embarrassing incident that might arise because of conflicting views with respect to an application which falls within the jurisdiction of both the Board of Governors and a State banking authority. Accordingly, the Board was glad to suggest the procedure outlined above, which would appear to provide a means of resolving satisfactorily the problem referred to by Mr. Mooney.

A copy of this letter is being sent to Mr. Mooney for his information.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 15
10/14/58

OFFICE OF THE VICE CHAIRMAN

October 15, 1958



The Honorable James C. Wright,
House of Representatives,
Washington 25, D. C.

Dear Mr. Wright:

This is in response to your letter of October 6, 1958, requesting information on behalf of a constituent concerning the appointment and removal of Federal Reserve Bank Presidents.

The provisions of the Federal Reserve Act expressly dealing with the appointment and removal of officers of Federal Reserve Banks are contained in paragraph 4 of section 4 and section 11(f).

Paragraph 4 of section 4 empowers each Federal Reserve Bank to appoint "by its board of directors a president, vice presidents, and such officers and employees as are not otherwise provided for in [the] Act, . . . and to dismiss at pleasure such officers or employees. The president . . . shall be appointed by the board of directors, with the approval of the Board of Governors of the Federal Reserve System, for a term of five years. . . ." (12 U.S.C. 341)

Section 11(f) of the Federal Reserve Act authorizes and empowers the Board of Governors to "suspend or remove any officer or director of any Federal reserve bank, the cause of such removal to be forthwith communicated in writing by the Board of Governors of the Federal Reserve System to the removed officer or director and to said bank." (12 U.S.C. 248(f))

Sincerely yours,

(Signed) C. Canby Balderston

C. Canby Balderston,
Vice Chairman.