

Minutes for June 3, 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>WM</u>	_____
Gov. Szymczak	_____	x <u>MS</u>
Gov. Mills	x <u>[Signature]</u>	_____
Gov. Robertson	x <u>R</u>	_____
Gov. Balderston	x <u>CB</u>	_____
Gov. Shepardson	x <u>CS</u>	_____
Gov. King	x <u>[Signature]</u>	_____

Minutes of the Board of Governors of the Federal Reserve System  
on Wednesday, June 3, 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. King

Mr. Sherman, Secretary  
Mr. Kenyon, Assistant Secretary  
Mr. Riefler, Assistant to the Chairman  
Mr. Thomas, Economic Adviser to the Board  
Mr. Hackley, General Counsel  
Mr. Masters, Director, Division of Examinations  
Mr. Farrell, Director, Division of Bank  
Operations  
Mr. Molony, Special Assistant to the Board  
Mr. Noyes, Adviser, Division of Research and  
Statistics  
Mr. Daniels, Assistant Director, Division of  
Bank Operations  
Mr. Hill, Assistant to the Secretary  
Mr. Young, Assistant Counsel  
Mr. Davis, Assistant Counsel

High denomination Federal Reserve notes (Item No. 1). By  
letter dated June 26, 1946, the Board advised the Federal Reserve Banks  
that no further printings of Federal Reserve notes in denominations  
of \$500 and over should be requested, but that there would be no objection  
to paying out such currency as long as the existing stocks lasted. In  
March of this year, when more than \$300 million of the unissued high  
denomination notes continued to be held by the Comptroller of the  
Currency, the Division of Bank Operations was advised by the Federal  
Reserve Issue and Redemption Division that Treasury auditors then  
engaged in an audit of the Federal Reserve vault intended to recommend

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alteration of the cages where the notes were stored, at an estimated cost of \$2,000. It was also their intention to make a piece count which would require repackaging of the notes, and these expenses would be chargeable to the Federal Reserve Banks. Accordingly, telegrams were sent to the Presidents of the Reserve Banks inquiring whether they would have any objection to the destruction of the notes after any portion thereof that might be desired had been shipped to the respective Federal Reserve Agents. The matter was discussed at a special session of the Presidents\* Conference on April 14, 1959, following which some of the Banks requisitioned a part or all of their unissued \$500 and \$1,000 notes; concurrence was expressed by each Bank of issue in the proposed destruction of the remaining notes. Since the Kansas City Bank continued to have some demand for \$500 notes, tentative arrangements were made to provide that Bank with \$3.5 million of unissued Richmond notes and \$6.5 million of unissued Philadelphia notes.

In a memorandum dated May 25, 1959, which had been circulated to the Board, the Division of Bank Operations recommended that the Board (1) authorize the destruction of \$310.3 million unissued Federal Reserve notes in denominations of \$500 and over held by the Comptroller of the Currency, and (2) approve providing the Federal Reserve Bank of Kansas City with \$10 million of the \$500 notes of the Philadelphia and Richmond Banks which would otherwise be destroyed. The memorandum

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pointed out that although the Reserve Banks were now regularly paying into circulation fit notes of other Banks, the current proposal with respect to the transfer of the \$500 notes to Kansas City would result in the first major payment by one Bank of new notes of another Reserve Bank.

Following comments by Messrs. Farrell and Daniels, the recommendations contained in the memorandum of May 25, 1959, were approved unanimously. A copy of the letter sent to the Comptroller of the Currency pursuant to this action is attached as Item No. 1.

Mr. Daniels then withdrew from the meeting.

First National Bank of St. Joseph, Missouri (Item No. 2).

There had been distributed to the Board a memorandum from Mr. Davis dated June 2, 1959, regarding the status of the First National Bank, St. Joseph, Missouri, under the Bank Holding Company Act. Question had been raised as to the bank's status in connection with staff research in preparing the list of "one-bank" holding company cases submitted to the House Banking and Currency Committee on February 2, 1959. Subsequent investigation indicated that the President of First National held as trustee for the shareholders of that bank 1,955 shares of the 2,000 outstanding shares of the First Trust Company, also of St. Joseph, which in turn owned 2,465 of the 2,500 outstanding shares of the First Stock Yards Bank of South St. Joseph.

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It was recommended in the memorandum that the First National Bank be held to be a "bank holding company" within the meaning of clause (3) of section 2(a) of the Bank Holding Act and that a letter, in the form of a draft submitted with the memorandum, be sent to the Federal Reserve Bank of Kansas City requesting that First National be so advised. It was further recommended that the Board extend the time for registration by First National under the Act for a period of 90 days following its receipt of the Board's opinion from the Reserve Bank.

Mr. Davis commented that the principle underlying the position adopted by the Board in cases involving the Fort Worth National Bank and the Republic National Bank of Dallas appeared to be applicable in the present case. More than 25 per cent of the stock of First Trust Company was held for the benefit of the shareholders of First National Bank, and it appeared that more than 25 per cent of the stock of First Stock Yards Bank was held in trust, even though indirectly, for the benefit of the shareholders of First National Bank.

A change in the proposed letter was suggested which would provide an opportunity for the subject bank to advise the Reserve Bank if the actual facts were different from the information available to the Board, and unanimous approval then was given to a letter to the Federal Reserve Bank of Kansas City in the form attached as Item No. 2.

Mr. Davis then withdrew from the meeting, and Mr. Johnson, Director, Division of Personnel Administration, entered the room.

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Proposed bills to amend the Federal Reserve Act. A request having been received from Chairman Spence of the House Banking and Currency Committee for the Board's views on three bills that would amend the Federal Reserve Act, there had been distributed to the Board a memorandum from Mr. Young dated June 2, 1959, summarizing the bills and submitting a draft of reply. H.R. 2790, introduced by Congressman Patman, would (1) provide for 12 members of the Board of Governors, each with a term of six years, and (2) abolish the Federal Open Market Committee and transfer its functions to the Board. H.R. 6323 and H.R. 5732, identical bills introduced by Congressmen Rhodes and Thompson, respectively, would (1) increase the Board of Governors to 16 members, of whom 12 would be appointed by the President and four, the Secretaries of Labor, Commerce, and Agriculture, and the Administrator of the Small Business Administration, would be ex-officio members; (2) abolish the Federal Open Market Committee and transfer its functions to the Board; and (3) amend paragraph 11, section 4 of the Federal Reserve Act, to specify the eligibility of a person engaged in any business or professional occupation other than banking for service as a Class B Reserve Bank director. Each of the latter two bills would require the President, in appointing members of the Board, to have due regard for a fair representation of "labor, small business, and consumer interests."

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After discussion of various factors bearing upon the phrasing of the proposed letter, it was agreed that a revised draft reflecting several suggestions made at this meeting would be distributed to the Board for consideration.

Mr. Young then withdrew from the meeting.

Technical assistance in Continental Bank proceeding. In a letter dated May 26, 1959, Mr. Bolling R. Powell, Jr., Special Counsel to the Board in the matter of The Continental Bank and Trust Company, Salt Lake City, Utah, suggested the desirability of arrangements between the Board and Mr. J. Frank Holahan under which Mr. Powell could continue to call upon Mr. Holahan for such technical advice and assistance as might be needed from time to time in the completion of the Continental proceeding before the Board of Governors and in any court proceedings that might follow the final order of the Board. This letter was occasioned by the fact that Mr. Holahan had resigned from the employ of the Board effective June 12, 1959, to accept a position with the National Bank of Westchester, White Plains, New York.

There had been distributed to the Board prior to this meeting a memorandum from Mr. Masters dated May 29, 1959, expressing agreement with the view that it would be desirable, until such time as the Continental matter was finally resolved, for an opportunity to remain for consultative collaboration between Messrs. Powell and Holahan since

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the latter had been the member of the Board's examining staff upon whom Mr. Powell depended most importantly for technical guidance in carrying forward the proceeding. However, the extent to which Mr. Powell would expect to call upon Mr. Holahan was not entirely clear and the arrangement suggested by Mr. Powell would pose a number of questions, including the appropriateness of designating an officer of a national bank for the purpose of collaboration with the Board's Special Counsel, the procedural problem of obtaining access to the Board's files, and the matter of compensation. The memorandum noted that Mr. Powell, as Special Counsel to the Board, was not restricted in his choice of aides and consultants and, after the date of Mr. Holahan's resignation, technically would be free to make whatever arrangements were acceptable to him, Mr. Holahan, and Mr. Holahan's new employer. A draft of letter to Mr. Powell suggesting the possibility of his making such arrangements with Mr. Holahan was submitted with the memorandum.

Following comments by Mr. Masters on the advantages that might be derived from an arrangement between Mr. Powell and Mr. Holahan and on the problems posed by Mr. Powell's original suggestion, questions were raised by some of the members of the Board as to whether either of the alternative procedures for retaining the services of Mr. Holahan would be appropriate. It was noted that although, as indicated by the

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memorandum from Mr. Masters, Mr. Powell technically was free to arrange for his own aides and consultants, he would no doubt wish to have the Board's guidance concerning further use of the services of Mr. Holahan.

Governor Robertson expressed himself as favorably inclined toward the proposal. With respect to the question of access to files, he considered it doubtful whether Mr. Holahan would have to go beyond the hearing record, for that was the basis on which the case would be argued before the Board. After indicating that he would be agreeable either to an arrangement between the Board and Mr. Holahan or between Mr. Powell and Mr. Holahan, he added that he would not like to see the Board take the position that it would be inappropriate to retain Mr. Holahan in a consulting capacity.

At the instance of Governor Shepardson, there followed further discussion of the possible need by Mr. Holahan to have recourse to the Board's files, and the comments made indicated that this point was not entirely clear.

Governor Robertson then stated that he was influenced in the matter by his understanding that there was no other member of the Board's examining staff who had nearly as much familiarity with the Continental proceeding as Mr. Holahan. This led him to conclude that any designated member of the staff would have to do a great deal of work to familiarize himself with the record of the case in order to be

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of nearly as much help to Mr. Powell, and it appeared that the case probably would be formally submitted to the Board within the next two months. He suggested, therefore, that the Board authorize an arrangement between Mr. Holahan and Mr. Powell.

Governor Mills expressed doubt whether it would be proper to inject Mr. Holahan into the case after he left the employ of the Board. As had been brought out, the record of the hearing was now complete, and in his judgment it reflected a superior handling of the case by Mr. Powell, with careful documentation. In these circumstances, it occurred to him that there was adequate talent on the Board's staff to supply such technical assistance as Mr. Powell might need. Mr. Holahan's usefulness, if his services were retained, apparently would be in developing whatever further record might be made in the case. In a sense, he would be called upon to offer opinions, and Governor Mills was fearful that they might be subject to challenge by Continental Bank and Trust Company as no longer being opinions strictly related to Mr. Holahan's original functions in regard to the case. In a manner of speaking, Mr. Holahan would be wearing two hats. As a consultant, he would be expected to offer opinions to strengthen the position that Special Counsel had taken, and in a sense this would put him in the position of speaking out of turn in a case that would set a precedent one way or the other with regard to the authority of the Board to demand and require that additional capital be introduced into a member

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bank on penalty of forfeiture of membership. Since feelings within the banking fraternity were undoubtedly divided as to whether the Board should have that authority, Governor Mills was inclined to think that Mr. Holahan might be embarrassed, by virtue of his new position, in attempting to offer opinions.

After Governor King indicated that he would prefer not to participate in the discussion of this matter because of his lack of familiarity at this point with the Continental proceeding as a whole, Governor Robertson made the suggestion that the Board arrange to meet with Mr. Powell in order that the latter might have an opportunity to explain in more detail the nature of the services that he would expect to obtain from Mr. Holahan. In view of the questions raised this morning, Governor Robertson felt that further explanation by Mr. Powell might serve to clarify the proposal and that the Board should have the benefit of such clarification before reaching a decision.

There was agreement with this suggestion, and it was understood that arrangements would be made for Mr. Powell to meet with the Board at a mutually convenient time.

Mr. Hill then withdrew from the meeting.

Appointment of research officers. At the meeting yesterday, preliminary consideration was given to procedures followed in connection with the appointment of officers in charge of research activities at the respective Federal Reserve Banks. The particular occasion for the

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discussion was the appointment of Mr. Roosa as Vice President in charge of the research function at the Federal Reserve Bank of New York following the retirement of Mr. Roelse. While the New York Bank had not requested approval of Mr. Roosa's appointment in such capacity, it had forwarded to the Board a revised organization chart. This raised the question whether, in accordance with the Board's letter to the Chairmen of all Federal Reserve Banks dated March 25, 1936, as supplemented by the Board's letter to the New York Bank dated September 14, 1936, and similar letters sent to the other Reserve Banks around that date, the New York Bank should be advised of approval of Mr. Roosa's appointment.

Chairman Martin stated that Governor Szymczak, who was out of the city today, had requested that a determination of the question not be made until he had had an opportunity to participate in the discussion. The Chairman therefore suggested that the matter be explored further at this meeting, but that no conclusions be reached until after Governor Szymczak had returned.

Mr. Hackley commented that, as he pointed out at yesterday's meeting, some question might be raised with regard to the legal authority to require prior approval by the Board of a Reserve Bank officer assigned in charge of the research function, for the law specifically authorizes the Reserve Banks to appoint officers and employees and requires Board

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approval only in the case of the President, First Vice President, and examiners. With respect to the officer in charge of examinations, it could be said that, as mentioned, the law requires appointments of examiners to be approved by the Board of Governors, but this would not hold true with regard to the research function. The Board, of course, is directed by law to approve the payment of compensation to all Reserve Bank officers and employees, and the Board could perhaps veto the appointment of an officer in charge of research activities by refusing to approve the payment of salary to him. Presumably, however, this step would not be taken except in an extreme case.

Mr. Hackley pointed out that the practice of requiring Board approval of the officer in charge of research had been in effect since the statutory functions of the Federal Reserve Agent were transferred to the Federal Reserve Bank in 1936. When the transfer was made, the Board stated that this was with the understanding that the research and examining departments, previously under the Federal Reserve Agent, were being shifted to the Reserve Banks on condition that those activities would still be under the direct supervision of the Board, and the Board expressly stated that appointments of supervisory personnel in such functions should be subject to the approval of the Board. While there had been certain exceptions, he understood that the practice of obtaining Board approval had been rather consistently followed in recent years.

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Mr. Hackley expressed the view that in essence the matter came down to a question of policy, that is, whether it would be desirable to continue to follow the current practice insofar as the officer in charge of research was concerned, and make the practice uniform for all Federal Reserve Banks, or whether to review the whole matter. One possibility might be to send a letter to the Reserve Banks indicating that the Board felt there was perhaps even more reason today than in 1936 for coordinating the research activities of the Federal Reserve Banks and the Board because of the vital importance of the research function to the determination of national credit policy. Such a letter might go on to say, however, that the Board had concluded it was no longer necessary for the Banks to obtain formal Board approval for the appointment of the officer in charge of research and that in the alternative such matters should be brought to the attention of the Board informally in order to provide for appropriate consultation prior to the appointment. This, Mr. Hackley said, would appear to accomplish the objectives sought through the current procedure without placing the Board in the position of relying upon a legal authority that could be questioned.

Mr. Sherman referred in somewhat more detail to the provisions of the Board's 1936 letters and went on to say that the practice of obtaining prior approval from the Board had been followed to some extent but not consistently. The requirement had not been completely

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accepted by the Federal Reserve Banks, although only the New York Bank had officially challenged the Board's authority. He then reviewed the situation that arose in the mid-1940s when several letters on the subject were exchanged between the Board and the New York Bank. The matter apparently had never been completely resolved, and when Mr. Roelse was made Vice President in charge of the research function in 1945, the Board did not approve his appointment and merely approved the payment of salary to him. At the other Federal Reserve Banks, it had not been the consistent practice to come to the Board for advance approval of the appointment of an officer in charge of research. In fact, that kind of request had been unusual, although in a number of cases the Board had written a letter approving such an appointment when a Reserve Bank requested approval of the payment of salary to the research officer. Against this background, it occurred to him that the Board might wish to give special attention to the proposed letter to the New York Bank, particularly because it was known informally that the Bank would not care to receive such a letter from the Board. In view of the position that the Bank adopted a number of years ago, such a letter might serve only to reopen the question of authority as between the Board and the Reserve Bank.

In the circumstances, Mr. Sherman suggested that the Board might wish to consider whether it would prefer an alternative procedure, such as mentioned by Mr. Hackley, that would bring up proposed research

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appointments on a consultative basis. In the 1940s, he noted, the New York Bank had indicated that informal advance discussion of such appointments would not be inconsistent with the Bank's views.

In a further comment, Mr. Sherman recalled that when Mr. Roosa was appointed a Vice President of the New York Bank in October 1956, the Reserve Bank wrote a long letter on his background and proposed duties in which it stated that Mr. Roosa was being assigned full time to the research function and given responsibility for the general administration of that function. This was at the time Mr. Roelse's title was changed to Vice President and Economic Adviser in view of the changed scope of his duties. In reply, the Board approved the payment of salary to Mr. Roosa as Vice President but did not expressly approve Mr. Roosa's appointment as officer in charge of the research function.

Mr. Johnson commented that according to the files on the matter Mr. Roosa was given administrative duties in research in 1956 but Mr. Roelse continued to be the officer in charge of research, a fact expressly stated on his job description sheet. It appeared that a check was made with the Vice President of the New York Bank in charge of personnel, who stated that it was clearly the intent of the New York directors to have Mr. Roelse remain in charge of the research area until he retired. On the basis of the information in the files,

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the Personnel Division prepared the proposed letter approving the appointment of Mr. Roosa as officer in charge of research in line with the general procedure of approving appointments of officers having such responsibilities. Mr. Johnson added that during the past few years there appeared to have been no cases other than the one now before the Board where the appointment of an officer in charge of research was not approved by the Board. To continue eleven Reserve Banks under such a requirement and place the New York Bank in a different category would constitute a double standard that seemed inappropriate. In this connection, he pointed out that a Board letter in 1944 to the then Chairman of the New York Bank indicated clearly that the appointment of an officer in charge of research should not be made effective without Board approval. The question whether the Board wished to continue the current procedure was, of course, another matter.

Governor Robertson expressed the view that no incident should be made out of the Roosa case and that instead the Board should take the whole problem under study. Governor Shepardson agreed and added that the broader question extended to the procedures followed in the appointment and approval of compensation of all Reserve Bank officers. As mentioned by Mr. Sherman, in numerous instances an appointment had already been announced by the Reserve Bank concerned when the request

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for approval of salary came before the Board, so the Board's action tended to become a more or less perfunctory thing. This suggested to him that arrangements should be considered that would work in the direction of securing advance approval of compensation.

In further discussion the possibility of considering the whole subject with the Reserve Bank Presidents was suggested, following which Governor Mills said he considered it important that the Board retain and exercise general supervision over the research activities of the Federal Reserve Banks. However, he felt it would be inadvisable to raise an issue at this time with regard to Mr. Roosa, concerning whose qualifications there was no doubt. A preferable approach might be through the procedures followed in consideration of the Reserve Bank budgets as they related to the Research Department. In that connection there would be an opportunity to discuss with the respective Banks the nature of the direction they should look to from the Board concerning research activities, and more specifically the fact that the Board should be informed in advance of any plan to promote an individual as an officer in the research function.

It was Governor Mills' impression that the Board had relaxed somewhat in its supervision of Reserve Bank research activities. He thought the Board should be careful about challenging what might have gone on in a Reserve Bank if it had not been as forceful in maintaining contact with the Bank's research activities as it was several years ago.

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Governor Mills' comments led to a discussion regarding the agreement reached in 1944 concerning Reserve Bank research activities, and it was pointed out that the Board was without authority under that agreement to veto articles proposed for publication by the respective Banks. While there was a clear understanding that the Banks would submit such articles and consider comments made regarding them by the Board's staff, a Reserve Bank President was free to make his own decision.

Governor Shepardson recalled that several years ago the Presidents' Conference Committee on Research and Statistics, with Mr. Bryan as Chairman, became concerned about the cumbersome characteristics of the System's research organizational structure and made a rather extensive historical review which was submitted to the Board. Although there was some discussion of the matter, the Board never took action and subsequently Mr. Bryan advised Governor Mills that the project had been terminated. Governor Shepardson suggested that a need existed for comprehensive study of the research organization and procedures and that the questions originally raised by Mr. Bryan deserved further consideration, perhaps by a joint committee of the Board and the Presidents that would submit recommendations.

Mr. Thomas commented that such a group might consider, among other things, a reorganization of the System Research Advisory Committee.

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Governor Balderston commented that, as he saw it, the objective was to provide as much decentralization of authority as possible, with just enough coordination through the Board to insure effective action where unity was required. After referring to questions that had arisen during the period of his service as a director of the Federal Reserve Bank of Philadelphia, he stressed the desirability of making the research and examining functions at each Reserve Bank as strong as possible and said he had the feeling that full consideration of the broad questions raised at this meeting was essential. This might include discussion not only with the Presidents' Conference but also in the course of budget conversations with the respective Reserve Bank Presidents each year, with a view to exploring what was being planned for the future by the respective research departments.

Following additional comments, Governor Shepardson again suggested the possibility of establishing a committee to take a look at some of the organizational and procedural questions that at present did not seem to be clearly defined. In view of the tenuous character of the Board's legal authority, as mentioned by Mr. Hackley, he suggested that the approach be on a cooperative basis. As a first step, he felt that it might be desirable for a relatively small group to explore these matters to avoid the recurrence of questions concerning legal authority and incidents that might prove embarrassing either to the Board or the Reserve Banks.

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The discussion concluded with the understanding that the problem would be held over for further consideration when Governor Szymczak was present.

All of the members of the staff except Messrs. Sherman, Hackley, and Masters then withdrew from the meeting.

Pan American Bank of Miami. Governor Robertson reported that he received a telephone call about 5:30 last evening from a Mr. Mann of New York City, who identified himself as representing Glore, Forgan & Company, stating that he had been working on the proposed financing for South Dade Farms as a means of providing additional capitalization for purposes previously outlined by Mr. James Sottile, Jr. Mr. Mann stated that he desired to come to the Board to talk with Governor Robertson, to which the latter responded that he saw no basis for discussing the matter with him. Mr. Mann then stated that his interest was in seeing the examination reports on Pan American Bank of Miami as well as of other banks of the Sottile group, although he recognized that his request to the Board would apply only to the member State bank.

Governor Robertson stated that he told Mr. Mann that under no circumstances would the Board make reports of examinations of a member bank available to anyone other than the member bank unless the bank itself requested a release from the Board of the restriction applied

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to all examination reports on the grounds that the bank wanted to make the report available to another person. Mr. Mann expressed the view that he should know more about Pan American Bank and its condition before Glore, Forgan & Company undertook the capitalization program, adding that he had discussed this with General Sterling Wood, who was now in New York. Governor Robertson said that his response was that, if a request for permission to make the examination reports available to Mr. Mann was received from General Wood, he could see no reason why the Board would oppose such a request since it was primarily interested in having additional capital funds provided for Pan American Bank. Mr. Mann went on to say that there would be delay in issuance of the contemplated securities because various questions had been raised which would require that further checking be made by Arthur Andersen & Co., their auditors, and that it was now hoped that the issue could be sold by July 15 or at least by August 1.

At Chairman Martin's suggestion, it was understood that Governor Robertson would circulate a copy of a memorandum covering his conversation to the members of the Board.

Proposed merger. Governor Balderston referred to the report in this morning's papers of the proposed merger of the Chemical Corn Exchange Bank of New York and the New York Trust Company, stating that Mr. Treiber, First Vice President of the Federal Reserve Bank of New York, called him on the telephone yesterday afternoon to inform him of

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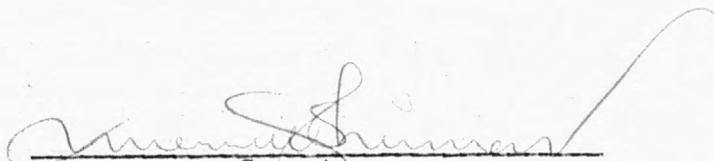
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the proposal. Governor Balderston had not yet learned the specific terms of the proposed merger and did not know what matters would come before the Board for consideration.

In this connection, Governor Mills stated that he hoped the analysis that would be prepared by the Board's staff for the assistance of the Board in reaching its decision on the matter would be exhaustive, both for the help of the Board and for the record in the case.

The meeting then adjourned.

Secretary's Note: Governor Shepardson today approved on behalf of the Board a letter to the Federal Reserve Bank of New York (attached Item No. 3) approving the appointment of John C. Calhoun and Woodrow F. Sweeney as examiners and Melvin W. Honey as assistant examiner, and a letter to the Federal Reserve Bank of Minneapolis (attached Item No. 4) approving the appointment of Ronald W. Wright as assistant examiner.



Secretary

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

Item No. 1  
6/3/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD



June 3, 1959.

The Honorable Ray M. Gidney,  
Comptroller of the Currency,  
Treasury Department,  
Washington 25, D. C.

Dear Mr. Gidney:

In 1946 the Board of Governors authorized discontinuance of further printings of Federal Reserve notes in denominations of \$500 and above. In advising the Presidents of the Federal Reserve Banks of its action, the Board stated that it would offer no objection to the paying out of currency in such denominations by the Reserve Banks, as long as the existing stocks lasted.

In view of the Board's position with respect to the printing and use of high denomination currency, referred to above, it was recently suggested that the notes in these denominations in the Federal Reserve vault be destroyed after the Reserve Banks were given the opportunity to have such portion thereof as they desired shipped from Washington.

Attached is a statement showing, by denominations and Federal Reserve Banks, the amount and number of notes that it is proposed be destroyed. The Board would appreciate your taking the necessary steps for their destruction and arranging for the Board to be furnished with a report certifying to the destruction.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

Enclosure.

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

Item No. 2  
6/3/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD



June 3, 1959.

Mr. D. W. Woolley, Vice President,  
Federal Reserve Bank of Kansas City,  
Kansas City 6, Missouri.

Dear Mr. Woolley:

On the basis of information made available to it, the Board understands that the following situation obtains with respect to First National Bank, St. Joseph, Missouri.

The president of First National Bank, St. Joseph, holds as trustee for the shareholders of that bank 1,955 shares of the 2,000 outstanding shares of the First Trust Company, St. Joseph, Missouri. The trust company in turn owns 2,465 of the 2,500 outstanding shares of First Stock Yards Bank, South St. Joseph, Missouri.

Under clause (3) of section 2(a) of the Bank Holding Company Act, a company is a bank holding company if 25 per cent or more of the voting shares of each of two or more banks is held by trustees for the benefit of the shareholders of such company. While the trustee in the present case directly holds the shares of only one bank, First Trust Company, the intermediate trust company in turn directly owns stock of another bank, First Stock Yards Bank. In the circumstances, unless the facts are otherwise than stated above, it is the Board's opinion that 25 per cent or more of the voting shares of each of two banks is "held" by a trustee for the benefit of the shareholders of First National Bank, St. Joseph, Missouri.

As pointed out in its report, dated May 7, 1958, to the Congress on the Bank Holding Company Act, the Board believes that any other conclusion in this type of situation would contravene the intention of the statute, would lead to an almost absurd result, and might open the door to widespread evasion of the purposes of the law. Accordingly, it is the Board's conclusion that First National Bank, St. Joseph, Missouri, is a bank holding company within the meaning of the Act and must comply with its provisions.

Mr. D. W. Woolley

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In order to allow the First National Bank, St. Joseph, Missouri, a reasonable time within which to prepare its registration statement, the Board grants, pursuant to section 5(a) of the Act, a period of 90 days from the date of receipt by the bank of your forwarding letter for the filing of a registration statement by the bank as required by the Act.

It would be appreciated if you will advise First National Bank, St. Joseph, Missouri, of the Board's views as stated in this letter.

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  
6/3/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

June 3, 1959.



CONFIDENTIAL (FR)

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

Dear Mr. Wiltse:

In accordance with the request contained in your letter of May 27, 1959, the Board approves the appointment of John C. Calhoun and Woodrow F. Sweeney as examiners and Melvin W. Honey as an assistant examiner for the Federal Reserve Bank of New York. Please advise as to the dates on which the appointments are made effective.

It is noted that Mr. Sweeney is indebted to The First National Iron Bank of Morristown, Morristown, New Jersey, in the amount of \$7,584.93 for a mortgage on his home, and Mr. Honey is indebted to The Peoples National Bank of New Brunswick, New Brunswick, New Jersey, in the amount of \$175. Accordingly, the Board's approval of the appointments of Messrs. Sweeney and Honey is given with the understanding that they will not participate in any examinations of the banks to which indebted until the indebtedness has been liquidated.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.

1957

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

Item No. 4  
6/3/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD



June 3, 1959.

CONFIDENTIAL (F.R.)

Mr. Frederick L. Deming, President,  
Federal Reserve Bank of Minneapolis,  
Minneapolis 2, Minnesota.

Dear Mr. Deming:

In accordance with the request contained in your letter of May 28, 1959, the Board approves the appointment of Ronald W. Wright as an assistant examiner for the Federal Reserve Bank of Minneapolis, effective June 15, 1959.

It is noted that Mr. Wright is indebted to Union Story Trust & Savings Bank, Ames, Iowa, a non-member bank, in the amount of \$600, due June 15, 1959, under joint obligation with his wife, secured by wife's assignment of deposits to State Retirement Fund. Accordingly, the Board's approval of the appointment of Mr. Wright is given with the understanding that he will not participate in any examination of that bank until his indebtedness has been liquidated.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.