

Minutes for November 25, 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>W</u>	_____
Gov. Szymczak	X <u>[Signature]</u>	_____
Gov. Vardaman <u>1/</u>	_____	X _____
Gov. Mills	X <u>[Signature]</u>	_____
Gov. Robertson	X <u>R.</u>	_____
Gov. Balderston	_____	X <u>CCB</u>
Gov. Shepardson	_____	X <u>[Signature]</u>

1/ In accordance with Governor Shepardson's memorandum of March 8, 1957, these minutes are not being sent to Governor Vardaman for initial.

Minutes of the Board of Governors of the Federal Reserve System on Tuesday, November 25, 1958. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Hackley, General Counsel
Mr. Masters, Director, Division of Examinations
Mr. Hostrup, Assistant Director, Division of Examinations
Mr. Nelson, Assistant Director, Division of Examinations
Mr. Young, Assistant Counsel

Discount rates. Unanimous approval was given to a telegram to the Federal Reserve Bank of Atlanta approving the establishment without change by that Bank on November 24, 1958, of the rates on discounts and advances in its existing schedule.

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:

Item No.

Letter to the Camillus Bank, Camillus, New York, approving the establishment of a branch in temporary quarters in Geddes, New York. (For transmittal through the Federal Reserve Bank of New York)

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Item No.

Letter to the Millburn-Short Hills Bank, Millburn,
New Jersey, approving its application for member-
ship in the Federal Reserve System. (For transmittal
through the Federal Reserve Bank of New York) 2

Letter to Counsel for the Iowa-Des Moines National Bank,
Des Moines, Iowa, regarding the applicability of certain
provisions of the Bank Holding Company Act to the
proposed purchase by that bank of shares of a small
business investment company. 3

Election of Reserve Bank directors (Item No. 4). At a meeting
of the Board on November 18, 1957, a question was considered which
had arisen at the Federal Reserve Bank of Atlanta in connection with
the election of a Class A and a Class B director. The problem resulted
from an increase in the capital stock of a member bank between the
time nominations were submitted and the time of the election. The
member bank, at the time of the nominations, was classified in
Group 2, but as a result of the increase in capital following the
nominations the bank was brought into Group 1. Accordingly, the
Board was asked to determine whether in the election this bank should
vote in Group 1 or in Group 2.

The Board decided at that time that any bank falling in
Group 1 at the time the polls were open would be eligible to vote in
the election of directors in that group. However, in taking this
action, based on rules of classification as they existed, the Board
also agreed that there should be prepared by the staff for its
consideration a revision of existing procedures which would provide

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that the classification of a member bank as of the date requests were sent out by the Federal Reserve Banks for nominations would be its classification for purposes of the election. A draft of letter to the Reserve Banks, prepared in accordance with the earlier understanding, had been distributed prior to this meeting with a memorandum from Mr. Walter Young dated November 18, 1958.

In commenting, Mr. Hackley said that the proposed rule might cause some complications if there was a merger of banks in the period between the nominations and elections. If, for example, a Group 2 bank, after the nominations were closed, should merge with a large bank under the charter of the former, so that the smaller bank would become a Group 1 institution, it would still vote as a Group 2 bank. While it might be possible to anticipate certain problems of this kind by adding to the proposed letter, Mr. Hackley pointed out that any unusual cases could be considered on an ad hoc basis if questions should arise.

After some discussion of voting problems that might develop in connection with bank mergers, agreement was expressed with Mr. Hackley's reasoning and the proposed letter was approved unanimously. A copy is attached as Item No. 4.

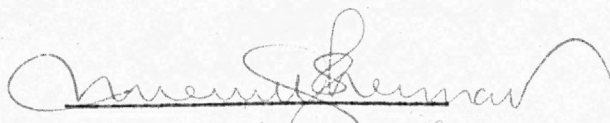
The meeting then adjourned.

Secretary's Note: Acting in the absence of Governor Shepardson, Governor Robertson today approved on behalf of the Board a letter

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to the Federal Reserve Bank of Philadelphia
(attached Item No. 5) approving the appoint-
ment of Jack P. Besse and William F. Lampmann
as examiners.



Secretary

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

Item No. 1
11/25/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 25, 1958

Board of Directors,
Camillus Bank,
Camillus, New York.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of New York, the Board of Governors of the Federal Reserve System approves the establishment of a branch by Camillus Bank, Camillus, New York, in temporary quarters at 3401 West Genesee Street, in the unincorporated area of Fairmount, Town of Geddes, Onondaga County, New York, under authority contained in the Board's letter of October 15, 1958.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 2
11/25/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 25, 1958



Organization Committee,
Millburn-Short Hills Bank,
Millburn, New Jersey.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the application made on behalf of Millburn-Short Hills Bank, Millburn, New Jersey, for stock in the Federal Reserve Bank of New York, effective if and when the bank opens for business under appropriate State authorization, subject to the numbered conditions hereinafter set forth:

1. Such bank at all times shall conduct its business and exercise its powers with due regard to the safety of its depositors, and except with the permission of the Board of Governors of the Federal Reserve System, such bank shall not cause or permit any change to be made in the general character of its business or in the scope of the corporate powers exercised by it at the time of admission to membership.
2. The net capital and surplus funds of such bank shall be adequate in relation to the character and condition of its assets and to its deposit liabilities and other corporate responsibilities.
3. At the time of admission to membership, such bank shall have paid-in and unimpaired capital stock of not less than \$250,000, and other capital funds of not less than \$237,500.

In connection with the foregoing conditions of membership, particular attention is called to the provisions of the Board's Regulation H, as amended effective September 1, 1952, regarding membership of State banking institutions in the Federal Reserve System, with especial reference to Section 7 thereof. A copy of the regulation is enclosed.

Millburn-Short Hills Bank

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

Acceptance of the conditions of membership contained in this letter should be evidenced by a resolution adopted by the board of directors after the bank's Certificate of Authority to Commence Business has been issued. The board of directors should also adopt, at the same time, a resolution ratifying the action which has been taken in the bank's behalf in making application for membership in the Federal Reserve System. A certified copy of each resolution, together with advice of compliance with the provisions of condition numbered 3, should be transmitted to the Federal Reserve Bank of New York. Arrangements will thereupon be made to accept payment for an appropriate amount of Federal Reserve Bank stock, to accept the deposit of the required reserve balance, and to issue the appropriate amount of Federal Reserve Bank stock to the bank.

The time within which admission to membership in the Federal Reserve System in the manner described may be accomplished is limited to 90 days from the date of this letter, unless the bank applies to the Board and obtains an extension of time. When the Board is advised that all of the requirements have been complied with and that the appropriate amount of Federal Reserve Bank stock has been issued to the bank, the Board will forward to the bank a formal certificate of membership in the Federal Reserve System.

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

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

Enclosure

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

Item No. 3
11/25/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 25, 1958



AIR MAIL

David W. Belin, Esq.,
Herrick & Langdon,
Iowa-Des Moines Bank Building,
Des Moines 9, Iowa.

Dear Mr. Belin:

This refers to your letter of November 3, 1958, requesting the reconsideration by the Board of the opinion expressed in its letter of October 28 to Mr. McCormick, regarding the applicability of certain provisions of the Bank Holding Company Act to the proposed purchase by the Iowa-Des Moines National Bank of shares of a small-business investment company organized under the Small Business Investment Act of 1958.

As indicated in its letter of October 28, it is the Board's opinion that, if such a small-business investment company would be a "subsidiary" of Northwest Bancorporation within the meaning of section 2(d) of the Bank Holding Company Act, the Iowa-Des Moines National Bank, a banking subsidiary of Northwest Bancorporation, would be prohibited by section 6 of that Act from purchasing stock of the small-business investment company. Consequently, this prohibition would apply if as much as 25 per cent of the stock of the small-business investment company were owned either by the Iowa-Des Moines National Bank itself or by that Bank together with its parent holding company or other subsidiaries of that company. If the Bank, together with its parent company and other subsidiaries, should own less than 25 per cent of the stock of the small-business investment company, the prohibition would not be applicable. Since section 6 of the Act applies only to investments by banking subsidiaries, it would not prohibit the holding company alone from owning any amount up to 100 per cent of the stock of the small-business investment company.

It is recognized that this interpretation may result in an apparent conflict between the Bank Holding Company Act and the Small Business Investment Act. However, as you know, there is a presumption against implied repeal of an earlier statute. Moreover, the two statutes are not necessarily in conflict. In view of the dissimilarity in their purposes, it could be argued that, in enacting the Small Business Investment Act, the Congress, being aware of section 6 of the

Mr. David W. Belin

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Bank Holding Company Act, contemplated that the right of national and State banks to purchase shares in a small-business investment company should remain subject to the restrictions imposed by the earlier Act upon investments by banking subsidiaries of a bank holding company in stock of other subsidiaries of that company.

As indicated in the Board's interpretation, enclosed with its letter of October 28 to Mr. McCormick, it would seem appropriate for banking subsidiaries of a bank holding company to be able to purchase shares eligible for investment by national banks under section 5136 of the Revised Statutes. The express wording of the Bank Holding Company Act, however, is to the contrary.

As you know, the Bank Holding Company Act provides criminal penalties for violation of its provisions, and its enforcement, therefore, falls within the jurisdiction of the Department of Justice. Accordingly, any final determination of the question here involved must rest with that Department and with the courts. It is, of course, possible that the question might be resolved by action of Congress; and, as you may be aware, the Board in its Report to Congress of May 7, 1958, recommended the repeal of section 6 of the Bank Holding Company Act, or, in the alternative, certain amendments to that section.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

S-1681

Item No. 4
11/25/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 25, 1958.

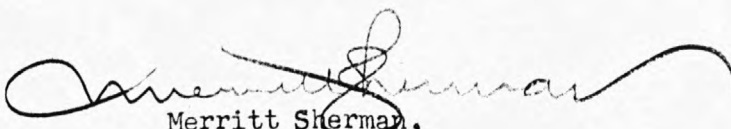
Dear Sir:

In November of 1957 a question was considered by the Board which had arisen at a Federal Reserve Bank in connection with the election of a Class A and a Class B director. The problem resulted from an increase in the capital stock of a member bank between the time nominations were submitted and the time of the election. The member bank at the time of the nominations was classified in Group 2, but as a result of the increase in capital following the nominations the bank was brought into Group 1. Accordingly, the Board was asked to determine whether this bank should vote in Group 1 or in Group 2.

The Board, in that case, concluded that a bank falling in Group 1 at the time the polls were open would be eligible to vote in the election of directors by that group. Since the law and the Board's outstanding instructions were silent on this subject, the Board recognized that the question was a close one and therefore decided that further consideration should be given the matter to determine the advisability of adopting a general rule to cover future cases of this kind.

As a result of such consideration and in order to provide an election procedure specifically covering this point, the Board has now decided that, for purposes of future elections, the classification of a member bank as of the date requests are sent out by the Federal Reserve Bank for nominations shall be its classification for purposes of the election.

Very truly yours,



Merritt Sherman,
Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

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

Item No. 5
11/25/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 25, 1958

Mr. Joseph R. Campbell, Vice President,
Federal Reserve Bank of Philadelphia,
Philadelphia 1, Pennsylvania.

Dear Mr. Campbell:

In accordance with the request contained in your letter of November 20, 1958, the Board approves the appointment of Jack P. Besse and William F. Lampmann as examiners for the Federal Reserve Bank of Philadelphia. Please advise the Board if the appointments are not made effective January 1, 1959, as planned.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

