

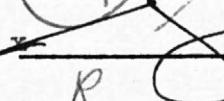
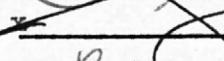
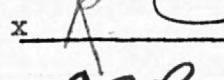
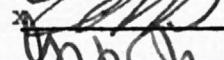
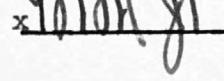
Minutes for September 3, 1959.

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	<input checked="" type="checkbox"/> 	_____
Gov. Szymczak	<input checked="" type="checkbox"/> 	_____
Gov. Mills	<input checked="" type="checkbox"/> 	_____
Gov. Robertson	<input checked="" type="checkbox"/> 	_____
Gov. Balderston	<input checked="" type="checkbox"/> 	_____
Gov. Shepardson	<input checked="" type="checkbox"/> 	_____
Gov. King	<input checked="" type="checkbox"/> 	_____

Minutes of the Board of Governors of the Federal Reserve System on Thursday, September 3, 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. Shepardson  
Mr. King

Mr. Kenyon, Assistant Secretary  
Mr. Riefler, Assistant to the Chairman  
Mr. Thomas, Economic Adviser to the Board  
Mr. Molony, Assistant to the Board  
Mr. Fauver, Assistant to the Board  
Mr. Young, Director, Division of Research and Statistics  
Mr. Hackley, General Counsel  
Mr. Farrell, Director, Division of Bank Operations  
Mr. Solomon, Director, Division of Examinations  
Mr. Nelson, Assistant Director, Division of Examinations  
Mr. Landry, Assistant to the Secretary  
Mr. Young, Assistant Counsel  
Mr. Davis, Assistant Counsel  
Mr. Thompson, Supervisory Review Examiner, Division of Examinations  
Mr. McClintock, Review Examiner, Division of Examinations

Discount rates. The establishment without change by the Federal Reserve Bank of Atlanta on September 1, 1959, and by the Federal Reserve Bank of San Francisco on September 2, 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.

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

9/3/59

-2-

	<u>Item No.</u>
Letter to the Farmers & Merchants State Bank, Fredericksburg, Virginia, approving its request for permission to exercise fiduciary powers.	1
Letter to the State Bank and Trust Company, Ann Arbor, Michigan, granting an additional extension of time within which to establish an in-town branch.	2
Letter to The Merchants and Planters Bank, Camden, Arkansas, approving its request for permission to exercise limited fiduciary powers.	3
Letter to The First State Bank, Aransas Pass, Texas, waiving the requirement of six months' notice of withdrawal from membership in the Federal Reserve System.	4
Letter to the Federal Deposit Insurance Corporation regarding an application of The First State Bank, Aransas Pass, Texas, for continuation of deposit insurance after withdrawal from membership in the Federal Reserve System.	5
Letter to the First State Bank of Marlin, Marlin, Texas, approving its request for permission to exercise fiduciary powers.	6
Letter to the Bank of Whittier, Whittier, California, granting an extension of time within which to establish a branch in East Whittier.	7
Letter to the Presidents of all Federal Reserve Banks transmitting copies of a revised page C of the report of examination of State member banks.	8
Messrs. Nelson and McClintock then withdrew from the meeting.	
<u>Application of Bank Stock Corporation of Milwaukee (Item No. 9).</u>	

On July 24, 1959, the Board gave consideration to the application of

9/3/59

-3-

Bank Stock Corporation of Milwaukee, Milwaukee, Wisconsin, to become a bank holding company through the acquisition of shares of the Marshall and Ilsley Bank and the Northern Bank, both of Milwaukee. At that time Chairman Martin and Governors Szymczak and Mills favored approval of the application, Governors Balderston and Robertson favored denial, and Governors Shepardson and King were not present. Accordingly, by a 3-2 vote, it was decided to issue a notice of tentative decision approving the application. The notice was published in the Federal Register on August 11, 1959, and no comments or objections were received following such publication.

There had now been distributed to the Board copies of a memorandum from Mr. Davis dated August 28, 1959, submitting a draft of proposed final order and statement, together with a draft of press release. There had also been distributed copies of a dissenting opinion prepared by Governor Robertson.

Following comments by Mr. Hackley, Chairman Martin said that a situation of this kind raised the question whether there should be an understanding that those members of the Board who were absent when a holding company case came up for discussion would abstain from participation in the final vote, unless in the interim additional information had come before the Board for consideration. He made it clear that he was not necessarily advocating such a procedure and was merely presenting the question for discussion.

9/3/59

-4-

Governor Robertson suggested that this particular case be handled on an ad hoc basis and that those members who were absent at the time of the original decision not participate in the final vote. However, he felt that the whole procedure involved in the consideration of applications under the Bank Holding Company Act should be reviewed to determine whether the issuance of tentative decisions could be eliminated.

Mr. Hackley responded that the staff would be glad to review the current procedure. When the procedure was adopted, he pointed out, there was a realization that it might give rise to the kind of situation now under discussion. The principal reason for adopting the procedure was to avoid the alternative of holding a hearing on every application. It also provided a means of enabling parties who might be affected by a decision to have their "day in court" so it could not be charged later that they knew nothing of the proposed decision and had no chance to offer comments.

Governor Robertson noted that the issuance of tentative decisions had thus far not resulted in additional information being submitted to the Board of such nature as to suggest reconsideration of any case. Thus, the tentative decision procedure might be said to have become a matter of form. At the same time, the experience thus far did not necessarily constitute conclusive proof that a change should be made.

9/3/59

-5-

Governor Balderston commented regarding the general practice of the Board to consider matters whenever a sufficient number of Board members is available. The Board, he suggested, could arrange its internal affairs so as to decide when matters under the Bank Holding Company Act should appropriately come before it, not only for decision to be announced tentatively but for final decision. In his view, the application of Bank Stock Corporation of Milwaukee was settled in substance when the tentative decision was announced.

Mr. Hackley pointed out that a procedural reason for deferring the recorded vote was that aggrieved parties have 60 days from the date of entry of the order to take appeal. However, that would not preclude the Board from deciding a case tentatively, subject to the understanding that the vote would be entered as of the date of final decision unless comments or objections were received.

Governor Shepardson, who was absent when the Bank Stock Corporation case was originally considered, said that the procedure Mr. Hackley had just suggested seemed appropriate. It occurred to him that there was a reason for preserving the practice of issuing tentative decisions in order to afford an opportunity for interested parties to come in with comments. However, there might well be an understanding that if no additional information was received after publication of the tentative decision, the preliminary action would be

9/3/59

-6-

made the final action. Any members of the Board who were absent at the time of preliminary consideration could abstain from participation in the final vote. That would be an orderly procedure and yet would afford due notice and opportunity for comment.

When Chairman Martin remarked that there might be cases where an absent member had strong views and would not want to be precluded from participation in the final vote, Governor Shepardson commented that the Board's business must move forward without having, on all occasions, full attendance on the part of the Board members. If that premise were accepted, it could be said that action on a tentative decision by a quorum of the Board would constitute official action and that an absent member should not call for reconsideration unless new information was introduced following publication of the tentative decision.

Governor Robertson commented that an exception might be made when the members of the Board present had knowledge that an absent member desired particularly to participate in the consideration of a matter and vote upon it.

Governor King, who was absent at the time of original consideration of the Bank Stock Corporation matter, recalled that he had inquired of the Board's Secretary before the meeting and was informed that this application was likely to be on the agenda. He advised the Secretary that he had read the file on the matter, had no strong opinion,

9/3/59

-7-

and therefore would have no objection if the matter were considered in his absence. It was Governor King's view that a procedure along the lines suggested by Governors Shepardson and Robertson might work satisfactorily. If a Board member knew that a matter was likely to come up in his absence and expressed no strong desire to participate, he would remove himself from further participation in the case. An alternative would be to schedule matters of particular importance or closeness for consideration when a full Board was available.

In reply to a question by the Chairman, Governors Shepardson and King indicated that they would abstain from participation in the vote on the final order with respect to the application of Bank Stock Corporation of Milwaukee.

The Chairman then indicated that he would be agreeable to disposing of the application on such basis. As to general procedure, however, he felt that the Board should think the matter through carefully before arriving at a point where, even though feelings were strong on a particular case, a member of the Board might be excluded from participating in the final decision.

Governor Szymczak commented that question might be raised, in a case decided by a split vote, why all of the members of the Board did not participate in the vote. Governor Balderston noted that action by less than a full Board on a split vote would run the possible risk of affecting the consistency of the Board's decisions.

9/3/59

-8-

Governor Robertson added the comment that the issuance of a tentative decision tended to elicit only the views of those opposed to the decision. If a means could be devised of issuing a statement of such nature as to elicit views from both sides, the Board might be more likely to obtain valuable information. This was a possibility that he thought should be considered.

Governor Mills expressed the opinion that the Board's decision to institute the current procedure was incorrect. Fundamentally, he said, there was no difference between decisions under the Bank Holding Company Act and others made by the Board, except that in these cases public notice must be given. The possibility of doing injury to interested parties was also present in decisions reached in other areas of the Board's work. Where the Board was vested by law with authority to reach a decision after consideration of the facts and the Board presumably was competent to reach such a decision, he doubted whether the issuance of a tentative decision was necessary or appropriate.

Mr. Hackley responded that there was no legal reason to issue tentative decisions. The underlying reason was to protect the Board in the event of court action, and that might be said to be a remote possibility. Also, the current procedure contemplated that in any case appearing to present close issues, the Board would order a public hearing. Perhaps, in the light of experience thus far, the issuance of tentative decisions could be dispensed with as unnecessary, and the

9/3/59

-9-

Board could take its chances on establishing an adequate record in the event of appeal from the Board's order. There was also the possibility of publishing all applications when received, although this probably would not be favored by the bank holding companies. If such a procedure were deemed advisable, he felt that it might be desirable to proceed by way of amendment to Regulation Y, Bank Holding Companies, so that interested parties would have a chance to comment.

Chairman Martin then suggested that there be a full review of the existing procedure and that the Board act today on the application of Bank Stock Corporation of Milwaukee, with the members of the Board abstaining who were not present when the matter was originally considered.

There was agreement with the Chairman's suggestion. Accordingly, the application of Bank Stock Corporation of Milwaukee was approved, Chairman Martin and Governors Szymczak and Mills voting "aye" and Governors Balderston and Robertson voting "no". Governors Shepardson and King did not vote and it was understood that their names would not be referred to in the final order. It was also understood that Governor Balderston would join in the dissenting opinion prepared by Governor Robertson and that the Board's order, together with the majority and dissenting statements, would be released this afternoon.

Copies of the order, the majority statement, and the dissenting statement are attached hereto under Item No. 9.

Messrs. Davis and Thompson then withdrew from the meeting.

9/3/59

-10-

Letter from Congressman Oliver. In a letter dated August 17, 1959, to which an interim reply was made on August 21, Congressman Oliver of Maine raised a series of questions with respect to the ownership of the Federal Reserve Banks, their earnings, charges for services rendered, disposition of earnings on stock held by member banks in the Reserve Banks, and the auditing of the Banks. A proposed reply drafted by members of the staff had been distributed to the Board prior to this meeting.

Consideration of the questions presented by Congressman Oliver led to a full discussion of the issues involved and the type of response that would be most helpful to Mr. Oliver and others who might make similar inquiries. The discussion resulted in several suggestions for possible alternative phrasing of the answers to the respective questions. Accordingly, at the conclusion of the discussion, it was agreed that a revised draft of reply to Mr. Oliver's letter reflecting views expressed at this meeting would be prepared for the Board's consideration.

During the foregoing discussion Mr. Thomas returned to the room.

Procedure for election of directors (Item No. 10). By letters dated July 21, 1959, the Board transmitted to the Chairmen and Presidents of the Federal Reserve Banks a draft of proposed revision of the procedure for election of Class A and Class B directors. A memorandum from the

9/3/59

-11-

Legal Division dated September 2, 1959, which had been distributed to the Board, advised that replies had now been received from all of the Reserve Banks and that the draft of procedure had been amended to reflect a number of the comments received. Attached to the memorandum was a revised election procedure recommended for adoption by the Board. Also submitted with the memorandum was a draft of letter to the Chairmen and the Presidents of all Federal Reserve Banks with which copies of the new procedure would be transmitted.

Mr. Hackley stated that the revised procedure did not contain any points that seemed to be controversial. The principal objectives were to set down in one place various instructions found in the Loose Leaf Service, to eliminate obsolete material, and to simplify the election procedure somewhat. It was hoped that the new procedure might reach the Reserve Banks in time for use in connection with this year's elections, but in any event it provided no substantial changes.

Following a brief discussion during which Mr. Hackley responded to certain questions raised by Governor Mills, the revised procedure for the election of Class A and Class B directors was approved unanimously. A copy of the letter sent to the Chairmen and Presidents of the Federal Reserve Banks pursuant to this action is attached as Item No. 10.

9/3/59

-12-

Operation Alert 1959. At the Chairman's suggestion, it was agreed to postpone until another meeting consideration of certain staff material that had been distributed to the Board summarizing Operation Alert 1959 and presenting questions resulting from that exercise.

Mr. Farrell then withdrew from the meeting.

Interpretation of "carrying" provisions of Regulation U.

Chairman Martin referred to previous discussion by the Board regarding a suggestion that a conference be held with "representative bankers" prior to action on a proposed interpretation of the "carrying" provisions of Regulation U and the further suggestion that arrangements for such a conference be worked out through the Federal Advisory Council. He noted that there had been delay in reaching the Secretary of the Council and that Mr. Prochnow, when reached by the Secretary's Office, had suggested that the best procedure might be to have representative bankers selected by the Presidents of the Reserve Banks after consultation with the members of the Federal Advisory Council from the respective districts. Mr. Prochnow had also raised the question whether it might not be advisable to have more than one representative from a district such as Chicago.

The Chairman said that upon further consideration of the matter there was some question in his mind as to whether enough benefit would result from a meeting between the Board and what might develop to be a

9/3/59

-13-

relatively large group of bankers to warrant holding the conference.

Comments by the Reserve Banks on the draft interpretation had been favorable on the whole, and President Erickson, who suggested the possibility of a conference with representative bankers, had submitted a memorandum from a member of his staff which suggested only one specific area of difficulty. Furthermore, a general question relating to problems under the revised Regulation U was included among the topics suggested for discussion at the meeting of the Board and the Federal Advisory Council on Tuesday, September 15.

In these circumstances, Chairman Martin raised the question whether the Board would wish to consider dispensing with the proposed conference with representative bankers. The New York Clearing House, he pointed out, had made a specific request to be heard, and it would probably be desirable to accede to that request.

After discussion, it was agreed not to go forward with plans for a conference with representative bankers, at least at this time. However, the Secretary's Office was requested to extend an invitation to representatives of the New York Clearing House to meet with the Board at 10:00 a.m. on Friday, September 11.

Request of Joint Economic Committee. Mr. Young outlined a problem that had arisen in connection with the recent request of the Joint Economic Committee that the Federal Reserve Bank of New York use its offices in obtaining for the Committee daily figures on the position

9/3/59

-14-

and volume of Government securities dealers from 1950 to date, together with similar data for selected prior periods back to 1937. While the Reserve Bank received confidential reports from most dealers, there were some exceptions, and in recent years the principal nonreporting firm was Aubrey Lanston & Co. The Lanston firm, when advised of the Committee request, had declined to provide the data in question on the basis of nonavailability of records for the full period and the expense that would be involved. The firm also pointed out that it cooperated in supplying weekly figures for the period October 1957 through the end of 1958 for purposes of the Treasury-Federal Reserve study of the Government securities market and in that connection had been given assurances that its figures would be kept confidential and would be published only with aggregate data for all dealers. If the New York Reserve Bank now supplied to the Joint Economic Committee figures for all dealers except Lanston for the October 1957-December 1958 period, it would be possible by the process of comparison to determine the position and volume of the Lanston firm throughout the period. This problem had been discussed by the New York Bank with the staff of the Joint Economic Committee but the Committee remained firm in its request for information on aggregate dealer positions and volume on a daily basis.

One possibility, Mr. Young said, would be to advise the Committee that the Reserve Bank had been unable to obtain the cooperation of one

9/3/59

-15-

firm in providing figures on a daily basis over the extended period mentioned, that the Bank therefore was supplying figures of other dealers, in the aggregate, through September 1957, but that the Bank could not provide figures beyond that date because, by virtue of the material previously published in the Government securities market study, the position and volume of the one nonreporting dealer could be identified. The Committee thus would be left to proceed in any way that it wanted to try to obtain the figures beginning with October 1957. Another possibility would be to take the position with the Lanston firm that the Federal Reserve could not be held responsible for the request of the Committee, that the New York Bank was merely an intermediary in trying to accommodate the needs of the Committee, and that it therefore felt obligated to supply the available figures from other dealers for the entire period in question. Thus, a failure to cooperate would be at the Lanston firm's own risk.

Governor Robertson suggested that still another alternative would be to tell the Committee that the Reserve Bank had endeavored to supply the requested information, that it could get such information from all but one dealer, that these circumstances would reveal the position and volume of the one dealer, and that consequently the Reserve Bank felt obliged to suggest that the Committee go to all of the dealers. In this manner, there would be no breach of good faith on the part of the Federal Reserve as far as the one dealer was concerned.

9/3/59

-16-

After discussion, the view was expressed that it would be appropriate to suggest handling the matter along the lines proposed by Governor Robertson. Accordingly, it was understood that Mr. Young would discuss the matter with the New York Bank on such basis and that he would report back to the Board if necessary. It was thought desirable, should the procedure suggested by Governor Robertson be followed, that appropriate advice be given to the Government securities dealers who had indicated willingness to cooperate in the furnishing of the requested data to the Joint Economic Committee.

All of the members of the staff except Messrs. Kenyon, Hackley, Landry, and Walter Young then withdrew from the meeting.

Proposed appointment at Cleveland Bank. Chairman Martin referred to a letter dated August 13, 1959, from Chairman Van Buskirk of the Federal Reserve Bank of Cleveland relating to the proposed appointment of Mr. W. Braddock Hickman to an official position at the Bank. This letter, copies of which had been furnished to the other members of the Board, suggested the possibility of a visit by Mr. Hickman to the Board's offices.

After a brief discussion, it was understood that Chairman Martin would endeavor to arrange for a visit by Mr. Hickman on a mutually convenient date.

9/3/59

-17-

Maximum interest rates on time and savings deposits. Chairman Martin made a brief report on the status of legislation to permit an increase in the rates of interest payable on United States savings bonds. In view of the apparent likelihood of the passage of such legislation, he noted that the Board should be prepared to give further consideration to the maximum permissible rates of interest payable on time and savings deposits by member banks.

It was stated a memorandum from Mr. Conkling of the Division of Bank Operations dealing with one aspect of the problem was available and that a memorandum from the Division of Research and Statistics was nearing completion. Accordingly, it was understood that copies of these documents would be distributed to the members of the Board.

Claim against Wegematic Corporation. The Board's claim against Wegematic Corporation, as successor to Alwac Corporation, for damages resulting from failure to make delivery under a contract for an electronic computing system had been turned over by the Board to the Department of Justice.

Governor Shepardson stated that a representative of the Department had gone over the records pertinent to the matter and had now requested copies of a rather extensive list of items from the Board's files. Mr. Walter Young had reviewed the material and was of the opinion that it would be appropriate to comply with the request. However, inasmuch as unpublished material was involved, he (Governor Shepardson) desired to call the matter to the Board's attention.

9/3/59

-18-

There was agreement with Governor Shepardson's recommendation that copies of the files in question be transmitted to the Department of Justice.

The meeting then adjourned.

Secretary's Notes: On September 1, 1959, Governor Shepardson approved on behalf of the Board the following items:

Letter to the Federal Reserve Bank of San Francisco (attached Item No. 11) approving the appointment of Conrad F. Kaker as assistant examiner.

Memoranda from appropriate individuals concerned recommending the following actions:

Transfer

Roberta M. Zeisz, from the position of Clerk-Stenographer in the Division of Personnel Administration to the position of Clerk-Stenographer in the Division of Research and Statistics, with no change in her basic annual salary at the rate of \$3,850, effective September 6, 1959.

Maternity leave

Joan D. Hosley, Statistical Assistant, Division of Research and Statistics, to work an additional two weeks, through September 18, 1959, before beginning maternity leave.

Acceptance of resignations

Edythe J. Bascom, Records Clerk, Office of the Secretary, effective September 11, 1959.

Norman J. Gharrity, Research Assistant, Division of Research and Statistics, effective September 11, 1959.

Malcolm Hugh Liggett, Research Assistant, Division of Research and Statistics, effective September 11, 1959.

Patricia Lee Davis, Clerk-Stenographer, Division of Personnel Administration, effective September 3, 1959.

Susan O. Hoffman, Accounting Technician, Office of the Controller, effective September 11, 1959.

9/3/59

-19-

On September 2, 1959, Governor Shepardson approved on behalf of the Board letters to the Federal Reserve Banks of New York and Dallas (attached Items 12 and 13) approving the appointment of John T. Arnold and Robert K. Scott as assistant examiners for the respective Banks.

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

Appointments

Noel C. Locke as Statistical Clerk in the Division of Research and Statistics, with basic annual salary at the rate of \$3,945, effective the date of entrance upon duty.

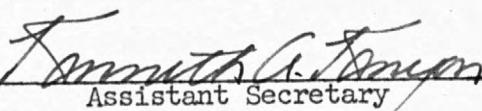
Maria Jo Peterson as Accounting Technician in the Office of the Controller, with basic annual salary at the rate of \$4,490, effective the date of entrance upon duty.

Salary increase

Reed J. Irvine, Chief, Far Eastern Section, Division of International Finance, from \$9,890 to \$11,355 per annum, effective September 6, 1959.

Acceptance of resignation

Anna I. Sansalone, Clerk, Division of International Finance, effective October 3, 1959.

  
Forrest G. Sawyer  
Assistant Secretary



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

Item No. 1  
9/3/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

September 3, 1959.

Board of Directors,  
Farmers & Merchants State Bank,  
Fredericksburg, Virginia.

Gentlemen:

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

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

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.

3095



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

Item No. 2  
9/3/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

September 3, 1959

Board of Directors,  
State Bank and Trust Company,  
Ann Arbor, Michigan.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Chicago, the Board of Governors of the Federal Reserve System further extends the time within which State Bank and Trust Company may establish a branch near the southwest corner of Stadium Boulevard and Jackson Avenue, to March 14, 1960, under the authorization contained in the Board's letter dated March 13, 1958.

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  
9/3/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

September 3, 1959

Board of Directors,  
The Merchants and Planters Bank,  
Camden, Arkansas.

Gentlemen:

This refers to your request for permission, under applicable provisions of your condition of membership numbered 1, to act in certain fiduciary capacities.

Following consideration of the information submitted, the Board of Governors of the Federal Reserve System grants permission to The Merchants and Planters Bank to act as corporate trustee and paying agent for local charitable or religious organizations, with the understanding that your bank will not accept fiduciary appointments of other kinds without first obtaining the permission of the Board.

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  
9/3/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

September 3, 1959

Board of Directors,  
The First State Bank,  
Aransas Pass, Texas.

Gentlemen:

The Federal Reserve Bank of Dallas has forwarded to the Board of Governors your letter of August 4, 1959, and the accompanying resolution signifying your intention to withdraw from membership in the Federal Reserve System and requesting waiver of the six months' notice of such withdrawal.

In accordance with your request, the Board of Governors waives the requirement of six months' notice of withdrawal. Upon surrender to the Federal Reserve Bank of Dallas of the Federal Reserve Bank stock issued to your institution, such stock will be canceled and appropriate refund will be made thereon. Under the provisions of Section 10(c) of the Board's Regulation H, as amended effective September 1, 1952, your institution may accomplish termination of its membership at any time within eight months from the date the notice of intention to withdraw from membership was given.

It is requested that the certificate of membership be sent to the Federal Reserve Bank of Dallas for disposition.

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  
9/3/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

September 3, 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 20, 1959,  
concerning the application of The First State Bank, Aransas Pass,  
Texas, 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  
9/3/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

September 3, 1959

Board of Directors,  
First State Bank of Marlin,  
Marlin, Texas.

Gentlemen:

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

Following consideration of the information submitted, the Board of Governors of the Federal Reserve System grants permission to First State Bank of Marlin to exercise the fiduciary powers now or hereafter authorized by its charter and the laws of the State of Texas.

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  
9/3/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

September 3, 1959

Board of Directors,  
Bank of Whittier,  
Whittier, California.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of San Francisco, the Board of Governors has approved an extension of time until February 25, 1960, in which Bank of Whittier may establish a branch in the vicinity of Whittier Boulevard and Colima Road, East Whittier, California, under the authorization contained in a letter dated February 25, 1959.

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  
9/3/59

S-1708

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

September 3, 1959.

Dear Sir:

Enclosed are two copies of revised page C of the report of examination, the use of which is to be effective upon receipt. A supply of the form sufficient to provide for examinations during the next few months is being forwarded under separate cover, and additional copies may be obtained upon request. You will note that the only changes in the page have been the revisions of item #8 and the caption in the lower half of the page regarding the Federal Deposit Insurance Act.

The revision of item #8 provides for the reporting of detailed comments relating to (1) the procedure through which defalcations occurring between examinations were effected, and (2) the changes made, or to be made, in the internal audit and control practices for the purpose of aiding in the prevention of similar future occurrences (refer to S-1641, F.R.L.S. 6503). You will note that, in contrast to its previous form, item #8 requests information relating only to those defalcations occurring since the previous examination. However, it is expected examiners will include any further developments with respect to defalcations previously reported under item #8, or related changes in audit or control procedures.

For purposes of item #8, it is not contemplated that the information requested be supplied for tellers' and bookkeepers' differences which have resulted from operative errors, or for assets which have mysteriously disappeared unless the amount is significant. Moreover, the requested information need not be supplied in those cases where employees, because of questionable fidelity, have been discharged, but against whom definite evidence of criminal action has not been established. It is contemplated, however, that the requested information be supplied in each case where it is definitely known that an officer or employee has abstracted or otherwise criminally misused funds of the bank since the previous examination.

Very truly yours,

A handwritten signature in black ink, appearing to read "Kenneth A. Kenyon".

Kenneth A. Kenyon,  
Assistant Secretary.

Enclosures 2

Item No. 9  
9/3/59

UNITED STATES OF AMERICA

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

WASHINGTON, D. C.

-----  
In the Matter of the Application of  
BANK STOCK CORPORATION OF MILWAUKEE  
For prior approval of action to become a  
bank holding company under section 3(a)(1)  
of the Bank Holding Company Act of 1956  
-----

ORDER APPROVING APPLICATION UNDER  
BANK HOLDING COMPANY ACT

There having come before the Board of Governors, pursuant to section 3(a)(1) of the Bank Holding Company Act of 1956 (12 U.S.C. 1842) and section 4(a)(1) of the Board's Regulation Y (12 CFR 222.4(a)(1)), an application on behalf of Bank Stock Corporation of Milwaukee, a Wisconsin corporation with its principal office in Milwaukee, for the Board's prior approval of action whereby Applicant would become a bank holding company through the acquisition of 80 per cent or more of the outstanding voting shares of the Marshall and Ilsley Bank and Northern Bank, both of which are located in Milwaukee; a Notice of Tentative Decision referring to a Tentative Statement on said application having been published in the Federal Register on August 11, 1959 (24 F.R. 6465); the said Notice having provided interested persons an opportunity, before issuance of the Board's Order, to file objections or comments upon the facts stated and the reasons indicated in the Tentative Statement; and the time for filing such comments and objections having expired and no such objections or comments having been filed;

-2-

IT IS HEREBY ORDERED, for the reasons set forth in the Board's Statement of this date, that the said application be, and hereby is, granted, and the acquisition by Bank Stock Corporation of Milwaukee of 80 per cent or more of the outstanding voting shares of the Marshall and Ilsley Bank and Northern Bank is hereby approved, provided that such acquisition is completed within three months from the date hereof.

Dated at Washington, D. C. this 3rd day of September,  
1959.

By order of the Board of Governors.

Voting for this action: Chairman Martin and  
Governors Szymczak and Mills.

Voting against this action: Vice Chairman  
Balderston and Governor Robertson.

(signed) Kenneth A. Kenyon

---

Kenneth A. Kenyon,  
Assistant Secretary.

(SEAL)

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

APPLICATION BY BANK STOCK CORPORATION OF MILWAUKEE FOR  
PRIOR APPROVAL OF ACTION TO BECOME A BANK HOLDING COMPANY

STATEMENT

Bank Stock Corporation of Milwaukee, Milwaukee, Wisconsin ("Bank Stock"), a corporation organized under the laws of Wisconsin, has applied, pursuant to section 3(a)(1) of the Bank Holding Company Act of 1956 ("the Act"), for the Board's prior approval of action that would result in Bank Stock becoming a bank holding company - namely, acquisition of 80 per cent or more of the outstanding voting shares of Marshall and Ilsley Bank ("M & I Bank") and of Northern Bank, both of which are located in Milwaukee.

Views and recommendations of the Commissioner of Banks of the State of Wisconsin. - Since both banks are State banks organized under the laws of Wisconsin, the Board, in accordance with the requirements of section 3(b) of the Act, gave notice of the application to the Commissioner of Banks of the State of Wisconsin and requested his views and recommendations with respect to the application. The Commissioner's reply stated, inter alia, that, based upon his study of the application and factors involved, he found no grounds upon which to object to the application.

Statutory factors. - Section 3(c) of the Act requires the Board to take into consideration the following five factors: (1) the financial history and condition of the holding company and banks concerned; (2) their prospects; (3) the character of their management; (4) the convenience, needs, and welfare of the communities and the area concerned; and (5) whether or not the effect of the acquisitions would be to expand the size or extent of the bank holding company system involved beyond limits consistent with adequate and sound banking, the public interest, and the preservation of competition in the field of banking.

Discussion. - Milwaukee County, which includes the City of Milwaukee and surrounding territory, had a population of 871,000 in 1950 and has a presently estimated population in excess of one million. In the County are 43 commercial banking offices, representing 29 banks and holding aggregate deposits of \$1,641 million on December 31, 1958, including \$1,322 million of deposits of individuals, partnerships, and corporations ("IPC deposits"). On that date, all commercial banking offices in the State of Wisconsin (about 700 in number) held \$4,363 million of deposits, of which \$3,828 million were IPC deposits.

The main office of M & I Bank is in the business center of Milwaukee, and its only branch is 1.6 miles to the west. The trade area of M & I Bank extends throughout Milwaukee County. It

holds IPC deposits of \$196 million, being the second largest bank in the City, County, and State.

Northern Bank, situated about 3.7 miles northwest of M & I Bank's main office and almost three miles from its branch, is the fourth largest bank in the City and County of Milwaukee, holding IPC deposits of \$50 million. Its primary trade area extends eastward to North 12th Street and southward to West North Avenue, and does not extend into what may be called the downtown area of Milwaukee.

The financial history, condition, prospects, and management of the two banks are satisfactory, as are the proposed financial structure, proposed management, and prospects of the projected holding company.

It appears to the Board that the closer affiliation with M & I Bank in the holding company might enable Northern Bank to improve the service it renders to customers in its area. Likewise, the holding company might be in a position to obtain needed additional capital for its banks more economically or otherwise more advantageously than could the banks individually.

Two bank holding company systems presently operate banks in Milwaukee and Milwaukee County. The largest bank in the area is a subsidiary of a holding company whose banks hold about 40 per cent of the IPC deposits of banks in the County, and the third largest bank is in a holding company system that holds about

12 per cent of such IPC deposits. The proposed Bank Stock group would hold about 19 per cent of the IPC deposits of all banks in the County.

Banks that are holding company subsidiaries and those proposed to be controlled by Bank Stock Corporation hold, in the aggregate, about 71 per cent of the IPC deposits of all banks in Milwaukee County. However, the City and County are served by a substantial number of smaller banks not controlled by holding companies.

As previously indicated, M & I Bank serves customers throughout Milwaukee County, but a large majority of its main-office deposits are derived from the downtown area of the City, extending to 12th Street on the west. Its branch serves an area to the west of the downtown section; the northern boundary of its primary service area is in the vicinity of West North Avenue. Consequently, it appears that the primary service area of Northern Bank does not substantially overlap the primary service area of either the main office or the branch of M & I Bank.

It is recognized that existing and potential competition between the two banks is not insignificant. Of Northern Bank's total IPC deposits, it is estimated that about 10 per cent originate in the primary service areas of M & I's two offices, and M & I derives approximately 9 per cent of its IPC deposits from Northern Bank's primary service area. However, in view of the locations and the nature of the operations of these banks, and the number, locations,

and character of competing institutions in the City and County of Milwaukee, it does not appear that the creation of Bank Stock Corporation or its ownership of a majority of the stock of M & I Bank and Northern Bank would have a materially adverse effect upon the preservation of competition in and around Milwaukee.

Conclusion. - It appears, therefore, that the establishment of the proposed holding company and its acquisition of stock of the two banks might have a beneficial effect on the convenience, needs, and welfare of the communities and the area concerned, and would not result in the existence of a holding company system extending beyond limits consistent with adequate and sound banking, the public interest, and preservation of competition in the field of banking.

The above views were incorporated in a Tentative Statement issued in connection with a Notice of Tentative Decision in this case, published in the Federal Register on August 11, 1959 (24 F.R. 6465) affording interested persons an opportunity to submit comments on or objections to the Board's proposed action, and no such comments or objections were received within the period specified for their submission.

Viewing the relevant facts in the light of the purposes of the Act and the factors enumerated in section 3(c), it is the judgment of the Board that the proposed formation of a holding company system, comprising Marshall and Ilsley Bank and Northern Bank, would not be inconsistent with the statutory objectives and the public interest and that, accordingly, the application should be approved. It is so ordered.

September 3, 1959

Dissenting Statement by  
Vice Chairman Balderston and Governor Robertson

The two banks involved here are the second and fourth largest banks in the city and county of Milwaukee. The information available reflects that significant actual and potential competition between them will be eliminated by combining these banks in a holding company system. In view of this unfavorable factor, the proposed acquisition should not be approved unless it is shown there are favorable considerations sufficiently important to outweigh that unfavorable factor.

In our judgment, such a showing has not been made. The mere bringing together of independent banks under common control surely is not by itself sufficient to justify approval, and it is difficult to see how the transaction will contribute to the convenience, needs, or welfare of the community or area. Accordingly, we would deny the application.

3110



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

Item No. 10  
S-1707 9/3/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

September 3, 1959.

Dear Sir:

On the basis of a review of outstanding letters of instruction regarding the procedure to be followed in the election of Class A and Class B directors of Federal Reserve Banks, and in the light of comments received from the Chairmen and Presidents of the Federal Reserve Banks in response to the Board's letter of July 21, 1959, the Board has adopted the enclosed revised procedure to be followed in such elections. The revised procedure supersedes the election procedure originally adopted in 1927 (F.R.L.S. #3110) and the Board's rulings and letters contained in #3111-3119 and #3121 in the Federal Reserve Loose-Leaf Service.

Very truly yours,

Kenneth A. Kenyon,  
Assistant Secretary.

Enclosure

TO THE CHAIRMEN AND PRESIDENTS OF ALL FEDERAL RESERVE BANKS



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

Item No. 11  
9/3/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

September 1, 1959.

Mr. Eliot J. Swan, First Vice President,  
Federal Reserve Bank of San Francisco,  
San Francisco 20, California.

Dear Mr. Swan:

In accordance with the request contained in your letter of August 27, 1959, the Board approves the appointment of Conrad F. Kaker as an assistant examiner for the Federal Reserve Bank of San Francisco. Please advise as to the date on which the appointment is made effective.

It is noted that Mr. Kaker owns fifty shares of stock in General Bancshares Corporation, St. Louis, Missouri, a bank holding company registered under the Bank Holding Company Act of 1956. Accordingly, the Board's approval of the appointment of Mr. Kaker is given with the understanding that he will not participate in any examination of any bank or other organization in the General Bancshares group so long as he is a stockholder in that organization.

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. 12  
9/3/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

September 2, 1959.

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

Dear Mr. Pierce:

In accordance with the request contained in your letter of August 31, 1959, the Board approves the reappointment of John T. Arnold as an assistant examiner for the Federal Reserve Bank of New York. Please advise as to the date on which the reappointment is made effective.

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. 13  
9/3/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

September 2, 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 28, 1959, the Board  
approves the appointment of Robert K. Scott as an  
assistant examiner for the Federal Reserve Bank  
of Dallas, effective today.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.