

Minutes for March 25, 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	<u> <i>MMS</i> </u>	x <u> <i>W</i> </u>
Gov. Szymczak	x <u> <i>[Signature]</i> </u>	_____
Gov. Mills	x <u> <i>[Signature]</i> </u>	_____
Gov. Robertson	x <u> <i>[Signature]</i> </u>	_____
Gov. Balderston	x <u> <i>[Signature]</i> </u>	_____
Gov. Shepardson	x <u> <i>[Signature]</i> </u>	_____

Minutes of the Board of Governors of the Federal Reserve System
on Wednesday, March 25, 1959. The Board met in the Board Room at 10:00 a.m.

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

Mr. Kenyon, Assistant Secretary
Mr. Young, Director, Division of Research
and Statistics
Mr. Hackley, General Counsel
Mr. Farrell, Director, Division of Bank
Operations
Mr. Solomon, Assistant General Counsel
Mr. Hostrup, Assistant Director, Division
of Examinations
Mr. Nelson, Assistant Director, Division
of Examinations
Mr. Benner, Assistant Director, Division
of Examinations
Mr. Daniels, Assistant Director, Division
of Bank Operations
Mr. Hill, Assistant to the Secretary
Mr. Davis, Assistant Counsel
Mr. Young, Assistant Counsel

Discount rates. The establishment without change by the Federal Reserve Banks of Boston and Atlanta on March 23, 1959, of the rates on discounts and advances in their existing schedules was approved unanimously, with the understanding that appropriate advice would be sent to the respective Banks.

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:

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Item No.

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| Letter to Newton-Waltham Bank and Trust Company, Waltham, Massachusetts, approving the establishment of a branch in Wayland. (For transmittal through the Federal Reserve Bank of Boston) ^{1/} | 1 |
| Letter to Chemical Corn Exchange Bank, New York, New York, approving the establishment of a branch at 125 West End Avenue. (For transmittal through the Federal Reserve Bank of New York) | 2 |
| Letter to The Marine Midland Trust Company of New York, New York City, approving the establishment of a branch at 5-11 West 52nd Street. (For transmittal through the Federal Reserve Bank of New York) | 3 |
| Letter to Fidelity-Philadelphia Trust Company, Philadelphia, Pennsylvania, approving the establishment of a branch in Cheltenham Township and an additional investment in bank premises. (For transmittal through the Federal Reserve Bank of Philadelphia) | 4 |
| Letter to Princeton Bank & Trust Company, Princeton, West Virginia, approving its request for permission to exercise fiduciary powers. (For transmittal through the Federal Reserve Bank of Richmond) | 5 |
| Letter to American Commercial Bank, Charlotte, North Carolina, approving an investment in bank premises. (For transmittal through the Federal Reserve Bank of Richmond) | 6 |
| Letter to the Union Bank and Trust Company, Delphi, Indiana, approving an investment in bank premises. (For transmittal through the Federal Reserve Bank of Chicago) | 7 |
| Letter to Phillips National Bank, Helena, Arkansas, approving its application for fiduciary powers. (For transmittal through the Federal Reserve Bank of St. Louis) | 8 |

^{1/} With the understanding, pursuant to a suggestion by Governor Mills, that the staff would prepare a memorandum presenting current information with respect to Baystate Corporation and its subsidiary banks.

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Item No.

- Letter to The Thomas County National Bank of Colby, Colby, Kansas, approving its application for fiduciary powers. (For transmittal through the Federal Reserve Bank of Kansas City) 9
- Letter to the Federal Deposit Insurance Corporation regarding the application of The First Bank of Brighton, Brighton, Colorado, for continuance of deposit insurance. 10
- Letter to the Presidents of all Federal Reserve Banks regarding loans by banks in connection with the election of candidates to political office. (With the understanding that an appropriate item on this subject would be published in the Federal Reserve Bulletin) 11
- Letter to the Chairman of the Presidents' Conference regarding the handling of unissued Federal Reserve notes. 12
- Letter to the Chairman of the Senate Banking and Currency Committee with respect to S. 1177, cited as the "Old Series Currency Adjustment Act." (With a copy to the Bureau of the Budget) 13
- Letter to the Chairman of the Senate Banking and Currency Committee regarding bills S. 1173 and S. 1174, which would broaden the authority of national banks to make State-guaranteed real estate loans. (With a copy to the Bureau of the Budget) 14
- Letter to the Budget Bureau regarding a proposed bill "to amend section 24 of the Federal Reserve Act relating to real estate loans which may be made by national banks." 15

Messrs. Nelson, Daniels, Davis, and Walter Young then withdrew and Messrs. Robinson, Adviser, and Hald, Economist, Division of Research and Statistics, entered the room.

Maximum interest rates on time deposits. Under date of March 13, 1959, the Federal Reserve Bank of New York forwarded to the Board, with a favorable recommendation, a letter from the First National

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City Bank of New York suggesting an increase in the maximum permissible rate of interest on time deposits maturing between 90 days and 6 months.

A memorandum from Mr. Young, Director of the Division of Research and Statistics, dated March 20, 1959, which had been distributed to the Board, expressed the view that no action was needed at this time and set forth reasons in support of that opinion.

In commenting on the request, Mr. Robinson said that the relevant circumstances had not changed materially since earlier this month when the Board rejected the proposals of Chase Manhattan Bank and the Federal Reserve Bank of New York with regard to an increase in the maximum permissible rates payable on time deposits under Regulation Q. In the interim, there had been an increase in the Federal Reserve discount rate and some change in money rates, which tended to make the competitive position of the New York City commercial banks a little more difficult. However, short-term market rates were still not quite as high as at the end of 1956 when the Board increased from 2-1/2 to 3 per cent the maximum rate payable on time and savings deposits.

Mr. Thomas commented that the request again raised the question whether commercial banks should be encouraged to compete in the market for short-term liquid funds on a time deposit basis. If there was any purpose in placing limitations on the payment of interest on time deposits, it would seem to be to discourage banks from competing for

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funds of such character which are subject to withdrawal immediately or upon short notice. If the banks were to be allowed to compete freely for time deposits, a logical extension of that reasoning would be to terminate the prohibition against payment of interest on demand deposits.

Comments by the members of the Board indicated a unanimity of opinion that the request of First National City Bank should not be acted upon favorably. Governor Mills observed, however, that in deciding such matters the Board had properly tended to base its reasoning as much upon considerations of monetary policy as upon considerations underlying the statutory authority for the fixing of maximum rates on time and savings deposits. The statutes appeared to reflect concern about the effect on quality of bank assets and the competitive problems that would arise if there was complete freedom to pay any rate of interest on time deposits. Such competition might in effect drain deposits out of the smaller banks unless they defended themselves by use of a competitive rate, and this in turn would make it necessary to acquire high-yielding assets of relatively low quality. The Board had also been concerned about providing a rate of interest that would favor bona fide savings deposits as against the type of deposit arising out of corporate or institutional activities, and pursuance of such a policy would constitute a further argument against acceding to a request such as received from First National City Bank. The variety of the

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considerations entering into a decision by the Board on a matter of this kind suggested to him that it might be desirable to prepare a comprehensive statement listing the relevant factors, including those reflecting bank supervisory policy and those reflecting monetary policy and economic considerations.

There followed discussion of Governor Mills' comments and also comments by Governor Szymczak which raised the question whether international aspects involved in a determination of the appropriate maximum rate on time deposits had been sufficiently explored. It was then suggested that the staff prepare a draft of letter regarding the current proposal of First National City Bank which would go further than a mere statement of denial and review considerations taken into account by the Board in reaching its decision. After discussion of the possible scope of such a letter, agreement was expressed with this suggestion and it was understood that the staff would prepare a draft for the Board's consideration as promptly as possible.

Messrs. Robinson and Hald then withdrew and Messrs. Molony, Special Assistant to the Board, and O'Connell, Assistant General Counsel, entered the room.

Regulations T and U (Item No. 16). There had been distributed to the Board a memorandum from Mr. Solomon dated March 24, 1959, with respect to a request from the law firm of Davis Polk Wardwell Sunderland & Kiendl, of New York City, for an extension of time until May 4, 1959,

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within which to submit comments on the proposed amendments to Regulations T and U recently published in the Federal Register.

In commenting on the matter, Mr. Solomon reviewed possible alternatives for the Board's consideration. After a discussion of these alternatives, it was the conclusion of the Board that it would not be advisable to extend the period for receipt of comments beyond April 6, 1959, and that the law firm should be so advised. It was also agreed, however, to advise the firm that the Board was always glad to have comments or suggestions on any of its regulations, that comments received in sufficient time before action was taken on the proposed amendments to Regulations T and U would be considered in that connection, and that comments received later would be considered as suggestions for possible further changes in those Regulations.

A copy of the letter sent to the Federal Reserve Bank of New York pursuant to this action is attached as Item No. 16.

Messrs. Thomas and Young then withdrew from the meeting.

Wisconsin Bankshares (Item No. 17). Mr. Solomon referred to a request from Wisconsin Bankshares Corporation, Milwaukee, Wisconsin, for a determination under section 4(c)(6) of the Bank Holding Company Act to the effect that its ownership of shares of the First Wisconsin Company was exempt from the divestment requirements of the Act. The Board's staff, he said, had looked into the availability of a qualified

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Hearing Officer and proposed the retention of Mr. Harry R. Hinkes, an employee of the Office of Alien Property, Department of Justice. The Legal Division also proposed that the hearing be held at the Federal Reserve Bank of Chicago the week of April 27, or as soon thereafter as might be practical, and that arrangements be made for Mr. Paul C. Hodge, Vice President, General Counsel, and Secretary of the Chicago Reserve Bank, to represent the Board, assisted by Mr. G. W. Lamphere, Assistant General Counsel, or in the alternative for Mr. Lamphere to act as Board Counsel.

After discussion, the arrangements proposed by Mr. Solomon were approved unanimously, with the understanding that an order would be issued for the hearing and that, if feasible, counsel from some other Federal Reserve Bank would be brought into the matter for the purpose of gaining experience. A copy of the order subsequently issued pursuant to this action is attached as Item No. 17.

In this connection, Governor Robertson suggested further exploration by the Legal Division of the possibility of establishing a panel of persons who would be available in a hearing officer capacity from time to time in cases where the use of a hearing officer qualified under the Administrative Procedure Act was not required. It was understood that this matter would be explored and that the Legal Division

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also would review again the sources of availability of hearing officers qualified to conduct hearings pursuant to the Administrative Procedure Act.

Continental Bank and Trust Company (Item No. 18). At the meeting on March 20, 1959, reference was made to a motion filed by Special Counsel to the Board for an extension of time in which to file exceptions and supporting briefs to the Report and Recommended Decision of the Hearing Examiner in the matter of the section 9 proceeding involving The Continental Bank and Trust Company, Salt Lake City, Utah. It was agreed at that time that if no objection were received from Counsel for Respondent by March 25, 1959, an order granting the motion of Board Counsel would be issued. Counsel for Respondent subsequently advised that he had no objection and requested an extension of time for the filing of reply briefs. In turn, Special Counsel for the Board indicated that he would not object to the granting of the extension of time mentioned by Counsel for Respondent and would suggest that the Board make clear, in granting the extension, that oral argument, if requested, would be set for a date as soon as practicable after June 10, 1959.

After Mr. O'Connell had reviewed developments in the matter and recommended issuance of an order reflecting the requests of Special

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Counsel to the Board and Counsel for Respondent, unanimous agreement was expressed with the recommendation. A copy of the order subsequently issued is attached as Item No. 18.

All of the members of the staff except Mr. Kenyon then withdrew from the meeting and Mr. Johnson, Director, Division of Personnel Administration, entered the room.

Expenses in connection with study of Government securities market. Following comments by Governor Shepardson based on information contained in a memorandum dated March 24, 1959, from Mr. Noyes, Adviser, Division of Research and Statistics, unanimous approval was given to payment of the actual expenses of certain academic economists being invited to come to Washington for consultation on the functioning of the Government securities market. Since it was anticipated that only eight or ten economists would be able to accept the invitation to participate, the total expense involved was not expected to be substantial.

Governor Shepardson commented that the study of the Government securities market had not been decided upon at the time the 1959 budget was approved. He said that no budget for the study had been established pending the availability of a reasonably accurate estimate, but that expenses incurred were being carried in a special category.

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Addition to staff of Controller's Office. As recommended in a memorandum from the Board's Controller dated March 23, 1959, and on the basis of a favorable statement by Governor Shepardson, the Board approved unanimously the establishment of an additional position of Budget and Planning Assistant in the Office of the Controller, it being understood that no provision for this position had been made in the 1959 budget.

Leave of absence for Mr. Broida. Governor Shepardson presented for consideration a memorandum dated March 23, 1959, from Mr. Noyes, Adviser, Division of Research and Statistics, recommending that Arthur L. Broida, Economist in that Division, be granted a leave of absence with pay for a period of one year beginning about the first of September 1959 and continuing to about the first of September 1960, in order to allow him to pursue a course of study at the Department of Economics of the University of Chicago. Continuation of the leave of absence would be contingent upon the satisfactory completion of each quarter's work by Mr. Broida. The view was expressed in the memorandum that the contemplated program would provide training that would be helpful to Mr. Broida in his further development and in his capacity to handle a wider range of problems. If the Board should adopt a policy of paying tuition in cases of this kind and if provision should be made therefor

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in the 1960 budget of the Division of Personnel Administration, it was suggested that the question of payment of Mr. Broida's tuition be considered on its merits at that time.

In presenting the matter, Governor Shepardson recalled that the Board, in approving a program of employee training and development last fall, contemplated the possibility of assistance to selected individuals who were advanced in graduate work in order to enable them to complete a doctoral dissertation. In Mr. Broida's case, it was not certain whether the proposed course of study would result in his obtaining a degree. However, the work would be of direct value to Mr. Broida in connection with his assignments with the Board.

Further discussion of the recommendation indicated that the Board would expect this type of assistance to be limited to carefully selected cases and would require such requests to be fully substantiated. The discussion also brought out that filling of Mr. Broida's position during the period of his absence was not contemplated, which meant that no additional expense to the Board would be involved.

With these understandings in mind, the leave of absence recommended for Mr. Broida was approved unanimously.

Use of title "senior economist". Governor Shepardson presented for consideration a memorandum from Mr. Johnson dated March 16, 1959, recommending use of the title "senior economist" for certain employees

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at the Grade FR-15 level not performing administrative functions, with the understanding that the termination of employment of an individual currently assigned to such a position would not be construed as creating a vacancy for an additional senior economist position.

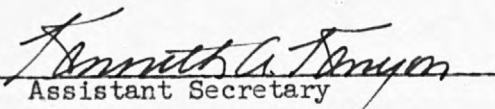
After discussion, this recommendation was approved unanimously.

Reimbursement for verification and destruction of currency.

With reference to the discussion at the joint meeting of the Board and the Reserve Bank Presidents on March 24, 1959, concerning reimbursement from the Treasury for verification and destruction of unfit United States currency, Governor Balderston reported having been advised that President Leach had discussed the matter with the Fiscal Assistant Secretary of the Treasury and had determined that the Treasury would be agreeable to a reimbursement rate of 28.8 cents for 1,000 pieces retroactive to July 1, 1958. It was also understood that if the rate should remain at 28.8 cents the Treasury would be agreeable to reimbursing the Federal Reserve Banks at such rate for the fiscal year beginning July 1, 1959.

The meeting then adjourned.

Secretary's Note: Pursuant to the recommendation contained in a memorandum dated March 16, 1959, from Mr. Kelleher, Director, Division of Administrative Services, Governor Shepardson today approved on behalf of the Board the appointment of Wilbert E. Stephens as Laborer in that Division, with basic annual salary at the rate of \$2,960, effective the date he assumes his duties.


Assistant Secretary

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

Item No. 1
3/25/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 25, 1959.

Board of Directors,
Newton-Waltham Bank and Trust Company,
Waltham, Massachusetts.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Boston, the Board of Governors of the Federal Reserve System approves the establishment by Newton-Waltham Bank and Trust Company of a branch between Pelham Road and State Road West, Wayland, Massachusetts, provided the branch is established within nine months from the date of this letter, and approval of the State authorities is effective as of the date the branch is established.

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
3/25/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 25, 1959.

Board of Directors,
Chemical Corn Exchange Bank,
New York, New York.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of New York, the Board of Governors approves the establishment of a branch at 125 West End Avenue, Borough of Manhattan, New York, New York, by Chemical Corn Exchange Bank, New York, New York. 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.

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
3/25/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 25, 1959.

Board of Directors,
The Marine Midland Trust Company of New York,
New York 15, 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 at 5-11 West 52nd Street, New York, New York, by The Marine Midland Trust Company of New York, New York, provided the branch is established within six months from the date of this letter and approval of State authorities is in effect as of the date of the establishment of the branch.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.



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

Item No. 4
3/25/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 25, 1959.

Board of Directors,
Fidelity-Philadelphia Trust Company,
Philadelphia 9, Pennsylvania.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Philadelphia, the Board of Governors of the Federal Reserve System approves (1) the establishment of a branch in the Cheltenham Shopping Center at the northwest corner of Cheltenham Avenue and Washington Lane, Montgomery County, Pennsylvania, provided the branch is established within one year from the date of this letter, and (2) an additional investment, under the provisions of Section 24A of the Federal Reserve Act, of not to exceed \$60,000 for leasehold improvements in connection with the establishment of the branch at the above location by Fidelity-Philadelphia Trust Company, Philadelphia, Pennsylvania.

It is understood that an existing branch, located at the northeast corner of 74th and Ogontz Avenues, Philadelphia, Pennsylvania, will be discontinued at the time the proposed office is opened for business.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.



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

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Item No. 5
3/25/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 25, 1959.

Board of Directors,
Princeton Bank & Trust Company,
Princeton, West Virginia.

Gentlemen:

This refers to your request for permission, under applicable provisions of your condition of membership numbered 1, to exercise fiduciary powers.

Following consideration of the information submitted, the Board of Governors of the Federal Reserve System grants permission to the Princeton Bank & Trust Company to exercise the fiduciary powers now or hereafter authorized by its charter and the laws of the State of West Virginia.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

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

Item No. 6
3/25/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 25, 1959.



Board of Directors,
American Commercial Bank,
Charlotte, North Carolina.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Richmond, the Board of Governors approves, under the provisions of Section 24A of the Federal Reserve Act, an additional investment in bank premises of \$6,750,000, including \$525,000 value of land and the indebtedness of an affiliated company to be organized for the purpose of holding title to a new main office to be constructed.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

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

Item No. 7
3/25/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 25, 1959.

Board of Directors,
Union Bank and Trust Company,
Delphi, Indiana.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Chicago, the Board of Governors of the Federal Reserve System approves, under the provisions of Section 24A of the Federal Reserve Act, an additional investment in bank premises by Union Bank and Trust Company of not to exceed \$175,000 for the purpose of constructing new banking quarters, which amount includes cost of land. It is understood that upon completion of the new quarters the old building will be disposed of within a reasonable period and the proceeds applied to the bank premises account.

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. 8
3/25/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 25, 1959.



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

Gentlemen:

The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers and grants you authority to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies, or other corporations which come into competition with national banks are permitted to act under the laws of the State of Arkansas, the exercise of all such rights to be subject to the provisions of Section 11(k) of the Federal Reserve Act and Regulation F of the Board of Governors of the Federal Reserve System.

A formal certificate indicating the fiduciary powers which Phillips National Bank is now authorized to exercise will be forwarded to you in due course.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

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

Item No. 9
3/25/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 25, 1959.

Board of Directors,
The Thomas County National Bank of Colby,
Colby, Kansas.

Gentlemen:

The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers and grants you authority to act, when not in contravention of State or local law, as executor, administrator, guardian of estates, and trustee of the bank's own pension plan. The exercise of all such powers shall be subject to the provisions of section 11(k) of the Federal Reserve Act and Regulation F of the Board of Governors of the Federal Reserve System.

A certificate covering such authorization is enclosed.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

Enclosure

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

Item No. 10
3/25/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 25, 1959.

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

Dear Mr. Wolcott:

Reference is made to your letter of February 27, 1959, concerning the application of The First Bank of Brighton, Brighton, Colorado, for continuance of deposit insurance after withdrawal from membership in the Federal Reserve System.

No corrective programs which the Board of Governors believes should be incorporated as conditions to the continuance of deposit insurance have been urged upon or agreed to by the bank.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

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

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Item No. 11
3/25/59ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 25, 1959.

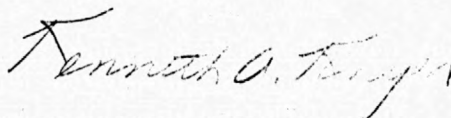
Dear Sir:

Recently, it was brought to the attention of the Board that a member bank had made a loan to a major political party in contravention of section 610 of Title 18 of the United States Code.

Attached for your use is a copy of the applicable sections of Title 18 of the United States Code. You will note that, under the statute, loans as well as gifts made in connection with the election of candidates for national office are prohibited. However, it will be noted that the provisions of the statute do not apply to loans or gifts made by a member bank which is not a national bank in connection with the election of candidates for local office.

It would be appreciated if you would remind examiners of the provisions of the statute regarding this matter.

Very truly yours,



Kenneth A. Kenyon,
Assistant Secretary.

Attachments

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

18 U.S.C. § 610. Contributions or expenditures by national banks,
corporations, or labor organizations

"It is unlawful for any national bank, or any corporation organized by authority of any law of Congress, to make a contribution or expenditure in connection with any election to any political office, or in connection with any primary election or political convention or caucus held to select candidates for any political office, or for any corporation whatever, or any labor organization to make a contribution or expenditure in connection with any election at which Presidential and Vice Presidential electors or a Senator or Representative in, or a Delegate or Resident commissioner to Congress are to be voted for, or in connection with any primary election or political convention or caucus held to select candidates for any of the foregoing offices, or for any candidate, political committee, or other person to accept or receive any contribution prohibited by this section.

"Every corporation or labor organization which makes any contribution or expenditure in violation of this section shall be fined not more than \$5,000; and every officer or director of any corporation, or officer of any labor organization, who consents to any contribution or expenditure by the corporation or labor organization, as the case may be, and any person who accepts or receives any contribution, in violation of this section, shall be fined not more than \$1,000 or imprisoned not more than one year, or both; and if the violation was willful, shall be fined not more than \$10,000 or imprisoned not more than two years, or both.

"For the purposes of this section 'labor organization' means any organization of any kind, or any agency or employee representation committee or plan, in which employees participate and which exist for the purpose, in whole or in part, of dealing with employers concerning grievances, labor disputes, wages, rates of pay, hours of employment, or conditions of work. June 25, 1948, c. 645, 62 Stat. 723, amended May 24, 1949, c. 139 § 10, 63 Stat. 90."

18 U.S.C. § 591. Definitions

"When used in sections 597, 599, 602, 609 and 610 of this title -

"The term 'election' includes a general or special election, but does not include a primary election or convention of a political party;

"The term 'candidate' means an individual whose name is presented for election as Senator or Representative in, or Delegate or Resident Commissioner to, the Congress of the United States, whether or not such individual is elected;

"The term 'political committee' includes any committee, association, or organization which accepts contributions or makes expenditures for the purpose of influencing or attempting to influence the election of candidates or presidential and vice presidential electors (1) in two or more States, or (2) whether or not in more than one State if such committee, association, or organization (other than a duly organized State or local committee of a political party) is a branch or subsidiary of a national committee, association, or organization;

"The term 'contribution' includes a gift, subscription, loan, advance, or deposit, of money, or anything of value, and includes a contract, promise, or agreement to make a contribution, whether or not legally enforceable;

"The term 'expenditure' includes a payment, distribution, loan, advance, deposit, or gift, of money, or anything of value, and includes a contract, promise, or agreement to make an expenditure, whether or not legally enforceable;

"The term 'person' or the term 'whoever' includes an individual, partnership, committee, association, corporation, and any other organization or group of persons;

"The term 'State' includes Territory and possession of the United States. June 25, 1948, c. 645, 62 Stat. 719, amended May 24, 1949, c. 139 § 9, 63 Stat. 90."

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

Item No. 12
3/25/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 25, 1959



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

Dear Mr. Erickson:

Recently it was brought to the Board's attention that considerable variation exists in the arrangements for handling the receipt at Federal Reserve Banks and Branches of shipments of unissued Federal Reserve notes from Washington. It is, of course, necessary that adequate security be maintained until the notes are placed in the Reserve Bank's vaults in the joint custody of the Federal Reserve Agent and the Bank and that statutory requirements with respect to custody and issuance of Federal Reserve notes be observed. However, such a variation as exists indicates a need for a thorough study of the matter.

Accordingly, the Board suggests that a committee be appointed to make such a study in the light of the procedures followed in each Federal Reserve District and of the views of the Federal Reserve Agent and the General Auditor of each Bank.

It would be the Board's hope that this study would define adequate and appropriate safeguards for the performance of the various operations and contain recommendations which might be considered by each Bank in the interest of perfecting its own procedures.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 13
3/25/59

OFFICE OF THE VICE CHAIRMAN

March 25, 1959.

The Honorable A. Willis Robertson,
Chairman, Committee on Banking and Currency,
United States Senate,
Washington 25, D. C.

Dear Mr. Chairman:

This is in response to your Committee's recent request for the Board's views regarding S. 1177, introduced by you on February 26, 1959, at the request of the Secretary of the Treasury, "To authorize adjustments in accounts of outstanding old series currency, and for other purposes".

The Board sees no objection to enactment of the proposed legislation. It would affect the operations of the Federal Reserve System in relatively minor respects. Under the bill, the Federal Reserve Banks would be required to deposit in the Treasury gold certificates or other lawful money in an amount equal, at the time of such deposit, to the total amount of their outstanding "old series" Federal Reserve notes (as defined in the bill), which presently is about \$37 million, and the liability of a Reserve Bank for its outstanding notes would be reduced by the amount so deposited. Thereafter, when old series Federal Reserve notes were presented they would be redeemed from the general cash in the Treasury and retired.

The Board appreciates the opportunity to express its views on the proposed legislation.

Sincerely yours,

(Signed) C. Canby Balderston

C. Canby Balderston,
Vice Chairman.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 14
3/25/59

OFFICE OF THE VICE CHAIRMAN

March 25, 1959



The Honorable A. Willis Robertson, Chairman,
Committee on Banking and Currency,
United States Senate,
Washington 25, D. C.

Dear Mr. Chairman:

This is in response to your two letters of February 27, 1959, requesting reports by the Board of Governors on S. 1173, a bill "To amend section 24 of the Federal Reserve Act to exempt real estate loans guaranteed by States from its provisions" and S. 1174, a bill "To amend section 24 of the Federal Reserve Act to provide that the existing restrictions on the amount and maturity of real estate loans made by national banks shall not apply to certain loans which are guaranteed or insured by a State or a State authority." Since these two bills are similar in their purposes and effect, the comments offered by the Board in this report will apply to both bills unless otherwise indicated.

S. 1173 is identical with the bill S. 3561, introduced in the 85th Congress, with respect to which the Board reported to the Senate Banking and Currency Committee by letter dated April 17, 1958. In that report the Board expressed its views substantially as follows.

The third sentence of section 24 of the Federal Reserve Act places maximum limits upon (1) the maturity of loans by national banks upon the security of real estate and (2) the amount that may be lent in relation to the appraised value of real-estate securities. S. 1173 would exempt from these limits "real estate loans which are 100 per centum guaranteed or insured by a State or by a State authority for the payment of the obligations of which the faith and credit of the State is pledged."

The provisions of the third sentence of section 24 are designed to prevent national banks from making real-estate loans that might involve an undue risk of loss. Where a loan is supported by the credit of a State there would not appear to be any significant risk even if the loan is for a period exceeding the maximum prescribed in section 24 or for a larger percentage of the value of the real-estate security than would be permissible under that section. Accordingly,

The Honorable A. Willis Robertson -2-

the Board of Governors favors the objective embodied in S. 1173.

The fourth sentence of section 24 prescribes limitations upon the aggregate amount of real estate loans that may be made by a national bank. One purpose of these provisions is to help safeguard national banks' liquidity. The backing of a State would not necessarily assure the liquidity of a long term real-estate loan but that question does not arise under either S. 1173 or S. 1174, since the aggregate limitations would not be affected thereby. However, the title of S. 1173 would suggest that the loans of the kind described are to be exempt from all provisions of section 24. Accordingly, if your Committee is inclined to approve S. 1173 rather than S. 1174, you may consider it advisable to substitute the title of S. 1174 for the present title of S. 1173 since the title of S. 1174 clearly limits the application of the bill to the existing restrictions on the amount and maturity of real-estate loans made by national banks.

It has been noted that S. 1174 differs from S. 1173 in two respects. S. 1173 makes it clear that the amendment to section 24 applies to real-estate loans which are "100 per centum" guaranteed and also contains the proviso that under the terms of the guaranty or insurance agreement, the national bank will be assured of repayment in accordance with the terms of the mortgage. The Board considers that in these two respects the language of S. 1173 is preferable to that of S. 1174.

It might also be desirable for the sake of clarity and uniformity (1) to substitute the word "or" for the words "and shall not apply to real estate loans" in the body of the bills and (2) to substitute the word "loan" for the word "mortgage" at the end of the proviso in S. 1173.

Sincerely yours,

(Signed) C. Canby Balderston

C. Canby Balderston,
Vice Chairman.

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

Item No. 15
3/25/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 25, 1959.



Mr. Phillip S. Hughes,
Assistant Director for
Legislative Reference,
Bureau of the Budget,
Washington 25, D. C.

Dear Mr. Hughes:

This is in response to your Legislative Referral Memorandum, with enclosures, dated January 28, 1959, requesting a report on a Treasury draft "To amend section 24 of the Federal Reserve Act relating to real estate loans which may be made by national banks."

The amendments proposed in the Treasury draft (1) would permit national banks to make loans on leaseholds which would have at least 10 years to run beyond the maturity date of the loan (section 1); (2) would exempt from the restrictions and limitations contained in section 24 with respect to appraisal and maturity requirements, loans 100 per cent guaranteed or insured by a State or by a State authority for the payment of the obligations of which the faith and credit of the State is pledged (section 2); (3) would enable national banks to make loans to finance the construction of industrial or commercial buildings for terms of not more than 18 months where there is a valid and binding agreement entered into by a financially responsible lender to advance the full amount of the bank's loan upon completion of the buildings without such loans being regarded as real estate loans, and would increase the aggregate amount on construction loans from 50 per cent of capital to 100 per cent of capital and surplus (section 3); and (4) would permit national banks to make working capital loans to manufacturing or industrial enterprises secured by liens on the physical properties of the enterprises, including plant real estate, without such loans being regarded as real estate loans (section 4).

Sections 1, 3, and 4 of the Treasury draft were included among the proposals submitted by the Comptroller to the Senate

Mr. Phillip S. Hughes

-2-

Banking and Currency Committee in 1956 for inclusion in the then proposed Financial Institutions Act of 1957. The Board in its report of October 19, 1956, to the Senate Committee stated that, since these proposals appeared to be peculiarly within the scope of operations of the Comptroller's Office or to have no material significance insofar as the functions and responsibilities of the Federal Reserve System were concerned, the Board had no comment to offer.

Section 2 of the Treasury draft was not among the proposals submitted by the Comptroller in 1956 to the Senate Committee. However, it is identical with S. 3561, introduced in the 85th Congress, with respect to which the Board reported to the Senate Banking and Currency Committee by letter dated April 17, 1958. The Board's present views with respect to this section are the same as contained in that report, a copy of which is enclosed.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

Enclosure

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

Item No. 16
3/25/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 25, 1959



Mr. R. B. Wiltse,
Vice President,
Federal Reserve Bank of New York,
New York 45, New York.

Dear Mr. Wiltse:

This refers to your letter of March 23, 1959, forwarding a letter of March 20, 1959 from Mr. Charles H. Willard of the law firm of Davis Polk Wardwell Sunderland & Kiendl, New York, New York. Mr. Willard's letter requests an extension of time to May 4, 1959 for presenting comments on the proposed amendments to Regulations T and U which were released to the press on March 13, 1959 and appeared in the Federal Register of March 18, 1959.

Please advise Mr. Willard that, after giving careful consideration to his request, the Board has concluded in view of all the circumstances that it would not be appropriate to extend the specified period beyond the date of April 6, 1959, stated in the Notice on this subject. It will also be appreciated if you will further advise Mr. Willard that the Board is, of course, always glad to receive comments or suggestions on any of its regulations, that if his comments are received in sufficient time before action is taken on the pending proposed amendments they will be considered in that connection, and if received later they will be considered as suggestions for possible further changes in the regulations.

Very truly yours,

Kenneth A. Kenyon
Kenneth A. Kenyon,
Assistant Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Item No. 17
3/25/59

NOTICE OF REQUEST FOR DETERMINATION
PURSUANT TO SECTION 4(c)(6) OF
BANK HOLDING COMPANY ACT OF 1956 AND
ORDER FOR HEARING THEREON

Notice is hereby given that request has been made to the Board of Governors of the Federal Reserve System, pursuant to section 4(c)(6) of the Bank Holding Company Act of 1956 [12 U.S.C. 1843] and section 5(b) of the Board's Regulation Y [12 CFR 222.5(b)], by Wisconsin Bankshares Corporation, Milwaukee, Wisconsin, a bank holding company, for a determination by said Board that First Wisconsin Company, Milwaukee, Wisconsin, and the activities thereof are of the kind described in those provisions of the Act and the Regulation so as to make it unnecessary for the prohibitions of section 4 of the Act with respect to shares in nonbanking organizations to apply in order to carry out the purposes of the Act:

Inasmuch as section 4(c)(6) of the Bank Holding Company Act of 1956 requires that any determination pursuant thereto be made by the Board after due notice and hearing and on the basis of the record made at such hearing,

IT IS HEREBY ORDERED That pursuant to section 4(c)(6) of the Bank Holding Company Act of 1956 and in accordance with sections 5(b) and 7(a) of the Board's Regulation Y [12 CFR 222.5(b), 222.7(a)], promulgated under the Bank Holding Company Act of 1956,

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a hearing with respect to this matter be held commencing on May 26, 1959 at 10:00 a.m., at the Federal Reserve Bank of Chicago, 230 South LaSalle Street, in the City of Chicago, State of Illinois, before a duly selected hearing officer, such hearing to be conducted in accordance with the Rules of Practice for Formal Hearings of the Board of Governors of the Federal Reserve System [12 CFR Part 263]. The right is reserved to the Board or such hearing officer to designate any other date or place for such hearing or any part thereof which may be determined to be necessary or appropriate for the convenience of the parties. The Board's Rules of Practice for Formal Hearings provide, in part, that "All such hearings shall be private and shall be attended only by respondents and their representatives or counsel, representatives of the Board, witnesses, and other persons having an official interest in the proceedings; Provided, however, That on the written request of one or more respondents or counsel for the Board, or on its own motion, the Board, when not prohibited by law, may permit other persons to attend or may order the hearing to be public."

Any person desiring to give testimony in this proceeding should file with the Secretary of the Board, directly or through the Federal Reserve Bank of Chicago, on or before April 21, 1959, written request relative thereto, said request to contain a statement of the reasons for wishing to appear, the nature of the petitioner's

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interest in the proceeding, and a summary of the matters concerning which said petitioner wishes to give testimony. Such request will be presented to the designated hearing officer for his determination in the matter at the appropriate time. Persons submitting timely requests will be notified of the hearing officer's decision in due course.

(signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

(SEAL)

Washington, D. C.
March 27, 1959.

UNITED STATES OF AMERICA

Item No. 18
3/25/59

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

In the Matter of)
)
THE CONTINENTAL BANK)
AND TRUST COMPANY)
)
Salt Lake City, Utah)

ORDER GRANTING MOTIONS FOR EXTENSION OF TIME FOR FILING EXCEPTIONS,
REPLY BRIEFS THERETO AND REQUESTS FOR ORAL ARGUMENT

Upon consideration of the motions filed herein by special
counsel to the Board of Governors and counsel for the Respondent, The
Continental Bank and Trust Company, it is

ORDERED that the time within which the parties to this pro-
ceeding may file exceptions, with supporting briefs, to the trial
examiner's Report and Recommended Decision be, and the same hereby is,
extended to and including April 30, 1959; and thereafter the time within
which such parties may file reply briefs or may submit requests for oral
argument before the Board be, and the same hereby is, extended to and in-
cluding June 10, 1959. The date set for any oral argument which may be
granted will be as soon after June 10, 1959, as practicable.

This 25th day of March, 1959.

By order of the Board of Governors.

(Signed) Kenneth A. Kenyon
Kenneth A. Kenyon,
Assistant Secretary.

SEAL
Washington, D. C.