

Minutes for August 27, 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 proposed to place in the record of policy actions required to be kept under the provisions of Section 10 of the Federal Reserve Act an entry covering the item in this set of minutes commencing on the page and dealing with the subject referred to below:

Page 8      Amendment of Regulation Q,  
                 Payment of Interest on  
                 Deposits

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
Chairman Martin	_____	x <u>RM</u>
Governor Szymczak	_____	x <u>SSS</u>
Governor Mills	<u>x</u> _____	_____
Governor Robertson	x <u>R</u> _____	_____
Governor Balderston	_____	x <u>CCB</u>
Governor Shepardson	<u>SSS</u> _____	_____
Governor King	x <u>SSS</u> _____	_____

Minutes of the Board of Governors of the Federal Reserve System  
on Thursday, August 27, 1959. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Mills, Acting Chairman  
Mr. Robertson  
Mr. Shepardson  
Mr. King

Mr. Kenyon, Assistant Secretary  
Mr. Fauver, Assistant Secretary  
Mr. Riefler, Assistant to the Chairman  
Mr. Shay, Legislative Counsel  
Mr. Hackley, General Counsel  
Mr. Solomon, Director, Division of Examinations  
Mr. Sammons, Associate Adviser, Division of  
International Finance  
Mr. Chase, Assistant General Counsel  
Mr. Hostrup, Assistant Director, Division of  
Examinations  
Mr. Nelson, Assistant Director, Division of  
Examinations  
Mr. Hooff, Assistant Counsel  
Mr. Young, Assistant Counsel  
Mr. Achor, Review Examiner, Division of  
Examinations

Discount rates. The establishment without change by the Federal Reserve Banks of Boston and Minneapolis on August 24 and by the Federal Reserve Bank of Atlanta on August 25, 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 those Banks.

A telegram from the Federal Reserve Bank of Kansas City dated August 26, 1959, advised that the directors of that Bank also had established existing rates on discounts and advances without change, except that rates under section 13b of the Federal Reserve Bank were not re-established because of the repeal of that section effective

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August 21, 1959. The action of the Kansas City directors 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 Citizens Bank of Arcade, Arcade, New York, approving the establishment of a branch in Rushford incident to its merger with the State Bank of Rushford.   | 1               |
| Letter to The Patchogue Bank, Patchogue, New York, approving the establishment of a branch in East Patchogue.  | 2               |
| Letter to the Corn Belt Bank, Bloomington, Illinois, approving an additional investment in bank premises.  | 3               |
| Letter to The Peoples State Bank of Holland, Holland, Michigan, approving the establishment of a branch in Holland Township.   | 4               |
| Letter to the Federal Deposit Insurance Corporation regarding an application of The Fahey Banking Company, Marion, Ohio, for continuation of deposit insurance after withdrawal from membership in the Federal Reserve System.   | 5               |
| Letter to the Federal Deposit Insurance Corporation regarding an application of The German American Bank, Jasper, Indiana, for continuation of deposit insurance after withdrawal from membership in the Federal Reserve System. | 6               |

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	<u>Item No.</u>
Letter to the Federal Reserve Bank of Richmond approving the appointment of Albert K. Atkinson as Alternate Assistant Federal Reserve Agent.	7
Letter to the Budget Bureau commenting on enrolled bill H.R. 8159, relating primarily to national banks.	8
Letter to the Federal Reserve Bank of New York approving the Bank's acting as fiscal agent with respect to a proposed issue of bonds by the International Bank.	9

In connection with the foregoing Item No. 1, Governor King noted that the file which had been circulated to the Board contained a statement that the lending policies of the applicant bank's management were too liberal. He expressed doubt as to the appropriateness of a categorical statement of this kind, pointing out that a matter of judgment was involved, and Mr. Solomon indicated that the Division of Examinations would bear this comment in mind.

Disposition of examination reports. In a letter dated August 6, 1959, Vice President Denmark of the Federal Reserve Bank of Atlanta referred to an inquiry from the Superintendent of Banks of Alabama as to whether there would be any objection to destruction by the State Banking Department of copies of reports of examination of State member banks made by examiners for the Federal Reserve Bank and furnished to the State authorities. A memorandum from the Division of Examinations dated August 18, 1959, which had been circulated to the Board, indicated that this specific question apparently had not been considered previously



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by the Board. However, in a letter dated July 23, 1954, (S-1540; F.R.L.S. 3627), the Board indicated that State member banks wishing to dispose of reports of examination should be advised to return them to the Reserve Bank for destruction by incineration or other effective means. From informal inquiry of three Federal Reserve Banks, it appeared that no question had been raised by State authorities in those districts, but some of the State authorities were understood to destroy reports of examination after a period of time, in one instance after microfilming. A representative of the Federal Deposit Insurance Corporation advised that no copies of reports prepared by that agency's examiners and furnished State banking departments were to be destroyed by those departments, except copies of reports relating to banks no longer in existence. A suggested reply to Vice President Denmark, circulated with the file on the matter, took the position that the same procedure should be followed with respect to State supervisory authorities as had been specified for State member banks in the Board's 1954 letter and that the Alabama Superintendent of Banks therefore should return such reports to the Reserve Bank for destruction.

Comments by members of the Board revealed some doubt as to the appropriateness of the proposed reply to Mr. Denmark, particularly in view of the apparent lack of consistency in procedures followed in the respective districts. In the circumstances, it was thought advisable

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that the subject be reviewed more extensively. Accordingly, the matter was referred back to the Division of Examinations for further study and recommendation to the Board.

Gold loan to Haiti (Item No. 10). The directors of the Federal Reserve Bank of New York had authorized, subject to approval by the Board of Governors, a three-month loan on gold in the amount of \$700,000 to the National Bank of the Republic of Haiti. A memorandum from Mr. Sammons dated August 26, 1959, which had been distributed to the Board, pointed out that Haiti had been passing through difficult times and for several months had been receiving approximately \$1 million a month as "budget assistance" aid from the International Cooperation Administration, this aid being tied to continued compliance with a stabilization program entered into under an agreement with the International Monetary Fund. At the moment drawings had been temporarily suspended due to failure to comply fully with the terms of the stabilization program, but the violation was understood not to be serious in nature and it was anticipated that drawings probably would be resumed in September. A favorable factor was the prospect of a large coffee crop, and it was expected that Haiti would be able to repay the gold loan from the proceeds of coffee exports. It was the recommendation of the Division of International Finance that the requested gold loan be approved by the Board.

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Following comments by Mr. Sammons in amplification of his memorandum, and discussion based on those comments, the proposed gold loan to Haiti was approved unanimously. A copy of the telegram sent to the Federal Reserve Bank of New York pursuant to this action is attached as Item No. 10.

Mr. Sammons then withdrew from the meeting.

Prospectus filed by Sottile, Inc. (Item No. 11). The Securities and Exchange Commission had requested the comments of the Board of Governors regarding a prospectus relating to the proposed sale of two million shares of common stock of Sottile, Inc., formerly called South Dade Farms, Inc. Through this sale of stock, additional capital funds of \$4 million would be made available to seven banks in Florida controlled by the Sottile interests. The capitalization of the Pan American Bank of Miami, Florida, would be increased by \$3 million, thus complying with the requirement stated in letters from the Board dated January 20 and February 24, 1959.

A memorandum from the Division of Examinations and the Legal Division dated August 21, 1959, which had been distributed to the Board, pointed out that it had not been possible to check the prospectus fully because figures as to earnings and other factors were on a consolidated basis for all seven banks. Moreover, the figures were on a fiscal year basis and had been adjusted to reflect an accrual basis

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of accounting. However, it appeared that the figures were probably substantially accurate. A draft of proposed reply to the Securities and Exchange Commission would point out why the figures in the prospectus could not be verified in detail and would comment briefly on aspects of the apparent status of Sottile, Inc., under the Bank Holding Company Act.

Remarks by Messrs. Chase and Solomon included the comment that the request of the Securities and Exchange Commission might have involved a conflict of interests because the Board was anxious to have additional capital supplied to the Pan American Bank and yet would be interested in seeing that prospective investors in the stock of Sottile, Inc., were not misled. Upon review of the prospectus, however, it developed that apprehension regarding this possible conflict of interests was unfounded because the statements in the prospectus appeared to be substantially accurate.

In this connection, Governor Robertson commented briefly, in response to a question by Governor Mills, concerning developments with respect to the Pan American Bank. He noted, among other things, that the bank had acquired additional management and had charged off criticized assets. While the bank was still not out of the problem category, and would not be until additional capital was obtained, much constructive work appeared to have been done.



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Editorial changes in the proposed reply to the Securities and Exchange Commission were then suggested by Governor Shepardson, following which unanimous approval was given to a letter in the form attached as Item No. 11.

Messrs. Chase, Hostrup, and Achor then withdrew from the meeting.

Amendment of Regulation Q (Item No. 12). On June 27, 1959, the Board published in the Federal Register a proposed amendment to section 3(d) of Regulation Q, Payment of Interest on Deposits, which would permit member banks to compute interest at the maximum rate permitted under the Regulation for an entire month on savings deposits received during the first ten calendar days of such month. In contrast, Regulation Q at present permits interest to be paid for the entire month only on savings deposits received during the first ten business days of any calendar month commencing a quarterly or semi-annual interest period and during the first five business days of any other calendar month.

A memorandum from Mr. Hooff dated August 21, 1959, which had been distributed to the members of the Board, summarized comments received from Federal Reserve Banks and others following publication of the proposed amendment in the Federal Register. It was recommended that the amendment be approved by the Board without change. The Legal Division of the Federal Deposit Insurance Corporation had advised that a similar amendment to the regulations of that Corporation would be recommended to the Board of Directors for adoption.

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Following comments by Mr. Hooff, the proposed amendment to Regulation Q was approved unanimously, tentatively effective November 1, 1959, in order to permit action by the Federal Deposit Insurance Corporation on a similar amendment to its regulations, simultaneous publication of the amendments of the two agencies in the Federal Register, and allowance of the prescribed number of days following publication in the Federal Register before the amendments would become effective.

Secretary's Note: Subsequently, it developed that the directors of the Federal Deposit Insurance Corporation could and did act on a similar amendment to the Corporation's regulations today and that the amendments of the Board and the Corporation could be published in the Federal Register not later than September 1, 1959, which would make it possible for the amendments to become effective October 1, 1959. This was reported to the Board of Governors at the meeting on Friday, August 28, and it was agreed that the effective date of the amendment to Regulation Q should be October 1, 1959.

A copy of the notice sent to the Federal Register on August 28, 1959, is attached as Item No. 12.

Telegram from Mr. Mangels. A telegram received yesterday from President Mangels of the Federal Reserve Bank of San Francisco advised that Chairman Brawner was to be in Honolulu next week to speak at a luncheon in connection with the inauguration of jet service flights between the Mainland and Hawaii. Since Mr. Brawner would be the first official representative of the San Francisco Reserve Bank to visit Hawaii

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since the Bishop National Bank became a member of the Federal Reserve System on April 13, 1959, Mr. Mangels inquired whether the Board would wish to provide Mr. Brawner a message of greeting to Bishop National that he might read at the luncheon.

In discussion, certain reservations were expressed with regard to sending a message in which the Board would convey good wishes to an individual member bank at a public gathering of the kind in question. Accordingly, it was understood that Governor Robertson would discuss the matter with Mr. Mangels by telephone.

Mr. Hooff then withdrew and Mr. O'Connell, Assistant General Counsel, entered the room.

Chemical Corn-New York Trust merger. With reference to the proposed merger of the Chemical Corn Exchange Bank and The New York Trust Company, both of New York City, Governor Robertson reported that earlier this week Mr. Herbert Maletz of the staff of Congressman Celler requested orally, through Mr. O'Connell, certain information relative to the types of loans of the two banks and common borrowers. The request was for such data over a two-year period.

Governor Robertson said that after conferring with members of the Board's staff who reported the request, he concluded that information of this kind would be of interest to him as a member of the Board of Governors in considering an application for branches of the continuing institution at the locations of offices of New York Trust.

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He went on to say that he talked with Mr. Maletz by telephone to ascertain the exact nature of the request, explained that the compilation of a list of common borrowers over a two-year period would be a substantial job, and received advice from Mr. Maletz that it would be satisfactory if the information requested were as of some recent date. From subsequent investigation, he said, it was found that data of the kind desired could be obtained only through the banks themselves and not from published sources, which raised the question whether the Board would wish to furnish the information to Congressman Celler. In this connection, Governor Robertson noted that a letter was received yesterday from Congressman Celler transmitting copies of a news release issued earlier by the Congressman relative to the merger, along with certain correspondence between the Congressman and the Department of Justice. However, this letter, copies of which had been distributed to the members of the Board, appeared to have been written by Mr. Celler in his status as an individual member of the Congress and made no mention of the specific data requested by Mr. Maletz.

After commenting that information supplied by the two banks to the New York Reserve Bank was due to be received at the Board's offices today, Governor Robertson reported having been advised that the two banks had furnished these data with an expression of preference that they not be transmitted to Mr. Celler. In these circumstances, it



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was his view that consideration should not be given to supplying the data to Mr. Celler unless a letter should be received from Mr. Celler as Chairman of the House Judiciary Committee requesting the desired information. He also commented that, according to Mr. Maletz, the information had not been requested from any source other than the Board.

Since he had told Mr. Maletz that the latter might expect further word on the matter today, Governor Robertson proposed saying to Mr. Maletz that the Board could not be expected to consider such a request in the absence of a letter from the Committee on the Judiciary. He proposed to say further that, if such a letter were received, the Board would then have to consider the request in the light of the available information and the sources from which it could be obtained.

Governor Mills agreed that it would be in accordance with the policy and practices of the Board to require that any such request be communicated in writing and that the reply also be in writing. However, there were certain other matters involved that he thought the Board would have to consider carefully. One would be whether Mr. Celler was actually writing as an individual member of the Congress or as Chairman of the House Judiciary Committee. The Committee had not reported out the bank merger bill sponsored by Mr. Celler and there might be some question as to whether the Committee was fully in sympathy

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with its Chairman's views. Also, Mr. Celler had repeatedly injected himself into bank merger cases in the New York area and had consistently declared himself as strongly in opposition to such mergers. In these circumstances, Mr. Celler's request of the Board raised the question whether, if the request were complied with, the data might be used in an effort to influence the regulatory body responsible for making the decision with respect to approval or disapproval of the proposed merger. While Governor Mills agreed that Mr. Celler should be furnished all available published information, the question of supplying him confidential information for the purpose of supporting a position against the merger raised problems that he thought the Board should look at seriously and closely.

Governor Robertson concurred in the view that the Board should not get into the position of providing individuals who represent given areas confidential information in respect to transactions peculiar to those areas. He noted, however, that the request from Mr. Maletz was put on the basis that bank merger legislation was pending to close a loophole in the existing statutes and that the requested information was pertinent to consideration of such legislation. The letter from the Justice Department to Mr. Celler, he brought out, indicated that the Department might have taken steps to prevent the Chemical Corn-New York Trust merger if the pending bill had been on the statute books. All of these factors, he suggested, should be borne in mind when the information requested by Mr. Maletz was available to the Board for review.

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After further discussion, during which reference was made to the subpoena power vested in the Judiciary Committee, it was agreed that Governor Robertson should advise Mr. Maletz to the effect that the Board would have to have a letter from Congressman Celler as Chairman of the House Judiciary Committee before considering whether to comply with a request for specified data that could not be furnished from published sources.

The meeting then adjourned.

Secretary's Notes: On August 25, 1959, Governor Robertson, in the absence of Governor Shepardson, approved on behalf of the Board a letter to the Presidents of all Federal Reserve Banks transmitting forms for use of State member banks and their affiliates in submitting reports as of the next call date, it being understood that the letter would be sent when the forms were printed.

On August 25, 1959, Governor Robertson also approved on behalf of the Board a letter to the Federal Reserve Bank of Dallas (attached Item No. 13) approving the designation of Coy L. Vick and Lively S. Huguley as special assistant examiners.

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

#### Appointment

Audrey Lynn Allen as Records Clerk in the Office of the Secretary, with basic annual salary at the rate of \$3,755, effective the date of entrance upon duty.

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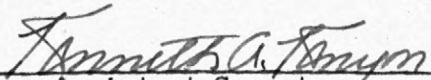
Salary increases, effective September 6, 1959

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Research and Statistics</u>			
Shirley A. Barham, Clerk-Stenographer		\$4,040	\$ 4,135
Theodore G. Flechsig, Economist		7,270	7,510
Joanne L. Jessup, Clerk-Typist		3,685	3,780
<u>International Finance</u>			
Yves Maroni, Economist		9,890	10,130
Richard M. Westebbe, Economist		8,810	9,050
<u>Examinations</u>			
Robert F. Achor, Review Examiner		8,810	9,050
Walker White, Jr., Review Examiner		9,890	10,130
<u>Administrative Services</u>			
Gladys W. Garber, Mailing List Clerk		3,685	3,780

Acceptance of resignation

Barbara E. Schriver, Statistical Assistant, Division of Research and Statistics, effective September 4, 1959.

Governor Shepardson today approved on behalf of the Board a memorandum dated August 20, 1959, from the Division of Personnel Administration recommending that the program of free chest X-ray examinations for all employees on the Board's staff, approved by the Board on March 16, 1956, be continued at 18-month intervals rather than annually, which would mean arranging the next program for the fall of 1959.

  
Assistant Secretary



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

Item No. 1  
8/27/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

August 27, 1959.

Board of Directors,  
The Citizens Bank of Arcade,  
Arcade, 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 by The Citizens Bank of Arcade, Arcade, New York, of a branch on Main Street, Rushford, New York.

This consent is given provided:

- (a) the merger with the State Bank of Rushford, Rushford, New York, is effected substantially in accordance with the Plan of Merger dated June 13, 1959;
- (b) shares of stock acquired from dissenting shareholders are disposed of within six months from the date of acquisition;
- (c) the branch is established within six months from the date of this letter; and
- (d) formal approval of State authorities is obtained.

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  
8/27/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

August 27, 1959.

Board of Directors,  
The Patchogue Bank,  
Patchogue, 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 468 East Main Street, Unincorporated area of East Patchogue, Town of Brookhaven, Suffolk County, New York, by The Patchogue Bank, Patchogue, New York. This approval is given provided the branch is established within six months from the date of this letter and 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  
8/27/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

August 27, 1959.

Board of Directors,  
Corn Belt Bank,  
Bloomington, Illinois.

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 Corn Belt Bank of not to exceed \$403,000. This additional investment is for the purpose of constructing new banking quarters and acquiring the balance of the property at the new site as proposed in your letter of August 10, 1959, to the Federal Reserve Bank of Chicago.

It is understood that upon completion of the new quarters, your present 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. 4  
8/27/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

August 27, 1959.

Board of Directors,  
The Peoples State Bank  
of Holland,  
Holland, Michigan.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Chicago, the Board of Governors of the Federal Reserve System approves the establishment of a branch near the intersection of North River Avenue and Lakewood Boulevard, Holland Township, Ottawa County, Michigan, by The Peoples State Bank of Holland, provided the branch is established within nine months from the date of 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. 5  
8/27/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

August 27, 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 August 12, 1959, concerning the application of The Fahey Banking Company, Marion, Ohio, 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.

Item No. 6  
8/27/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD



August 27, 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 August 14,  
1959, concerning the application of The German American Bank,  
Jasper, Indiana, 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 continu-  
ance 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.

Item No. 7  
8/27/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

August 27, 1959.



Mr. Alonzo G. Decker, Jr.,  
Chairman of the Board and  
Federal Reserve Agent,  
Federal Reserve Bank of Richmond,  
Richmond 13, Virginia.

Dear Mr. Decker:

In accordance with the request contained in your letter of August 13, 1959, the Board of Governors approves the appointment of Mr. Albert K. Atkinson as Alternate Assistant Federal Reserve Agent at the Federal Reserve Bank of Richmond to succeed Mr. Morriss Barret, Jr.

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

When not engaged in the performance of his duties as Alternate Assistant Federal Reserve Agent Mr. Atkinson may, with the approval of the Federal Reserve Agent and the President, perform such work for the Bank as will not be inconsistent with his duties as Alternate Assistant Federal Reserve Agent.

It will be appreciated if Mr. Atkinson is fully informed of the importance of his responsibilities as a member of the staff of the Federal Reserve Agent and the need for maintenance of independence from the operations of the Bank in the discharge of these responsibilities.

It is noted from your letter that with the approval of Mr. Atkinson's appointment by the Board of Governors, he will execute the usual Oath of Office which will be forwarded to the Board of Governors together with advice as to the effective date of his appointment.

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  
8/27/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

August 27, 1959.

Mr. Phillip S. Hughes,  
Assistant Director for  
Legislative Reference,  
Bureau of the Budget, Room 253,  
Executive Office Building,  
Washington 25, D. C.

Attention: Mrs. Garziglia

Dear Mr. Hughes:

This is in response to your communication of August 25, 1959, requesting a report on the enrolled bill, H. R. 8159, "To amend the national banking laws to clarify or eliminate ambiguities, to repeal certain laws which have become obsolete, and for other purposes."

Most of the provisions of H. R. 8159 appear to be peculiarly within the scope of operations of the national banking system and have no material significance insofar as the functions and responsibilities of the Federal Reserve System are concerned. It is observed that, in addition to eliminating obsolete references in existing law, the legislation includes provisions relating to national banks which appear to be desirable due to changes in practice or in other legislation.

Section 7 would repeal section 23 of the Federal Reserve Act. This repeal is desirable because the provision has been obsolete since the elimination of the individual liability of shareholders of national banks.

The Board recommends approval of this legislation by the President.

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  
8/27/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

August 27, 1959



Mr. H. A. Bilby, Vice President,  
Federal Reserve Bank of New York,  
New York 45, N. Y.

Dear Mr. Bilby:

This refers to your letter of August 21, 1959, and its enclosures, concerning the proposed issue by the International Bank for Reconstruction and Development of its Two Year Bonds of 1959, due September 15, 1961. In that letter you state that it is proposed to amend Schedule A of the Fiscal Agency Agreement dated as of February 6, 1950, between the International Bank and your Bank to include the bonds in question.

The Board of Governors approves of your Bank acting as Fiscal Agent in respect of the proposed issue by the International Bank of Two Year Bonds of 1959, due September 15, 1961, and approves the execution and delivery by your Bank of an Agreement with the International Bank in the form or substantially in the form of Supplement No. 17 to the Fiscal Agency Agreement dated as of February 6, 1950, between your Bank and the International Bank, enclosed with your letter.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.

**TELEGRAM**  
**BOARD OF GOVERNORS**  
**OF THE**  
**FEDERAL RESERVE SYSTEM**  
**LEASED WIRE SERVICE**  
**WASHINGTON**

Item No. 10  
8/27/59

August 27, 1959.

SANFORD - NEW YORK

Your wire August 25. Board approves granting of loan on gold by your Bank to the Banque Nationale de la Republique d'Haiti of \$700,000 on the following terms and conditions:

- A. To be made up to 98 per cent of the value of gold bars set aside in your vaults under pledge to you;
- B. To mature in three months with option to repay before maturity;
- C. To be requested and made within 30 days of the date on which the Board of Governors approves the granting of such loan;
- D. To bear interest at the discount rate of your Bank in effect on the date on which such loan is made.

It is understood that the usual participation will be offered to the other Federal Reserve Banks.

(Signed) Kenneth A. Kenyon

KENYON

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

Item No. 11  
8/27/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

August 27, 1959

Securities and Exchange Commission,  
Washington 25, D. C.

Re: Sottile, Inc.,  
File No. 2-15405.

Attention: Mr. Charles N. Eisenhart,  
Assistant Director,  
Division of Corporation Finance.

Gentlemen:

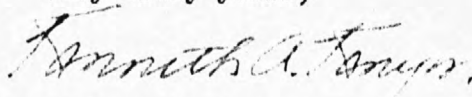
This is with further reference to your letter of August 17, 1959, enclosing a prospectus which was included in a registration statement filed by Sottile, Inc. with your Commission on July 29, 1959.

As requested in your letter, the prospectus has been examined by the staff of the Board of Governors in order to verify as far as possible the accuracy of statements made and also to note any omission of information necessary to render the statement not misleading.

The Board has very little information as to any of the banks or companies mentioned in the prospectus except Pan American Bank of Miami, Miami, Florida, and is therefore not in a position to verify the figures in the prospectus which are on a consolidated basis covering all seven banks. Moreover, the figures in the prospectus which relate solely to Pan American Bank are not on a comparable basis with those in the Board's files because the figures in the prospectus are on a fiscal year basis and "have been adjusted to reflect the accrual basis of accounting."

In the discussion of the "Bank Holding Company Act of 1956" on pages 19 and 20 of the prospectus, it has been noted that Counsel for the Company has expressed the opinion that the Company is exempted by the so-called "agricultural exemption" in section 2(a) of the Act. That discussion indicates correctly that this Board has expressed no opinion as to the "method of valuation of the bank stock holdings." Furthermore, this Board also has expressed no opinion as to the applicability of the so-called "agricultural exemption" to the Company.

Very truly yours,



Kenneth A. Kenyon,  
Assistant Secretary.

8/27/59

## TITLE 12 - BANKS AND BANKING

## CHAPTER II - FEDERAL RESERVE SYSTEM

## SUBCHAPTER A - BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

(Reg. Q)

## PART 217 - PAYMENT OF INTEREST ON DEPOSITS

1. Effective October 1, 1959, paragraph (d) of § 217.3 is amended to read as follows:

(d) Grace periods in computing interest on savings deposits -- A member bank may pay interest on a savings deposit received during the first 10 calendar days of any calendar month at the applicable maximum rate prescribed pursuant to paragraph (a) of this section calculated from the first day of such calendar month until such deposit is withdrawn or ceases to constitute a savings deposit under the provisions of this part, whichever shall first occur; and a member bank may pay interest on a savings deposit withdrawn during its last 3 business days of any calendar month ending a regular quarterly or semi-annual interest period at the applicable maximum rate prescribed pursuant to paragraph (a) of this section calculated to the end of such calendar month.

2. (a) The purpose of this amendment is to reduce misunderstandings in connection with these so-called "grace periods", make possible uniform advertising, create better customer relationships, and enable banks that compute interest on a cycle basis to facilitate computation of interest on savings accounts and eliminate difficulties presently being encountered.

(b) The amendment set forth herein was the subject of a notice of proposed rule making, published in the Federal Register (24 F.R. 5251), and was adopted by the Board after consideration of all relevant views and arguments received from interested persons.



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(Sec. 11(i), 38 Stat. 262; 12 U.S.C. 248(i). Interpret or apply secs. 19, 24, 38 Stat. 270, 273, as amended, sec. 8, 48 Stat. 168, as amended; 12 U.S.C. 264(c)(7), 371, 371a, 371b, 461.)

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

(Signed) Kenneth A. Kenyon

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Kenneth A. Kenyon,  
Assistant Secretary.

(Seal)

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

Item No. 13  
8/27/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

August 25, 1959

Mr. L. G. Pondrom, Vice President,  
Federal Reserve Bank of Dallas,  
Dallas 2, Texas.

Dear Mr. Pondrom:

In accordance with the request contained in your letter of August 17, 1959, the Board approves the designation of Coy L. Vick and Lively S. Huguley as Special Assistant Examiners for the Federal Reserve Bank of Dallas.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.