

Minutes of the Board of Governors of the Federal Reserve System
on Thursday, October 16, 1958. The Board met in the Special Library at
10:00 a.m.

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

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Riefler, Assistant to the Chairman
Mr. Marget, Director, Division of International
Finance
Mr. Hackley, General Counsel
Mr. Masters, Director, Division of Examinations
Mr. Daniels, Assistant Director, Division of
Bank Operations
Mr. Furth, Associate Adviser, Division of
International Finance
Mr. Solomon, Assistant General Counsel
Mr. Meyer, Consultant, Division of Examinations
Mr. Poundstone, Federal Reserve Examiner, Division
of Examinations

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 West Side Bank, Milwaukee, Wisconsin, waiving the requirement of six months' notice of withdrawal from membership in the Federal Reserve System. (For transmittal through the Federal Reserve Bank of Chicago)	1
Letter to the Federal Deposit Insurance Corporation regarding the application of West Side Bank, Milwaukee, Wisconsin, for continuance of deposit insurance after withdrawal from membership in the Federal Reserve System.	2

1/ Attended morning session only.

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Item No.

Letter to The First Bank of Brighton, Brighton, Colorado, waiving the requirement of six months' notice of withdrawal from membership in the Federal Reserve System. (For transmittal through the Federal Reserve Bank of Kansas City)

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Telegram to the Federal Reserve Bank of Chicago interposing no objection to acceptance of the low bid for certain cafeteria equipment.

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Mr. Daniels then withdrew from the meeting.

Scope of operations of Bank of America. On July 14, 1958, the Board requested that there be prepared for its information a review of the scope of operations of Bank of America, New York. Such a review was submitted by Mr. Meyer under date of September 26, and copies thereof were transmitted to the Board with a memorandum from Mr. Masters dated September 29. The memorandum from Mr. Masters pointed out that the review contained certain material that should be useful to the Board in considering questions presented by the New York Clearing House Association relating to the activities of Edge Act corporations located in New York City which are owned by out-of-State banks. The brief from the Clearing House had been transmitted to the Board by the Federal Reserve Bank of New York along with comments of the Reserve Bank's staff.

At the Board's invitation, Mr. Meyer reviewed and amplified in certain respects his memorandum of September 26, a copy of which has been placed in the Board's files.

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Before Mr. Meyer completed his presentation, the Board had occasion to consider another matter in executive session. Accordingly, all of the members of the staff withdrew from the meeting except Messrs. Riefler and Marget. After the executive session the Board recessed and reconvened in the Special Library at 2:00 p.m. with the same attendance as just prior to the executive session except that Governor Balderston and Mr. Riefler were not present.

Mr. Meyer completed his review of the memorandum he had prepared and questions then were directed to him by the members of the Board. In responding to these questions Mr. Meyer described the activities of organizations such as the J. Henry Schroder Banking Corporation, the Belgian-American Banking Corporation, and agencies of foreign banks located in New York City; compared the activities of such organizations with those of Bank of America, New York; discussed further the sources of the business of Bank of America and the extent to which such business appeared to have been taken away from the foreign departments of New York City banks; estimated that well over half of the loans and deposits of Bank of America were dependent on the location of the Edge Act corporation in New York City as opposed to the West Coast location of its parent bank; expressed the opinion the parent bank would cause corrections to be made in the operations of Bank of America, New York, whenever the Board of Governors took a firm stand; discussed the possibility of changes in managerial atmosphere; and said he saw nothing that he would regard as dangerous in the present operations of Bank of America. Mr. Meyer

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attributed the apprehension of the New York City banks, as reflected in the Clearing House brief, to the rapid growth of Bank of America, the aggressive competition afforded by that organization, the new quarters to be occupied by Bank of America which would afford ground floor banking facilities, and rumors that Bank of America was seeking further liberalization in the provisions of Regulation K. He felt that the apprehension might be lessened if the Board were to arrange an opportunity for the Clearing House banks to be heard, and particularly if the Board then found itself in a position to give assurances that liberalization of Regulation K was not contemplated. He did not believe that, in its present form, Regulation K had been liberalized unduly; rather it was his feeling that the Neal Committee had recommended revisions necessary to encourage the establishment and permit the successful operation of Edge Act corporations. Mr. Meyer stated that he believed less than one per cent of Bank of America's business would fall within the definition of financing domestic processing before exportation or financing the distribution of goods after importation. While Bank of America had tried to interpret broadly the meaning of business "incidental" to foreign business and had insisted on the desirability of a broad interpretation, he felt that the provisions of Regulation K contained satisfactory limitations. Referring further to the growth of Bank of America, he said that it had not been matched by any of the major New York City banks, although the business of those banks' foreign departments also had grown. He estimated that the

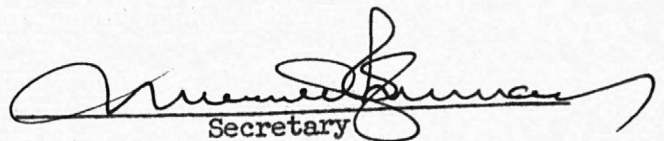
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current volume of business of Bank of America might be about equal to the average of the foreign business done by the six largest New York City banks. Also, there seemed to be no levelling off in the growth trend of Bank of America.

The meeting then adjourned.

Secretary's Note: Pursuant to the recommendation contained in a memorandum dated October 14, 1958, from Mr. Masters, Director, Division of Examinations, Governor Shepardson today approved on behalf of the Board the appointment of Irwin W. Robinson as Assistant Federal Reserve Examiner in that Division, with basic annual salary at the rate of \$6,135, effective the date he assumes his duties.


Secretary

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

Item No. 1
10/16/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 16, 1958

Board of Directors,
West Side Bank,
Milwaukee, Wisconsin.

Gentlemen:

The Federal Reserve Bank of Chicago has forwarded to the Board of Governors your letter of September 15, 1958, and the accompanying resolution signifying your intention to withdraw from membership in the Federal Reserve System and requesting waiver of the six months' notice of such withdrawal.

In accordance with your request, the Board of Governors waives the requirement of six months' notice of withdrawal. Upon surrender to the Federal Reserve Bank of Chicago of the Federal Reserve Bank stock issued to your institution, such stock will be canceled and appropriate refund will be made thereon. Under the provisions of Section 10(c) of the Board's Regulation H, as amended effective September 1, 1952, your institution may accomplish termination of its membership at any time within eight months from the date the notice of intention to withdraw from membership was given.

It is requested that the certificate of membership be sent to the Federal Reserve Bank of Chicago.

It is noted that your bank is making arrangements with the Federal Deposit Insurance Corporation for the continuance of deposit insurance.

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
10/16/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 16, 1958

The Honorable Jesse P. Wolcott,
Chairman,
Federal Deposit Insurance Corporation,
Washington 25, D. C.

Dear Mr. Wolcott:

Reference is made to your letter of October 2, 1958, concerning the application of the West Side Bank, Milwaukee, Wisconsin, for continuation of deposit insurance after withdrawal from membership in the Federal Reserve System.

No corrective programs have been urged upon the bank or agreed to by it which, in the opinion of the Board of Governors, it would be considered desirable to incorporate as conditions to continuance of deposit insurance.

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
10/16/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 16, 1958

Board of Directors,
The First Bank of Brighton,
Brighton, Colorado.

Gentlemen:

The Federal Reserve Bank of Kansas City has forwarded to the Board of Governors a certified copy of a resolution adopted by you on August 13, 1958, signifying your intention to withdraw from membership in the Federal Reserve System simultaneously with approval of continued insurance of deposits by the Federal Deposit Insurance Corporation.

In view of your desire to terminate membership as soon as continuance of deposit insurance is approved by the Federal Deposit Insurance Corporation, the Board of Governors waives the requirement of six months' notice of withdrawal. Upon surrender to the Federal Reserve Bank of Kansas City of the Federal Reserve Bank stock issued to your institution, such stock will be cancelled and appropriate refund will be made. Under the provisions of Section 10(c) of the Board's Regulation H, as amended effective September 1, 1952, your institution may accomplish termination of its membership at any time within eight months from the date the notice of intention to withdraw from membership was given.

It is requested that the certificate of membership be sent to the Federal Reserve Bank of Kansas City for disposition.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.



TELEGRAM
LEASED WIRE SERVICEItem No. 4
10/16/58BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON

October 16, 1958

Allen - Chicago

Reurlet October 2, 1958, Board will interpose no objection to your
Bank's acceptance of low bid of \$115,943 for cafeteria equipment.

(Signed) Kenneth A. Kenyon

Kenyon