

Minutes for January 13, 1959

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><i>MM</i></u>	_____
Gov. Szymczak	x <u><i>MS</i></u>	_____
Gov. Mills	x <u><i>J</i></u>	_____
Gov. Robertson	x <u><i>R.</i></u>	_____
Gov. Balderston	x <u><i>CB</i></u>	_____
Gov. Shepardson	x <u><i>MS</i></u>	_____

Minutes of the Board of Governors of the Federal Reserve System on
 Tuesday, January 13, 1959. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary
 Mr. Kenyon, Assistant Secretary
 Mr. Thomas, Economic Adviser to the Board
 Mr. Young, Director, Division of Research
 and Statistics
 Mr. Hackley, General Counsel
 Mr. Masters, Director, Division of
 Examinations
 Mr. Shay, Legislative Counsel
 Mr. Koch, Associate Adviser, Division of
 Research and Statistics
 Mr. Solomon, Assistant General Counsel
 Mr. Hostrup, Assistant Director, Division
 of Examinations
 Mr. Benner, Assistant Director, Division of
 Examinations
 Mr. Hill, Assistant to the Secretary
 Mr. Brill, Chief, Capital Markets Section,
 Division of Research and Statistics

Discount rates. Unanimous approval was given to a telegram to the Federal Reserve Bank of Boston approving the establishment without change by that Bank on January 12, 1959, of the rates on discounts and advances in its existing schedule.

Items circulated or distributed to the Board. The following items, which had been circulated or distributed to the Board and copies of which are attached to these minutes under the respective item numbers indicated, were approved unanimously:

1/ Withdrew from meeting at point indicated in minutes.

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Item No.

- Letter to Bank of America, New York, New York, approving a change in the location of its Beirut, Lebanon, branch. (For transmittal through the Federal Reserve Bank of New York) 1
- Letter to The First Pennsylvania Banking and Trust Company, Philadelphia, Pennsylvania, granting an extension of time within which to establish a branch at 5536 Wayne Avenue. (For transmittal through the Federal Reserve Bank of Philadelphia) 2
- Letter to The First Pennsylvania Banking and Trust Company, Philadelphia, Pennsylvania, granting an extension of time within which to establish a branch in Radnor Township. (For transmittal through the Federal Reserve Bank of Philadelphia) 3
- Letter to the Bank of Warwick, Newport News, Virginia, approving the establishment of a branch at Hiden Boulevard and Warwick Road. (For transmittal through the Federal Reserve Bank of Richmond) 4
- Letter to the Federal Reserve Bank of New York noting the Bank's decision not to fill the vacancy resulting from the death of a member of the Industrial Advisory Committee. 5

Letter to the Indiana Bankers Association. With regard to a proposed letter to the Indiana Bankers Association concerning the purchase of shares of national and State banks by mutual savings banks, Governor Shepardson raised a question as to the sufficiency and responsiveness of the reply. After a short discussion, the matter was referred to Governor Shepardson for further study, with the understanding that it would thereafter be considered again by the Board.

Applications for limited voting permits (Items 6, 7, 8, and 9).

There had been distributed to the Board memoranda from the Division of

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Examinations dated January 9, 1959, with respect to the following applications for limited voting permits: (1) The First Virginia Corporation and the Old Dominion Bank, both of Arlington, Virginia; (2) Montana Shares, Incorporated, Havre, Montana; and (3) Boulder Acceptance Corporation, Boulder, Colorado. In each instance the recommendation of the Division of Examinations and the Reserve Bank concerned was favorable.

Pursuant to the favorable recommendations, the granting of the requested voting permits was authorized by the Board. Copies of the telegrams sent to the Federal Reserve Agents at Richmond, Minneapolis, and Kansas City pursuant to this action are attached hereto as Items 6, 7, 8, and 9, respectively.

Request of John Deere Foundation (Item No. 10). Governor Robertson presented for the Board's consideration an application for a determination pursuant to section 2 of the Banking Act of 1933, as amended by section 301 of the Banking Act of 1935, that the John Deere Foundation, a charitable corporation of Moline, Illinois, was not engaged, directly or indirectly, as a business in holding the stock of or managing or controlling banks, and therefore was not a holding company affiliate except for the purposes of section 23A of the Federal Reserve Act. President Allen of the Federal Reserve Bank of Chicago had called Governor Robertson on the telephone to inquire whether the Board could act on the matter in view of the fact that the Moline National Bank was holding its annual shareholders' meeting today.

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As stated in a memorandum from the Division of Examinations dated January 12, 1959, the John Deere Foundation held no bank stock other than approximately 96 per cent of the outstanding voting shares of the Moline National Bank, which it had received through donation. In view of this and other pertinent information presented by the Foundation and the Chicago Reserve Bank, it seemed clear that the Foundation was not a holding company affiliate (except for section 23A purposes), that the case fell within the "one-bank" definition, and that the Foundation did not need a voting permit from the Board in order to vote its shares of the Moline National Bank.

Governor Robertson suggested that the Board authorize Mr. Hostrup to advise the Federal Reserve Bank of Chicago by telephone that the Board had granted the section 301 determination and that a letter would follow.

Following supplementary comments by Mr. Hostrup concerning the application, it was agreed unanimously to grant the requested determination and to proceed in the manner suggested by Governor Robertson. A copy of the letter sent to the John Deere Foundation through the Federal Reserve Bank of Chicago pursuant to this action is attached as Item No. 10.

Mr. Hostrup then withdrew and Mr. Molony, Special Assistant to the Board, entered the room.

Reply to letter from Congressman Multer. There had been distributed a draft of reply to Congressman Multer's letter of January 7, 1959, requesting the Board to investigate the circumstances surrounding the proxy

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contest being waged for representation on the board of directors of The New York Trust Company, New York, New York.

The proposed reply was discussed and several suggestions were made for changes. It was then agreed that a revised draft reflecting views expressed at this meeting would be prepared and distributed prior to further consideration of the matter.

Withdrawal and substitution rules. A memorandum from Messrs. Solomon, Koch, and Brill dated January 12, 1959, reporting on discussions in New York concerning the withdrawal and substitution rules contained in Regulations T and U had been distributed to the Board. Together with Messrs. Crosse and McEvoy of the Federal Reserve Bank of New York, they had met with Messrs. Edward R. Gray, Vice President of the New York Stock Exchange, Harold Schutz of the Stock Exchange staff, and Paul Fitzgerald of the credit department of a member firm, Fahnestock and Company, to discuss the impact on brokerage operations of possible changes in those rules. The memorandum brought out that it was not necessary at present to establish the position of most margin accounts frequently because they were margined substantially above the Stock Exchange's minimum maintenance requirement and individual brokerage firm requirements but well below the initial 90 per cent requirement applicable under Regulation T. This resulted partly from recent changes in margin requirements and partly from the practice generally observed of transferring proceeds of sales out of general accounts to special miscellaneous accounts. If withdrawal rules

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were tightened, however, accounts would have to be valued more frequently. As long as excess debit balances remained large, the burden on margin clerks would not be appreciably altered, but as more accounts approached the unrestricted level the demands for valuation would become more frequent, with the result that the brokerage office operating burden would eventually be substantially increased. While the extra burden would not result directly from a stricter withdrawal rule, such a rule would bring the margin accounts closer to initial requirements specified in the Regulation and this closeness of the actual level to the required level would result in a need for more frequent valuations.

Another point raised by the Stock Exchange representatives was that tighter withdrawal rules would provide an incentive for customers to freeze a restricted account and conduct subsequent operations in a new account at another broker. Stronger opposition was expressed to the possibility of limiting substitutions as well as withdrawals. Prohibition of substitutions, or even limitation on the amount thereof, would affect brokers by inhibiting trading and apparently would give rise to customer complaints.

After Mr. Brill summarized the information contained in the memorandum, Mr. Koch commented that it was now very obvious why there would be an extra burden of work at brokerage houses under stricter withdrawal and substitution rules. After spelling out through illustrations the reasons for the extra burden, he turned to the question of

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equity considerations and said the definite impression had been obtained during the conversations in New York that the brokerage community and its customers would consider it exceedingly inequitable if there were a tightening of the substitution rules. This would mean a change in the traditional way of doing business, a violation of "constitutional rights," so to speak, and such action would no doubt result in many protests. As to the withdrawal rules, it did not appear that a tightening would be regarded strongly as unjustified from the standpoint of equity considerations.

Mr. Brill referred to correspondence exhibited by the New York Stock Exchange indicating that there had been protests of infringement of rights when tighter substitution rules were in effect in the 1940's, and Mr. Young commented that tighter substitution rules would work a hardship on professional traders. In response to a question by Chairman Martin, Mr. Koch reiterated that no substantial arguments had been presented regarding a possible tightening of the withdrawal rules from the standpoint of equity considerations. Mr. Young observed, however, that a tighter withdrawal rule without any tightening of the substitution rules might not accomplish very much.

Governor Szymczak suggested putting the argument in terms that if it was the desire to have a free and liquid market, those operating in it should have an opportunity to move in and out of particular stocks freely.

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Mr. Koch then made further comments in which he said that his thinking on the subject of the withdrawal and substitution rules had been primarily in terms of what the Board might accomplish by a tightening of them. He saw two possible objectives, the first being to stop the stripping of accounts that may take place under the present withdrawal rules, that is, to eliminate the ability of parties to decrease their equity by drawing out 90 per cent of the proceeds of any sale in cash or securities. The other objective might be to prevent the trading community from contributing to price movements and trading activity by transferring out of the steadier stocks and into those that are more speculative. As to the stripping of accounts, the Stock Exchange representatives had maintained that this practice was not very prevalent. While such statements must, of course, be taken for what they were worth, he did not get the impression of an attempt at concealment of the facts. The second possible objective raised the question whether it was the Board's responsibility to control stock prices and the soundness of the market as well as to prevent the excessive use of credit in the market. In that regard, he had concluded that if the Board was interested either in stopping the rise of credit or dampening the price rise, it must act through changes in the substitution rules. In other words, if it was the level of prices and the level of market activity that the Board wished to reach, changes in the substitution rules apparently would be necessary. As previously indicated, such action no doubt would result in many protests.

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Mr. Solomon supplemented Mr. Koch's comments by saying that it might be argued that it was inequitable to allow present customers to switch from one stock to another when a person entering the market would have to do so on the basis of margin requirements of 90 per cent. More fundamental, he said, was the question of the use of credit in the market. The function of the Board, according to the statutes, is to prevent the excessive use of credit, but the term is not defined. Even if the term were construed as relating strictly to the dollar amount of credit, one could still say that the dollar amount must be considered excessive in relation to something. What was excessive at one time might not be excessive at another time.

At this point Mr. Thomas observed that an important question was whether the Board wanted to stop a further increase in stock market credit, to slow it down considerably, or to cause some actual liquidation. If the current level of credit was considered already excessive, a tightening of the withdrawal and substitution rules would appear to be the only way to bring about a decrease.

Members of the staff then commented on the problem of unregulated lenders, as typified by a concern which, according to the New York Reserve Bank, had obtained lines of credit from several commercial banks in apparent violation of the provisions of Regulation U. While the activities of such concerns formerly had been regarded as in the nuisance category, their activities perhaps had now become a matter of more concern. However,

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it was brought out, extension of the provisions of Regulations T and U to make them applicable to borrowers had been considered at various times in the past and the views of the Reserve Banks had been solicited, but on each occasion it was the decision of the Board that extension of the regulations was not warranted.

Chairman Martin inquired about the trend of the volume of credit in the stock market since the margin requirements were increased to 90 per cent, and Mr. Brill responded that the volume went up in November, the latest month for which statistics were available. There were indications that the volume had increased somewhat further in December, possibly for technical reasons. It was expected that data for December might be available by the end of next week.

Chairman Martin then said that he doubted whether the Board should force a liquidation of credit to establish a price level which in its judgment seemed appropriate. The Board's statutory responsibility, he noted, was to deal with the excessive use of credit and not price levels. With margin requirements at 90 per cent, people unquestionably were using all types of available funds, even including working funds of corporations, with which to trade in the market. If people felt that prices were going up, they would without doubt find some way of acquiring stocks, and there was in his opinion a limit to what could be done by regulation.

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With regard to equity considerations, the Chairman said it occurred to him that the person who had previously gone into the market possibly should occupy a somewhat more favored position than a person just entering the market. In any event, it did not appear possible to obtain complete equity in all such matters. The Board could, of course, place all trading on a cash basis but that would involve a certain degree of inconvenience. Furthermore, the regulations would not be observed completely because credit is a lubricating oil when it comes to trading. In his opinion, price fluctuations were apt to be wider and sharper.

Inquiry again was made as to when the figures on stock market credit for December would be available, and it was understood that the withdrawal and substitution rules would be considered again by the Board at that time.

In response to a question by Mr. Young, it was indicated that there appeared to be little more that the staff could do in the way of developing information about operating problems under stricter withdrawal and substitution rules.

All of the members of the staff except Messrs. Sherman, Kenyon, Young, Hackley, Masters, and Benner then withdrew.

Problem banks. Pursuant to the understanding at the meeting on Friday, January 9, the discussion of problem State member banks continued at this meeting with Mr. Benner discussing several banks which had been on the problem list for five years or more. His comments regarding these

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cases resulted in discussion concerning the ability of the Board, under current statutory authority, to deal with emergency situations in such a way as to obtain prompt remedial action. Among other things, the comments touched upon the lack of authority to deal with the issuance of preferred stock by banks in States where such issuance is permissible. Question was raised as to whether the Board should approach the Congress with a request for clarification and extension of its authority in various respects in order that problems of bank supervision might be dealt with more expeditiously and effectively.

During the foregoing discussion Governor Mills withdrew from the meeting.

Governor Robertson reported that Mr. James Sottile, Jr., President of the Pan American Bank of Miami, Miami, Florida, had been endeavoring to reach him on the telephone. It was understood that Mr. Sottile had held a conference yesterday with representatives of the Federal Reserve Bank of Atlanta and, although a report on that conference was not yet available, Governor Robertson felt that Mr. Sottile might be seeking an audience with the Board. Agreement was expressed with Chairman Martin's suggestion that an affirmative response should be given to such a request, if made, although no invitation should be volunteered.

It was understood that the discussion of problem banks would be continued at another meeting of the Board.

The meeting then adjourned.

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Secretary's Notes: Pursuant to the recommendations contained in memoranda from appropriate individuals concerned, Governor Shepardson today approved on behalf of the Board the following items affecting the Board's staff:

Appointment

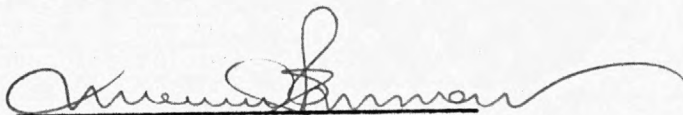
Marian M. Schleunes as Substitute Nurse in the Division of Personnel Administration, with basic salary at the rate of \$18 per day, when actually employed, effective the date of entrance upon duty.

Acceptance of resignation

Ruth P. Schaffner, Substitute Nurse, Division of Personnel Administration, effective December 31, 1958.

As recommended in a memorandum from the Division of Examinations dated January 12, 1959, Governor Shepardson today authorized the Office of the Controller to make available sums not to exceed \$9,000 for training purposes during sessions of the Inter-Agency Bank Examination School held in 1959 under procedures similar to those followed in previous years.

Acting on behalf of the Board, Governor Robertson today approved a letter to the Federal Reserve Bank of San Francisco approving the designation of 11 persons as special assistant examiners. A copy of the letter is attached as Item No. 11.


Secretary

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

Item No. 1
1/13/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 13, 1959



Mr. Russell G. Smith,
Executive Vice President,
Bank of America,
40 Wall Street,
New York, New York.

Dear Mr. Smith:

In accordance with the request contained in your letter of December 24, 1958, transmitted through the Federal Reserve Bank of New York, the Board of Governors approves a change in location of your Beirut, Lebanon, branch from its quarters on Rue Bechara el Khoury to new quarters in the Intra Building at the junction of Riad Solh and Bab Idriss Streets, Beirut.

It is understood the branch was scheduled to open in its new location on December 29, 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. 2
1/13/59



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 13, 1959

Board of Directors,
The First Pennsylvania Banking
and Trust Company,
Philadelphia, Pennsylvania.

Gentlemen:

In accordance with the request submitted through
the Federal Reserve Bank of Philadelphia, the Board of
Governors extends to October 27, 1959, the time within
which The First Pennsylvania Banking and Trust Company,
Philadelphia, Pennsylvania, may establish a branch at
5536 Wayne Avenue, Philadelphia, Pennsylvania.

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
1/13/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 13, 1959



Board of Directors,
The First Pennsylvania Banking
and Trust Company,
Philadelphia, Pennsylvania.

Gentlemen:

In accordance with the request submitted through the Federal Reserve Bank of Philadelphia, the Board of Governors extends to January 6, 1960, the time within which The First Pennsylvania Banking and Trust Company, Philadelphia, Pennsylvania, may establish a branch at the northwest corner of Radnor-Chester Road and Lancaster Avenue, Radnor Township, Delaware County, Pennsylvania.

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
1/13/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 13, 1959



Board of Directors,
Bank of Warwick,
Newport News, Virginia.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Richmond, the Board of Governors approves the establishment of a branch by the Bank of Warwick at the northwest corner of Hiden Boulevard and Warwick Road, Newport News, Virginia, provided the branch is established within one year from the date of this letter and approval of the State authorities is effective as of the date the branch is established.

The Federal Reserve Bank of Richmond advises that you have agreed to increase capital by \$200,000 through the sale of additional capital stock, \$100,000 to be provided prior to the opening of the proposed branch, and \$100,000 within one year from that date.

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
1/13/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



January 13, 1959

Mr. William H. Braun, Jr.,
Secretary,
Federal Reserve Bank of New York,
New York 45, New York.

Dear Mr. Braun:

This is in reference to your letter of December 29, 1958, advising the Board that Mr. Edward J. Noble, a member of the Industrial Advisory Committee for the Second Federal Reserve District, had died on December 28. The letter further stated that in view of the minimal activity under section 13b of the Federal Reserve Act your Bank considered it inadvisable at this time to fill the vacancy caused by the death of Mr. Noble.

It is noted that this is in keeping with the Board's letter of December 12, 1955 (S.1582), which offered the Reserve Banks the option beginning with the annual appointments for the period commencing March 1, 1956, of omitting the appointment of an Industrial Advisory Committee, with the understanding that if a committee were needed to consider an application under section 13b, approval for a committee would be sought promptly. In view of the imminent termination of section 13b authority, it seems unlikely that a situation would arise necessitating the appointment of a successor to Mr. Noble.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

T E L E G R A M
LEASED WIRE SERVICE

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 6
1/13/59

January 13, 1959

DECKER - RICHMOND

KECEA

- A. The First Virginia Corporation, Arlington, Virginia.
- B. The National Bank of Manassas, Manassas, Virginia.
- C. None.
- D. At anytime prior to April 1, 1959, at the annual meeting of shareholders of such bank, or any adjournments thereof, to elect directors and act thereat upon such matters of a routine nature as are ordinarily acted upon at the annual meeting of such bank.

(Signed) Kenneth A. Kenyon

KENYON

Definition of KECEA:

The Board authorizes the issuance of a limited voting permit, under the provisions of section 5144 of the Revised Statutes of the United States, to the holding company affiliate named below after the letter "A", entitling such organization to vote the stock which it owns or controls of the bank(s) named below after the letter "B", subject to the condition(s) stated below after the letter "C". The permit authorized hereunder is limited to the period of time and the purposes stated after the letter "D". Please proceed in accordance with the instructions contained in the Board's letter of March 10, 1947, (S-964).

TELEGRAM
LEASED WIRE SERVICE

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 7
1/13/59

January 13, 1959

DECKER - RICHMOND

KECEA

- A. Old Dominion Bank, Arlington, Virginia.
- B. The National Bank of Manassas, Manassas, Virginia.
- C. None.
- D. At anytime prior to April 1, 1959, at the annual meeting of shareholders of such bank, or any adjournments thereof, to elect directors and act thereat upon such matters of a routine nature as are ordinarily acted upon at the annual meeting of such bank.

(Signed) Kenneth A. Kenyon

KENYON

Definition of KECEA:

The Board authorizes the issuance of a limited voting permit, under the provisions of section 5144 of the Revised Statutes of the United States, to the holding company affiliate named below after the letter "A", entitling such organization to vote the stock which it owns or controls of the bank(s) named below after the letter "B", subject to the condition(s) stated below after the letter "C". The permit authorized hereunder is limited to the period of time and the purposes stated after the letter "D". Please proceed in accordance with the instructions contained in the Board's letter of March 10, 1947, (S-964).

TELEGRAM
LEASED WIRE SERVICE

Item No. 8
1/13/59

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON

January 13, 1959

FERRIN - MINNEAPOLIS

KECEA

- A. Montana Shares, Incorporated, Havre, Montana.
- B. The Miners National Bank of Butte, Butte, Montana.
First State Bank of Chinook, Chinook, Montana.
- C. None.
- D. At any time prior to April 1, 1959, at the annual meetings of shareholders of such banks, or any adjournments thereof, to elect directors and to act thereat upon such matters of a routine nature as are ordinarily acted upon at the annual meetings of such banks.

(Signed) Kenneth A. Kenyon

KENYON

Definition of KECEA:

The Board authorizes the issuance of a limited voting permit, under the provisions of section 5144 of the Revised Statutes of the United States, to the holding company affiliate named below after the letter "A", entitling such organization to vote the stock which it owns or controls of the bank(s) named below after the letter "B", subject to the condition(s) stated below after the letter "C". The permit authorized hereunder is limited to the period of time and the purposes stated after the letter "D". Please proceed in accordance with the instructions contained in the Board's letter of March 10, 1947, (S-964).

T E L E G R A M
LEASED WIRE SERVICE

Item No. 9
1/13/59

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON

January 13, 1959

HALL - KANSAS CITY

KECEA

- A. Boulder Acceptance Corporation, Boulder, Colorado.
- B. First Bank of Brighton, Brighton, Colorado.
- C. None.
- D. At any time prior to April 1, 1959, at the annual meeting of shareholders of such bank, or any adjournments thereof, to elect directors and act thereat upon such matters of a routine nature as are ordinarily acted upon at the annual meetings of such bank.

(Signed) Kenneth A. Kenyon

KENYON

Definition of KECEA:

The Board authorizes the issuance of a limited voting permit, under the provisions of section 5144 of the Revised Statutes of the United States, to the holding company affiliate named below after the letter "A", entitling such organization to vote the stock which it owns or controls of the bank(s) named below after the letter "B", subject to the condition(s) stated below after the letter "C". The permit authorized hereunder is limited to the period of time and the purposes stated after the letter "D". Please proceed in accordance with the instructions contained in the Board's letter of March 10, 1947, (S-964).

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

Item No. 10
1/13/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 13, 1959.



Mr. Joseph Dain, Jr., Secretary,
John Deere Foundation,
Moline, Illinois.

Dear Mr. Dain:

This refers to the request contained in the application enclosed with your letter of November 24, 1958, submitted through the Federal Reserve Bank of Chicago, for a determination by the Board of Governors of the Federal Reserve System as to the status of John Deere Foundation, Moline, Illinois, as a holding company affiliate.

From the information supplied, the Board understands that John Deere Foundation is a charitable corporation organized for the purpose of receiving and maintaining funds and administering and applying the income or principal thereof exclusively for religious, charitable, scientific, literary, or educational purposes; that the Foundation owns 7,660 of the 8,000 outstanding shares of common stock of Moline National Bank, Moline, Illinois, which shares were received by it through donation by Deere & Company solely for use by it in carrying out its charitable purposes, and are retained for investment purposes only; that the Foundation intends to vote its shares of the capital stock of Moline National Bank, but has no plan or intention to engage, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks or trust companies; that the Foundation has no present intention to acquire any substantial percentage of the stock of any other bank, although it may from time to time purchase other bank stock, for investment purposes only and to an extent constituting less than amounts which could in any manner result in the exercise of control over any such bank; and that John Deere Foundation does not, directly or indirectly, own or control any stock of, or manage or control any banking institution other than Moline National Bank.

In view of these facts the Board has determined that John Deere Foundation is not engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies within the meaning of section 2(c) of the Banking Act of 1933, as amended; and, accordingly, John Deere Foundation is not deemed to be a holding company affiliate except for the purposes of section 23A of the Federal Reserve Act, and does not need a voting permit from the Board of Governors in order to vote the bank stock which it owns.

If, however, the facts should at any time differ from those set out above to an extent which would indicate that John Deere Foundation might be deemed to be so engaged, this matter should again be submitted to the Board. The Board reserves the right to rescind this determination and make a further determination of this matter at any time on the basis of the then existing facts.

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
1/13/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 13, 1959

Mr. R. H. Morrill, Vice President,
Federal Reserve Bank of San Francisco,
San Francisco 20, California.

Dear Mr. Morrill:

In accordance with the request contained in your letter of January 5, 1959, the Board approves the designation of the following employees as special assistant examiners for the Federal Reserve Bank of San Francisco for the purpose of participating in examinations of State member banks only:

F. E. Frank	V. F. Noyes	C. S. Winn
R. M. Krug	R. C. Dunn	C. A. Hanson
C. V. Hinman	W. M. Partner	H. J. Iske
W. M. Hoffman		M. G. MacCormac

Appropriate notations have been made on our records as to the names to be deleted from the list of members of the examining staff of your bank.

It is noted that J. F. Ahlf, whose appointment as an examiner was approved by the Board on May 20, 1955, has been appointed to the nonofficial position of chief examiner. It is understood that the appointment was made effective January 1, 1959.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.