

Minutes for February 2, 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>(M)</u>	<u>                    </u>
Gov. Szymczak	<u>                    </u>	x <u>MSS</u>
Gov. Mills	<u>                    </u>	<u>                    </u>
Gov. Robertson	x <u>R</u>	<u>                    </u>
Gov. Balderston	x <u>CB</u>	<u>                    </u>
Gov. Shepardson	x <u>MS</u>	<u>                    </u>

Minutes of the Board of Governors of the Federal Reserve System  
on Monday, February 2, 1959. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary  
Mr. Kenyon, Assistant Secretary  
Mr. Marget, Director, Division of International  
Finance  
Mr. Hackley, General Counsel  
Mr. Farrell, Director, Division of Bank Operations  
Mr. Hersey, Associate Adviser, Division of Inter-  
national Finance  
Mr. Solomon, Assistant General Counsel  
Mr. Hostrup, Assistant Director, Division of  
Examinations  
Mr. Nelson, Assistant Director, Division of  
Examinations  
Mr. Goodman, Assistant Director, Division of  
Examinations  
Mr. Benner, Assistant Director, Division of  
Examinations  
Mr. Hill, Assistant to the Secretary

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:

	<u>Item No.</u>
Letter to the Federal Reserve Bank of New York authorizing the waiver of a penalty incurred by the First National Bank of Milltown, Milltown, New Jersey, because of a deficiency in its required reserves.	1
Letter to the Bank of Dearborn, Dearborn, Michigan, approving the establishment of a branch at 4905 Schaefer Road. (For transmittal through the Federal Reserve Bank of Chicago)	2

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Item No.

Letter to the Pacific State Bank, Hawthorne, California, approving the establishment of a branch at Slauson Avenue and Overhill Drive in Los Angeles County. (For transmittal through the Federal Reserve Bank of San Francisco)

3

Letter to Chase International Investment Corporation, New York, New York, granting an extension of time within which to make further investments in Arcturus Investment & Development, Ltd. (For transmittal through the Federal Reserve Bank of New York)

4

Letter to the Chairman of the Presidents' Conference regarding coin-wrapping services, prepared pursuant to the discussion at the meeting on Friday, January 23.

5

Memorandum from the Division of Examinations dated January 30, 1959, relating to an examiners' conference proposed to be held on March 16 and 17, 1959.

6

Letter to the Federal Reserve Agent at New York approving the appointment of John P. Ringen as Assistant Federal Reserve Agent and of Arthur A. Randall, Allan C. Hines, and Donald J. Weber as Federal Reserve Agent's Representatives at the Buffalo Branch.

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Messrs. Nelson and Goodman then withdrew and Mr. Thomas, Economic Adviser to the Board, entered the room along with Messrs. Young, Director, Noyes, Adviser, and Koch, Associate Adviser, Division of Research and Statistics.

Organizations affected by possible Bank Holding Company Act amendments (Item No. 8). The Division of Examinations, under date of January 29, 1959, had submitted a draft of letter which would transmit to Chairman Spence of the House Banking and Currency Committee (1) a list

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of companies that would become subject to the provisions of the Bank Holding Company Act of 1956 if the statutory definition of "bank holding company" were amended to include companies owning or controlling 25 per cent or more of the voting shares of only one bank, and (2) a list of religious, charitable, and educational organizations that would be affected by elimination of the exemption of such organizations contained in section 2(b)(2) of the Act. Information would also be transmitted with regard to the effect of deleting section 4(c)(7) of the Act. The draft of letter and accompanying lists, prepared in response to an informal request from the staff of the Committee, had been distributed to the members of the Board before this meeting.

After responding to several technical questions regarding the data, Mr. Hostrup reviewed, in reply to an inquiry from Governor Mills, instances where information of a somewhat similar character had been furnished to Congressional committees at times in the past. He also referred to the indication, given by the Board last summer in responding to a request from Congressman Sheehan of Illinois, that information of this kind would be compiled and supplied when requested by appropriate committees of the Congress in connection with their consideration of amendments to the Bank Holding Company Act.

In response to a question regarding the advisability of sending the material also to the Senate Banking and Currency Committee, Mr. Hostrup commented that there had been no specific request.

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After some discussion of this point, the proposed letter, of which a copy is attached as Item No. 8, was approved unanimously, with the understanding that a copy thereof, with the same attachments, would be sent to the Senate Banking and Currency Committee if this were deemed advisable by Mr. Shay, Legislative Counsel.

Secretary's Note: Later, Mr. Shay concluded that the material should be sent also to the Senate Committee, and this was done on February 9, 1959.

Messrs. Noyes, Hostrup, and Benner then withdrew and Messrs. Molony, Special Assistant to the Board, and Solomon, Economist, Division of Research and Statistics, entered the room.

Testimony before Joint Economic Committee. A second draft of testimony to be given by Chairman Martin before the Joint Economic Committee had been distributed to the Board pursuant to the discussion at the meeting on January 22, 1959. It had now been determined that the Chairman was to appear before the Committee on Friday, February 6.

The revised draft was discussed and a number of suggestions were made for changes in wording and emphasis along with possible supplementary paragraphs to expand the treatment of certain indicated subjects. It was then understood that another revised draft would be distributed for the Board's consideration on Wednesday, February 4.

All of the members of the staff except Mr. Sherman then withdrew and Mr. Johnson, Director of the Division of Personnel Administration, was called into the room.

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Miscellaneous personnel matters. Governor Shepardson stated that Mr. Johnson had informed him of a proposal of several Board employees to get together as a group with a view to putting \$10 per person a month into a fund to be used in purchasing securities in the stock market. Since the group would be an association of Board employees, Governor Shepardson raised the question whether this was an appropriate activity to have identified with the Board's organization.

The consensus of the Board was that the organization of a group of Board employees for the purpose described would be undesirable, and it was understood that the employees would be so informed by Mr. Johnson.

Governor Shepardson then cited an instance in which a member of the staff would participate in the distribution of an estate that owned shares of stock in a commercial bank. Question had been raised as to whether, even though the staff member was not associated with examination or bank supervisory activities, it would be preferable for him to dispose of the bank shares rather than to hold them. Governor Shepardson noted that there was a market for the shares, that their sale would not present a substantial problem to the employee, and that he was quite ready to follow that course if it seemed desirable. It was the consensus that the employee should be informed that within a reasonable period of time it would be preferable for him to dispose of the shares of bank stock rather than to hold them as an investment, and it was agreed that Governor Shepardson would so inform the individual concerned.

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Governor Shepardson then reported an invitation that Mr. Thomas, Economic Adviser, had received to speak at a meeting of two committees of a large industrial corporation for the purpose of discussing monetary policy. The meeting would be attended by approximately 15 persons and would result in the use of approximately one day for Mr. Thomas, including travel time.

There was a discussion of the desirability of having members of the Board and its staff take advantage of opportunities to inform management as well as other groups regarding monetary and credit matters, it being noted that educational activities of this sort could produce a better understanding of the Federal Reserve and its policies and objectives. On the other side, it was suggested that attendance of a member of the Board or a member of the staff at a small meeting such as this at some distance from Washington was of doubtful value to the System, especially since the corporate body concerned might be assumed to be seeking information that would assist it in finance or management matters rather than for the purpose of helping to further an understanding of monetary policy. While it was recognized that there were both advantages and disadvantages to such an arrangement, it was agreed that in this case it would not be desirable for Mr. Thomas to accept the invitation and that Governor Shepardson should so inform him.

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Carry-over of unused annual leave. Governor Shepardson then referred to the subject of carry-over of unused annual leave under unusual circumstances, which had been discussed at the meeting on January 30. He stated that he thought there was agreement at that meeting with his recommendation that, in certain cases where an employee had not been able to use all of his annual leave during the calendar year in which it was earned and thus would lose it, the Board would make provision to permit its use within the first four months of the following calendar year with the understanding that the employee would not be permitted to increase his leave ceiling, that the leave carried over would not be added to any other earned leave for purposes of increasing the lump sum payment at time of termination, and that the privilege of carrying over such unused leave would be available only in those cases where the individual had been precluded from taking his leave during the calendar year in which it was earned by reason of the Board's work or the Board's convenience. Governor Shepardson said that the exact definition of what constituted "unusual" circumstances that might permit the carrying over of leave had not been spelled out either in Mr. Johnson's memorandum of December 18, 1958, or in the discussion at the meeting on January 30, and, in addition, at the close of that meeting Governor Robertson had indicated that he would not be in favor of making this privilege available on a retroactive basis to apply to leave that had not been used during 1958. Accordingly, he was raising the question at this meeting for further clarification.



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Governor Robertson said that he feared the Board might get into an undesirable position through deviating from the general leave program followed in other Government agencies if it did so on a basis that could be construed as providing an incentive for carrying over leave beyond the usual ceiling where it suited the convenience of an employee. Where, because of the Board's work or convenience, an employee did not take his leave during the year in which earned, it was entirely appropriate to permit some leeway whereby that leave might be used in the first part of the succeeding year. However, such instances should be authorized expressly by the Board or by the member of the Board having the assignment for internal affairs, and such authorization should be granted only in those instances where it was clear that the employee had been precluded from taking his leave because of the Board's work.

Governor Shepardson said that he had no idea of creating any incentive for carrying over leave and that he had thought the earlier discussion made it clear that his proposal was intended to apply only in circumstances where an individual was precluded because of the Board's work from taking his leave during the year in which it was earned. He would not object to having such cases subject to the Board's decision, and he felt that the basis on which leave might be carried over would be spelled out in the memorandum that Mr. Johnson was preparing for use in informing the staff of this exception to the leave regulations.

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Governor Mills said that he agreed with the general views expressed by Governor Robertson. He disliked deviating from the practice followed generally in the Federal establishment. He was encouraged by the report given by Mr. Johnson at the January 30 meeting that the problem was in reality one where the number of persons losing a substantial amount of leave was very small. He was somewhat bothered by Governor Robertson's suggestion that carry-over of leave be authorized expressly by the Board in that he wondered whether the Board would be in a position to make that judgment in all cases. This as a practical matter was something that he felt had to rest with the section chiefs and division directors who should be in the position of recommending whether in any given case the carrying forward of leave along the lines proposed would be justified on the basis of the Board's work.

Governor Shepardson stated that it would, of course, be necessary for the Board to base its judgment somewhat on the judgment of the division heads. As he had suggested at the meeting last Friday, it might be preferable to have the recommendation from an individual division director come to the Director of Personnel for decision with the understanding that reports of any leave that the Personnel Director might authorize would be made to the Board. However, Governor Shepardson said, he would be entirely agreeable to having the requests for leave presented to the Board for approval in advance.

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Governor Balderston commented that the important point to him was that the flexibility that had been suggested for carrying over leave should come as a result of the Board's initiative in deciding that an individual be on hand at a time when that might preclude his taking leave. There should be a sufficiently formal arrangement so that it would not be possible for an individual to take advantage of this flexibility simply because he preferred to have some of his leave after the close of the year in which it was earned.

Governor Robertson said this was precisely the point he had in mind. If an arrangement were worked out along the lines that Governor Shepardson had suggested, and with the safeguards against carrying over leave because of an employee's desire, he would be entirely satisfied as to the proposal that had been made, including its application to leave that had been forfeited at the end of 1958.

Governor Shepardson recalled that at the January 30 meeting he had suggested that a large proportion of the 116 individuals who lost some leave at the end of 1958 were persons who lost only a few hours or at most less than a week, and in most of those cases it appeared that the individuals had wanted to save a small amount of leave till near the end of the year in case they desired to take it or needed to take it without cutting into the leave permitted to be carried over under the existing ceiling arrangements. It had been his suggestion then, and he repeated it now, that the Board should have no concern about the person who had saved leave up to as much as a week so as to be in a

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position to take some leave right up to the end of the year in case he so desired. In other words, he would not contemplate that this proposal would apply to any person who would lose less than a week's leave but rather to persons who because of the Board's work or the Board's convenience found it necessary to defer taking leave during the year in which it was earned with the result that a substantial amount of their vacation leave--more than a week--could not be taken before the year-end. Even if a person was in the position of losing more than a week's leave, he would be considered for the carry-over only on the basis that had been discussed, that is, that he had been precluded by the work of the Board or for the Board's convenience from taking his leave during the year in which it was earned.

Further discussion brought out the view that the problem should be dealt with initially by bringing to the attention of division heads and supervisors the need for arranging work in a manner that would permit and encourage all individuals to take their leave in the year in which earned. In this way, the number of instances in which it would be necessary to consider permitting the carry-over of leave should be kept to a small minimum.

Thereupon, Governor Shepardson's recommendation was approved unanimously, with the understanding that a statement would be prepared along the lines of the discussions at the meetings on January 30 and today concerning the basis on which the carry-over of leave might be permitted.

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Secretary's Note: Governor Shepardson transmitted to the heads of divisions such a statement under date of February 6, 1959.

The meeting then adjourned.

Secretary's Note: Governor Shepardson today approved on behalf of the Board the following items:

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

Salary increases, effective February 8, 1959

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Board Members' Offices</u>			
Nancy B. Kelly, Secretary		\$ 5,920	\$ 6,070
<u>Research and Statistics</u>			
Eleanor S. Frase, Economist		10,610	10,850
Helen R. Grunwell, Chief Draftsman, Economic Illustrating Unit		7,270	7,510
Eleanor J. Pratt, Research Assistant		4,040	4,190
<u>International Finance</u>			
Winifred J. Black, Secretary		4,790	4,940
Dorothy L. Helprin, Economist		6,735	6,885
<u>Examinations</u>			
Harry G. Felix, Assistant Federal Reserve Examiner		5,280	5,985
John N. Lyon, Federal Reserve Examiner		8,570	8,810
<u>Administrative Services</u>			
Richard Shaker, Sergeant-Guards		4,040	4,135

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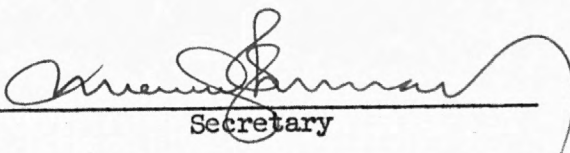
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Acceptance of resignation

Peggy Ann Long, Secretary, Division of Examinations, effective February 27, 1959.

Letter to the Federal Reserve Bank of New York (attached Item No. 9) approving the reappointment of George L. Hacker as assistant examiner.

Telegram to the Federal Reserve Bank of San Francisco (attached Item No. 10) approving the appointment of Paul W. Van Etten as assistant examiner.

  
Secretary

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

Item No. 1  
2/2/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

February 2, 1959.



Mr. J. P. Jensen, Manager,  
Accounting Department,  
Federal Reserve Bank of New York,  
New York 45, New York.

Dear Mr. Jensen:

This refers to your letter of January 22, regarding the penalty of \$88.95 incurred by the First National Bank of Milltown, Milltown, New Jersey, on a deficiency of 7.7 per cent in its required reserves for the semimonthly period ended January 15, 1959.

It is noted that the deficiency resulted from the failure of the member bank to request its correspondent to transfer \$75,000 to the Federal Reserve Bank, as intended, although the entries were made by the bank on its books, and that the bank has incurred no penalties for deficient reserves since 1945.

In the circumstances, and in view of your recommendation, the Board authorizes your Bank to waive the assessment of this penalty.

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  
2/2/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

February 2, 1959.



Board of Directors,  
Bank of Dearborn,  
Dearborn, Michigan.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Chicago, the Board of Governors of the Federal Reserve System approves the establishment of a branch at 4905 Schaefer Road, Dearborn, Michigan, by Bank of Dearborn, Dearborn, Michigan, provided the branch is established within six months from the date of this letter, and approval of the State authorities is in effect as of the date of the establishment of the branch.

It is understood that the capital structure of the bank is to be increased in the amount of \$200,000 through the sale of additional common stock.

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  
2/2/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

February 2, 1959.

Board of Directors,  
Pacific State Bank,  
Hawthorne, California.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of San Francisco, the Board of Governors approves the establishment of a branch in the vicinity of the intersection of Slauson Avenue and Overhill Drive in the unincorporated area of Los Angeles County, California, by Pacific State Bank, Hawthorne, California. This approval is given provided the branch is established within six months from the date of this letter and that formal approval of State authorities is effective at the time the branch is established. It is understood that capital funds are to be increased at least \$150,000 prior to establishment of the branch.

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  
2/2/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

February 2, 1959.



Mr. Robert H. Craft, President,  
Chase International Investment Corporation,  
18 Pine Street,  
New York 5, New York.

Dear Mr. Craft:

Reference is made to your letter of January 13, 1959, transmitted through the Federal Reserve Bank of New York, regarding the Board's letters of February 21, 1957, and February 19, 1958, which authorized your corporation, subject to various conditions, to make a further investment in Arcturus Investment & Development, Ltd., Montreal, Canada, in form (whether stock or obligations) up to an amount which, with the existing investment, would not exceed US\$7,500,000.

In accordance with your request and on the basis of the information furnished in your letter, the Board extends to February 1, 1960, the time within which such investment may be made.

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  
2/2/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

February 3, 1959

Mr. Joseph A. Erickson, Chairman,  
Conference of Presidents,  
c/o Federal Reserve Bank of Boston,  
Boston 6, Massachusetts.

Dear Mr. Erickson:

Questions concerning the furnishing of wrapped coin by the Federal Reserve Banks have been considered on a number of occasions by the Presidents' Conference and the Board, the most recent formal consideration of the differing and firm views held by individual Reserve Banks on this subject having been in 1955. Informal discussions since that time have indicated that, while there has been some change in position on the part of some Banks, there are still deeply held convictions both for and against the desirability of providing this service.

The Board has recently reviewed this matter and reached the conclusion that, in the light of all circumstances concerned, it would be preferable to leave to the judgment of the management of the individual Banks the determination of whether or not a Reserve Bank should engage in coin wrapping service. It felt, however, that to the extent individual Reserve Banks decide to continue or adopt the practice of furnishing wrapped coin, there should be a uniform approach with respect to the rates charged for that service. The Board requested, therefore, that the Conference of Presidents review the basis for computing costs of the operation with a view to placing the charges for the service on a more nearly uniform basis than now exists, and to securing reimbursement for substantially the costs involved. It will be appreciated if you will arrange to have such a review undertaken by the Presidents' Conference.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

# Office Correspondence

Date January 30, 1959

To Board of Governors

Subject: Examiners Conference

From Division of Examinations

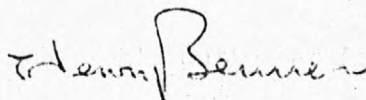
Each year the Board has approved the holding of an Examiners Conference for the purpose of discussing important supervisory, examination, and legal questions. The persons attending the meetings are the Vice Presidents, Assistant Vice Presidents, Chief Examiners, and occasionally other representatives of the Federal Reserve Banks and various members of the Board's staff. The most favorable dates for holding the meetings this year are March 16 and 17. It is planned to hold the meetings in the Board's building. An agenda is prepared for these meetings, and copies will be available at a later time.

The Board has customarily approved a dinner for the Reserve Bank representatives and a designated list of Board personnel. In this connection, the Board took action on November 10, 1949, to provide such a dinner at a cost not to exceed \$10 per person. The dinner held at the previous meetings in 1958 cost \$417.29, or an average of \$7.58 per person.

If the Board approves, the dinner will be held at The Shoreham since most of the representatives of the Reserve Banks stay there, and this hotel is the most convenient place for that purpose. Usually about 60 persons attend the dinner. The Board has required in the past that a list of those invited to attend the dinner be submitted for advance approval. This information will be presented to the Board at a subsequent date.

It is recommended that the Board approve the conference to be held on the above-mentioned dates and the dinner at a cost not to exceed \$8.75 per person.

Respectfully submitted,



Henry Benner,  
Assistant Director,  
Division of Examinations.

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

Item No. 7  
2/2/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

February 2, 1959

Mr. John E. Bierwirth,  
Federal Reserve Agent,  
Federal Reserve Bank of New York,  
New York 45, New York.

Dear Mr. Bierwirth:

In accordance with the request contained in your letter of January 19, 1959, the Board of Governors approves the appointment of Mr. John P. Ringen as an additional Assistant Federal Reserve Agent at the Federal Reserve Bank of New York and of Messrs. Arthur A. Randall, Allan C. Hines, and Donald J. Weber as Federal Reserve Agent's Representatives at the Buffalo Branch, effective January 19, 1959.

This approval is given with the understanding that they will be solely responsible to the Federal Reserve Agent and the Board of Governors for the proper performance of their duties, except that, during the absence or disability of the Federal Reserve Agent or a vacancy in that office, Mr. Ringen's responsibility will be to the Board of Governors and the responsibility of the Federal Reserve Agent's Representatives will be to the Assistant Federal Reserve Agent and the Board of Governors.

When not engaged in the performance of his duties as Assistant Federal Reserve Agent, Mr. Ringen may, with the approval of the Federal Reserve Agent and the President, perform such work for the Bank as will not be inconsistent with his duties as Assistant Federal Reserve Agent. Similarly, when not engaged in the performance of their duties as Federal Reserve Agent's Representatives, Messrs. Randall, Hines, and Weber may, with the approval of the Vice President in charge of the Buffalo Branch, perform such work for the Branch as will not be inconsistent with their duties as Federal Reserve Agent's Representatives.

Mr. John E. Bierwirth

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It will be appreciated if these new appointees are fully informed of the importance of their responsibilities as members of the staff of the Federal Reserve Agent and the need for maintenance of independence from the operations of the Bank in the discharge of these responsibilities.

Messrs. Ringen, Randall, Hines, and Weber should execute the usual Oaths of Office which are to be forwarded to the Board of Governors.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON

Item No. 8  
2/2/59

OFFICE OF THE CHAIRMAN

February 2, 1959.

Honorable Brent Spence, Chairman,  
Committee on Banking and Currency,  
House of Representatives,  
Washington, D. C.

Dear Mr. Chairman:

In compliance with your request, transmitted informally to Mr. Shay by Mr. Cardon, there is enclosed a list of 136 companies which, based on readily available information, apparently would become subject to the provisions of the Bank Holding Company Act of 1956 if the statutory definition of "bank holding company" is amended to include companies owning or controlling 25 per cent or more of the voting shares of only one bank. Eliminating the duplication which results from cases wherein one company controls another and the latter controls the subsidiary bank, the 136 companies represent 128 separate cases.

Also enclosed is a list of religious, charitable, and educational organizations which would be affected by elimination of the exemption of such organizations contained in section 2(b)(2) of the Act.

It is understood that you desire information also as to the effect of deleting section 4(c)(7), which exempts labor, agricultural, and horticultural organizations from the requirements of the Act with respect to interests in nonbanking organizations. At present, no registered bank holding company would be affected by such deletion. However, if the definition of "bank holding company" is changed to a "one-bank" definition, the following labor organizations apparently would become bank holding companies and would be affected by deleting section 4(c)(7):

Amalgamated Clothing Workers of America, New York, New York.

Chicago Joint Board, Amalgamated Clothing Workers of America,  
Chicago, Illinois.

United Mine Workers of America, Washington, D. C.

Honorable Brent Spence

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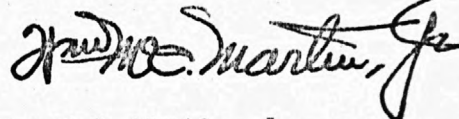
February 2, 1959.

You will note that these three organizations and their subsidiary banks are included in the enclosed list of "Additional Bank Holding Companies under One-Bank Definition."

Particular attention is directed to the fact that the lists are incomplete, for reasons stated in footnote 1 of the list of "Additional Bank Holding Companies under One-Bank Definition." As indicated in the footnote, our staff is checking certain additional sources of information, on the basis of which some cases may be added to the list, and possibly a few of the listed cases may be eliminated. We will pass on to you any changes resulting from the additional checking, but it should be understood that the additional checking does not constitute the exhaustive research and investigation which would be necessary to be certain that we have a complete list of all companies which would be affected.

The enclosed lists and the information contained in the second preceding paragraph are submitted for the information of your Committee. In view of the fact that our data come in large part from confidential and other unpublished sources, the Board has not published the lists and feels that a number of the individual names should not be published. In the circumstances, the Board respectfully requests that the information as to individual cases contained in the enclosed lists and in this letter be treated as confidential.

Sincerely yours,



Wm. McC. Martin, Jr.

Enclosures 2



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

Item No. 9  
2/2/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD



February 2, 1959

Mr. John F. Pierce, Chief Examiner,  
Federal Reserve Bank of New York,  
New York 45, New York.

Dear Mr. Pierce:

In accordance with the request contained in your letter of January 27, 1959, the Board approves the reappointment of George L. Hacker as an assistant examiner for the Federal Reserve Bank of New York. Please advise the Board if the reappointment is not made effective February 16, 1959, as planned and as to the salary rate.

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  
WASHINGTONItem No. 10  
2/2/59

February 2, 1959

SWAN - SAN FRANCISCO

Reurlet January 28, 1959, Board approves appointment of Paul W. Van Etten as an Assistant Examiner for the Federal Reserve Bank of San Francisco. Please advise date of appointment.

(Signed) Kenneth A. Kenyon

KENYON