

Minutes for April 22, 1959.

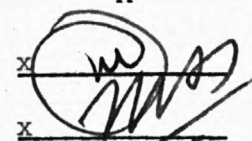

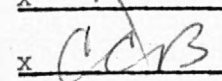
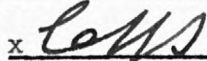
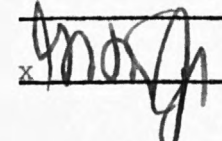
To: Members of the Board

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></u>	_____
Gov. Szymczak	x _____	_____
Gov. Mills	x _____	_____
Gov. Robertson	x <u></u>	_____
Gov. Balderston	x <u></u>	_____
Gov. Shepardson	_____	x <u></u>
Gov. King	x <u></u>	_____

Minutes of the Board of Governors of the Federal Reserve System  
on Wednesday, April 22, 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  
Mr. Robertson  
Mr. King

Mr. Sherman, Secretary  
Mr. Kenyon, Assistant Secretary  
Mr. Hackley, General Counsel  
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. Young, Assistant Counsel

Discount rates. The establishment without change by the Federal Reserve Bank of Boston on April 21, 1959, of the rates on discounts and advances in its existing schedule was approved unanimously, with the understanding that appropriate advice would be sent to the Bank.

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

	<u>Item No.</u>
Letter to the Asbury Park and Ocean Grove Bank, Asbury Park, New Jersey, granting an extension of time within which to establish a branch in Ocean Township. (For transmittal through the Federal Reserve Bank of New York)	1

4/22/59

-2-

	<u>Item No.</u>
Letter to The American National Bank of Beaumont, Beaumont, Texas, regarding the operation of its noncontributory employees' pension plan.	2
Order for hearing relative to the request of The First Virginia Corporation, Arlington, Virginia, for a section 4(c)(6) determination.	3
Prior tax certification with respect to First Security Corporation, Salt Lake City, Utah. (With the understanding that duplicate originals would be sent to the applicant and to the Commissioner of Internal Revenue)	4
Letter to the Federal Reserve Bank of Boston regarding reports of indebtedness required of executive officers of member banks using revolving personal loan accounts. (With the understanding that the substance of this letter would be sent to all Federal Reserve Banks and published in the Federal Reserve Bulletin)	5

Approval of the order for hearing with respect to The First Virginia Corporation included the understanding that arrangements for the hearing would proceed along the lines suggested in a memorandum from Mr. Solomon dated April 20, 1959, including the assignment of Mr. Harry R. Hinkes as Hearing Examiner. In addition, it was understood that the possibility would be explored of obtaining a member of the legal staff from some Federal Reserve Bank to assist Board counsel (Mr. Victor Pregeant of the Federal Reserve Bank of Richmond) in order to provide experience in this area of work.

Mr. Young then withdrew from the meeting.

4/22/59

-3-

Proposed amendments to Regulations T and U. Mr. Solomon reported that the comments of the Federal Reserve Bank of New York had been received with respect to the proposed amendments to Regulations T and U now under consideration, and that copies of the New York letter, dated April 21, 1959, would be duplicated for distribution to the Board. He also reported that representatives of several Federal Reserve Banks were coming to the Board's offices for a meeting this afternoon to discuss some of the questions relating to the proposed amendments and that any member of the Board who might be interested would of course be welcome.

At the suggestion of Governor Robertson, it was agreed that he would advise President Livingston of the Federal Advisory Council that the Board had granted requests for oral presentation of views regarding the proposed amendments, that these would be heard April 29, and that since action on the proposed amendments would not be taken by the Board prior to the meeting of the Board and the Council next Tuesday, April 28, the Board would be glad to hear the views of the Council at that time.

Morgan-Guaranty merger. Mr. Hackley reported that a representative of the Department of Justice had inquired whether an application had been received by the Board in connection with the proposed merger of J. P. Morgan & Co. and Guaranty Trust Company, both of New York City. He raised the question as to what type of response would be appropriate



4/22/59

-4-

and what position should be taken if the Justice Department should indicate a desire to inspect the application of Guaranty to establish a branch at the present head office location of Morgan.

After some discussion of these points, it was understood that Mr. Hackley would inform the Justice Department of receipt by the Board of the branch application, making it clear that in this case the Board had no jurisdiction except with regard to the branch matter. If the Department should then express a desire to see the branch application, it was agreed that the response should be made that the application could be reviewed by a representative of the Department at the Board's offices.

In this connection Governor Robertson reported that yesterday he received a visit from Mr. Henry C. Alexander, Chairman of J. P. Morgan & Co., who stated that the New York State Banking Board was to hold a meeting today to consider the establishment of the proposed branch, the State Superintendent of Banks presumably would act at the same time with respect to the proposed merger, and it was hoped a decision might be reached by the Board on the branch application by Friday of this week so that, if appropriate clearances were obtained from the respective supervisory authorities, steps could be taken to effect the transactions over the coming week end.

Mr. Hackley reported that Mr. Herbert Maletz, Chief Counsel for the House Judiciary Committee, called on the telephone yesterday

4/22/59

-5-

and expressed general satisfaction with the letter sent by the Board to Committee Chairman Celler on April 20, 1959, regarding the proposed Guaranty-Morgan merger. Mr. Maletz noted, however, that it was his feeling--and apparently that of Mr. Celler also-- that it would be desirable to provide for a public hearing with respect to all bank mergers.

Messrs. Solomon, Hostrup, and Benner then withdrew from the meeting.

Examination of St. Louis Reserve Bank. The report of examination of the Federal Reserve Bank of St. Louis made as of January 5, 1959, had been circulated to the Board along with customary accompanying memoranda, and at the Board's request Mr. Smith summarized the highlights of the report, making reference among other things to bank premises, personnel, and management.

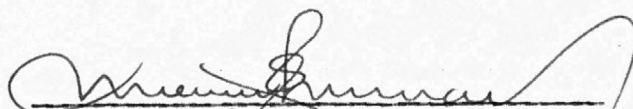
With respect to the review of indebtedness reports, Mr. Smith commented concerning certain borrowings by an officer of the Bank from a member bank and mentioned that a branch junior officer had signed as co-maker on a promissory note given by a branch employee to the Reserve Bank's credit union. These matters had been discussed by the Chief Federal Reserve Examiner with the President of the Reserve Bank, who stated that he was familiar with the circumstances in each case and had raised no objection.

4/22/59

-6-

After discussion, it was agreed that no action need be taken by the Board with respect to these matters, although the Chief Federal Reserve Examiner should be advised of the Board's desire that cases of this nature, including any further developments at the St. Louis Bank, continue to be brought to the Board's attention.

The meeting then adjourned.



Secretary

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

Item No. 1  
4/22/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 22, 1959.

Board of Directors,  
Asbury Park and Ocean Grove Bank,  
Asbury Park, New Jersey.

Gentlemen:

The Board of Governors extends to December 19, 1959, the time within which Asbury Park and Ocean Grove Bank, Asbury Park, New Jersey, may, under the authority contained in the Board's letter of June 19, 1958, establish a branch on Sunset Avenue, approximately 100 feet east of State Highway 35 in Ocean Township, Monmouth County, New Jersey.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.





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

Item No. 2  
4/22/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 22, 1959.

Mr. George Holland, II, Trust Officer,  
The American National Bank of Beaumont,  
Beaumont, Texas.

Dear Mr. Holland:

Reference is made to your letter of March 31, 1959, in which you asked if The American National Bank of Beaumont, as trustee of its own noncontributory pension plan, is subject to the provisions of Regulation F of the Board of Governors, and if loans may be made to employees of the bank from funds of this trust.

Section 11(k) of the Federal Reserve Act empowers the Board of Governors to grant national banks the right to act as trustee, and in other fiduciary capacities, and to promulgate regulations in respect to the exercise of the powers so granted. Since your bank would be without power to act as trustee in the absence of the authority which is granted by the Board, it must follow that you would be subject to its regulations. It is the nature of the activity of the bank, rather than the characteristics of the individual trust, which is controlling in this respect.

Section 11(k) of the Federal Reserve Act also provides that "It shall be unlawful for any national banking association to lend any officer, director, or employee any funds held in trust under the powers conferred by this section." Section 11(a) of Regulation F contains provisions of similar import. From the information you have submitted, therefore, it is clear that loans to employees of the bank may not be made from the funds which you are holding as trustee.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.

Item No. 3  
4/22/59

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

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 The First Virginia Corporation, Arlington, Virginia, a bank holding company, for a determination by said Board that each of the companies listed below, and the proposed 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:

1. First General Insurance Agency, Inc.
2. Mt. Vernon Insurance Agency, Inc.

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,

-2-

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, a hearing with respect to this matter be held commencing on July 8, 1959 at 10:00 a.m., at the offices of the Board of Governors of the Federal Reserve System, Washington, D. C., 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 Richmond, on or before May 25, 1959,

-3-

written request relative thereto, said request to contain a statement of the reasons for wishing to appear, the nature of the petitioner's 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) Merritt Sherman

---

Merritt Sherman,  
Secretary.

(SEAL)

Washington, D. C.  
April 22, 1959





BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON

Item No. 4  
4/22/59

C E R T I F I C A T I O N

1. The Board of Governors of the Federal Reserve System has been informed by First Security Corporation, Salt Lake City, Utah, that it proposes to take the following actions:

(a) to exchange

- (i) cash, notes receivable, securities (including all of the shares of its wholly-owned subsidiary, First Security Company), and other assets, and
- (ii) all of First Security Corporation's shares of its subsidiary banks

for all of the stock of a New Holding Corporation which will be organized for the purpose of receiving such property; on October 31, 1958, the numbers of shares of said banks owned by First Security Corporation were as follows:

<u>Bank</u>	<u>Number of Shares</u>
First Security Bank of Utah, National Association, Ogden, Utah	276,627.33
First Security Bank of Idaho, National Association, Boise, Idaho	54,832.74
First Security Bank of Rock Springs, Rock Springs, Wyoming	12,066.29
Union Bank & Trust Company, Salt Lake City, Utah	25,000.00

(b) immediately after the exchange described in (a), to distribute (in accordance with section 1101(b)(2)(A)(i) of the Internal Revenue Code of 1954) all of the stock of the New Holding Corporation to the stockholders of First Security Corporation, pro rata, without the surrender by such stockholders of any stock of First Security Corporation.

First Security Corporation has also informed the Board of Governors regarding other aspects (including facts with respect to the proposed management of the New Holding Corporation) of the "plan of divestment and distribution" of which said exchange and distribution are a part.

2. Pursuant to the provisions of section 1101(c)(3) and section 1103(b) of the Internal Revenue Code of 1954, the Board of Governors of the Federal Reserve System hereby certifies that:

- (a) First Security Corporation satisfies the requirements of subsection (b) of section 1103 of the Internal Revenue Code of 1954 and therefore is a "qualified bank holding corporation" as defined in that subsection.
- (b) The following property, constituting part of the property itemized in "1" above, is all or part of the property by reason of which First Security Corporation controls (within the meaning of section 2(a) of the Bank Holding Company Act of 1956) the following-named banks:

<u>Bank</u>	<u>Number of Shares</u>
First Security Bank of Utah, National Association, Ogden, Utah	254,858.05
First Security Bank of Idaho, National Association, Boise, Idaho	52,929.48
First Security Bank of Rock Springs, Rock Springs, Wyoming	12,041.29

- (c) The proposed exchange and distribution, referred to in "1" above, are appropriate to effectuate the policies of the Bank Holding Company Act of 1956.

Executed in Washington, D. C., pursuant to direction of the Board of Governors of the Federal Reserve System.

(Signed) Merritt Sherman  


---

Merritt Sherman, Secretary.

(Seal)

Date: April 22, 1959

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

1461

Item No. 5  
4/22/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 22, 1959.

Mr. Benjamin F. Groot, Vice President,  
Federal Reserve Bank of Boston,  
Boston 6, Massachusetts.

Dear Mr. Groot:

This is in response to your letter of April 10, 1959, with enclosures, in which you described certain revolving personal loan programs operated by a number of banks and raised the question, in view of section 22(g) of the Federal Reserve Act and section 5 of Regulation O, as to the type of reports which are required of executive officers of member banks who avail themselves of this form of credit. It is assumed that the resulting indebtedness is to a bank other than the executive officer's bank.

The information which you have supplied indicates that there are a number of these plans which operate under various designations although they are similar in nature and combine the revolving loan account with prearranged credit which is used by the borrower by drawing checks against the credit. When the loan account is opened, a maximum credit is agreed upon as well as the amount of monthly payments. A continuing loan credit is thus established for an indefinite period. Each monthly payment replenishes the credit and makes additional money available for the borrower's use up to the maximum amount of the credit.

As you have indicated, the above described revolving loan programs are similar to merchants' bank-financed charge plans, which was the subject of the Board's letter of May 4, 1953, to the Presidents of all Federal Reserve Banks (FRLS #6645). In that letter the Board stated that if an executive officer of a member bank who has been approved for credit under one of the bank-financed charge plans makes a written report to the directors of his bank within ten days after approval of such credit, stating the nature and purpose of the credit, the maximum amount thereof, and the period allowed for repayment, such report will be considered to be in compliance with the requirements of Regulation O relating to the reporting of indebtedness to other banks. The Board also stated that no additional reports would be required unless the maximum amount originally approved is increased or the credit actually extended exceeds that amount.



Mr. Benjamin F. Groot

-2-

This will advise you that the Board concurs in your view that in the case of revolving loan accounts reports of the type outlined in the Board's letter of May 4, 1953, would satisfy the requirements of section 5 of Regulation O.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.