

Minutes for September 29, 1959

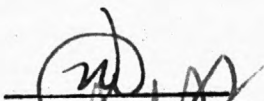
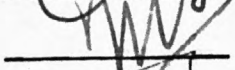
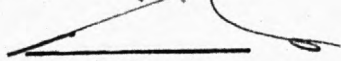
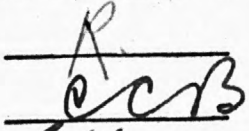
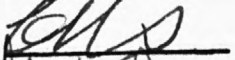
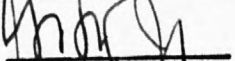

To: Members of the Board

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, please initial below. If you were present at the meeting, your initials will indicate approval of the minutes. If you were not present, your initials will indicate only that you have seen the minutes.

Chm. Martin	<u></u>
Gov. Szymczak	<u></u>
Gov. Mills	<u></u>
Gov. Robertson	<u></u>
Gov. Balderston	<u></u>
Gov. Shepardson	<u></u>
Gov. King	<u></u>

Minutes of the Board of Governors of the Federal Reserve System
on Tuesday, September 29, 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. Sherman, Secretary
Mr. Hackley, General Counsel
Mr. Solomon, Director, Division of Examinations
Mr. Hexter, Assistant General Counsel
Mr. Conkling, Assistant Director, Division of
Bank Operations
Mr. Daniels, Assistant Director, Division of
Bank Operations
Mr. Masters, Associate Director, Division of
Examinations
Mr. Benner, Assistant Director, Division of
Examinations
Mr. Landry, Assistant to the Secretary

Discount rates. The establishment without change by the Federal Reserve Bank of Minneapolis on September 25, 1959, and the Federal Reserve Bank of Atlanta on September 29, 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:

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	<u>Item No.</u>
Letter to the Comptroller of the Currency recommending approval of an application to organize a national bank at Hallandale, Florida.	1
Letter to the Comptroller of the Currency recommending unfavorably with respect to an application to organize a national bank at Richardson, Texas.	2
Letter to the Comptroller of the Currency recommending approval of an application to organize a national bank at Santa Barbara, California.	3
Letter to Citizens Bank, Colquitt, Georgia, waiving the requirement of six months' notice of withdrawal from membership in the Federal Reserve System.	4
Letter to the High Ridge Bank, High Ridge, Missouri, granting a six months' extension of time within which to accomplish membership in the Federal Reserve System.	5
Letter to the Chemical Bank New York Trust Company, New York, approving the establishment of a branch in temporary quarters in Rego Park, New York.	6
Letter to The Elyria Savings & Trust Company, Elyria, Ohio, approving the establishment of a branch on West Street.	7
Letter to The Lorain County Savings & Trust Company, Elyria, Ohio, approving the establishment of a branch incident to its proposed consolidation with The Peoples Banking Company.	8
Letter to Maryland Trust Company, Baltimore, Maryland, approving the establishment of a branch at the northwest corner of Security Boulevard and Gwynn Oak Avenue.	9
Letter to the American Bank and Trust Company, Lansing, Michigan, approving the establishment of an out-of-town branch.	10
Letter to California Bank, Los Angeles, California, approving the establishment of a branch in Monrovia.	11

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	<u>Item No.</u>
Letter to Rapides Bank & Trust Company in Alexandria, Alexandria, Louisiana, granting an extension of time within which to establish a branch near the intersection of Texas Avenue and Lee Street.	12
Letter to Sanford Trust Company, Sanford, Maine, approving an investment in bank premises.	13
Letter to Fidelity-Philadelphia Trust Company, Philadelphia, Pennsylvania, approving an additional investment in bank premises.	14
Letter to the Bank of Tuscumbia, Tuscumbia, Missouri, approving an investment in bank premises.	15
Letter to the Federal Deposit Insurance Corporation regarding an application of the Citizens Bank, Colquitt, Georgia, for continuation of deposit insurance after withdrawal from membership in the Federal Reserve System.	16
Letter to the Presidents of all Federal Reserve Banks regarding a change in wording on the Weekly Condition Statement.	17

Organization of national bank at Burien, Washington. A draft letter prepared in the Division of Examinations and circulated prior to this meeting would recommend to the Comptroller of the Currency that he disapprove an application to organize a national bank at Burien, Washington.

Governor Robertson observed that he saw nothing in the record as submitted to justify an adverse recommendation to the Comptroller of the Currency; in fact, his inclination on the basis of the facts presented was to approve.

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Mr. Solomon noted that the Federal Reserve Bank of San Francisco based its recommendation for disapproval on a lack of real need for an additional bank and also on the feeling that the management factor was not strong and that the proposed bank might be only a step toward later establishment of a branch in Burien by a Washington bank that could not, under the laws of the State, now establish a branch there. While the case was not clear, the Division of Examinations had reached the same conclusion as the San Francisco Reserve Bank, namely, that a recommendation to the Comptroller of the Currency against granting the charter was warranted.

Governor Shepardson said that his disposition was to recommend approval provided management was satisfactory to the Comptroller although he did not feel strongly about this case.

Governor Mills stated that Burien is a suburb of Seattle in which ordinarily one would think of establishment of a branch of another bank if more service was needed. The Seattle banks are ambitious, he observed, and there were elements in this case that caused him to join in the recommendation of the Division of Examinations and the San Francisco Bank.

At Chairman Martin's suggestion, the Division of Examinations was requested to obtain additional information regarding this application to assist the Board in considering the matter. The Chairman added the comment

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that he would not wish to overrule the local Reserve Bank in one of these cases unless there was overwhelming evidence leading him to such a conclusion.

Absorption of exchange charges. The Federal Reserve Bank of St. Louis had transmitted to the Board a letter from The Merchants National Bank of Fort Smith, Arkansas, dated August 31, 1959, regarding the alleged practice of an unidentified competing bank in soliciting deposits by an offer to absorb exchange charges. A draft of reply to St. Louis would state that the Board was not in position to pass on a case such as this in the absence of more detailed facts, but that since the complaint had been made by a national bank, a copy of the correspondence was being sent to the Comptroller of the Currency for whatever action that Office deemed appropriate.

Governor Balderston said that he wished the Board did not have to write a letter, even under these circumstances, that indicated it could not say in the absence of an examination whether absorption of exchange charges represented indirect payment of interest and thus a violation of Regulation Q. Further, he was bothered by seeming to "pass the buck" to the Comptroller of the Currency.

Governor Robertson said that, because of the lack of information, there need be no discussion of the case in either the Board's acknowledgment to St. Louis or in the transmittal letter to the Comptroller of the

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Currency. He suggested, therefore, that the matter be referred to the Comptroller without comment and that St. Louis be informed of this referral. This suggestion was approved unanimously.

Modernization project at the Federal Reserve Bank of Chicago. In a letter dated September 3, 1959, President Allen of the Federal Reserve Bank of Chicago had requested authorization for completion of the remaining modernization projects at the head office building at a total cost not to exceed \$2,090,000, exclusive of architect's fees. Approval was also requested for the Bank to negotiate for the remaining projects with the general contractor now working in the building (George A. Fuller Co.). These projects included building of a cafeteria for approximately \$335,000, renovation of the fifteenth floor for about \$200,000, rehabilitation of the thirteenth floor at a cost of about \$215,000, and replacement of the air conditioning system throughout the building at an estimated cost of about \$335,000.

Mr. Daniels reported that the Chicago Bank had already authorized the purchase of cafeteria equipment, that it was ready to go ahead with the building of the cafeteria on the eighth floor, and that it had gotten out expenditure estimates for the remaining construction projects. If the Board approved the proposed procedure, the Chicago Bank planned to submit larger items to the Board in order that its consulting architect could review them, but it would not be necessary to obtain additional authority to spend funds within the limits of this proposed authorization.

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Governor Shepardson noted the proposal that the Chicago Bank be authorized to place the contracts for these remaining projects on a negotiated basis. He agreed that the arguments seemed to call for this procedure in this case but, in view of the sizable amounts involved, he suggested a discussion of the justification for the use of the negotiated contract procedure rather than the usual competitive bidding basis.

Mr. Daniels replied that a negotiated contract procedure had been requested by the Chicago Bank for the reasons outlined in its letter and in a letter from its architects dated August 27, 1959.

This letter stated:

"It is our opinion, based on Fuller's recognized integrity and ability, that they will complete these projects expeditiously, and at the lowest possible cost to you. The Fuller organization, presently on the job site, has excellent supervision and intimate knowledge of your building program and, therefore, should be in a position to perform this additional work for you most economically.

"Furthermore, much of the proposed work adjoins or is integrated with work to be performed by Fuller under their present contract. The employment of another contractor or contractors often means friction and interference by both parties with resultant time delays and increased costs.

"For the foregoing reasons we would strongly recommend that the remaining projects be negotiated with the George A. Fuller Company."

Mr. Daniels went on to say that the Board's consulting architect, Mr. Witherell, concurred in this procedure regarding this case, that the Division of Bank Operations was in agreement with the Chicago Bank that

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this would be a better procedure under the circumstances, and it was probable there would be a saving ultimately in using this approach over use of the competitive bidding approach. He then commented on problems that might arise with the presence of more than one contractor at work on the various projects at the same time.

Governor Balderston, in expressing agreement with Governor Shepardson, also noted that the Board was being requested to authorize large outlays. Use of the negotiation procedure for contracts of this amount made it desirable that the record contain a full statement by the architects and perhaps by an impartial engineer of the reasons for entering into such negotiated contracts and why it was believed the results would not be out of line with those that might be obtained under the protection of competitive bidding.

Governor Robertson concurred and suggested that inasmuch as the Board's consulting architect, Mr. Witherell, had already indicated his approval of this procedure in this particular instance, he might be asked to expand his review to cover the terms of any negotiated contract with the George A. Fuller organization, which had been selected by the Chicago Bank to serve as general contractor for its work.

Governor Balderston said that he did not have a specific procedure in mind but that he thought the comments of the Board's consulting architect might be backed up by another impartial source.

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The Chairman then suggested that Governor Balderston discuss this matter with President Allen of the Chicago Bank to see that everything was done in this connection that ought to be done.

This suggestion was approved unanimously, with the understanding that Governor Balderston would report the results of his conversation with Mr. Allen at a subsequent meeting of the Board.

"Building proper" costs at Little Rock Branch. A memorandum dated September 22, 1959, had been circulated from the Division of Bank Operations regarding the proper allocation of "building proper" costs at the Little Rock Branch.

Mr. Daniels noted that subsequent to the purchase on January 7, 1959, of the building and land adjoining the Little Rock Branch building, the St. Louis Bank submitted a bank premises statement showing that \$126,850 (of the total purchase price of \$285,000) had been allocated to "building proper", raising the question whether this charge should be against the blanket authorization to spend \$30,000,000 for "building proper" costs, in view of the fact the Bank considers it will be necessary to demolish the building within a few years and replace it with a new structure. He indicated that in a similar situation at the Detroit Branch in June, 1943, no allocation was made against the \$30,000,000 Congressional limitation for "building proper," which limitation had been raised by a May 1953 amendment to Paragraph 9 of Section 10 of the Federal Reserve Act. He went on to say, however,

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that in the case of the Detroit Branch the property adjoining the Branch had been bought with the intention of razing the building thereon and constructing an addition as soon as possible.

Because of this difference in the facts of the Little Rock and Detroit cases, he said, the Bank Operations Division proposed to include the Little Rock amount of \$126,850 in its accounting for the \$30,000,000 Congressional "building proper" limitation, with the understanding that should the building be razed and replaced by an addition within the relatively near future, the amount would be removed. He added that the Legal Division concurred in this proposal.

There being no objection, the proposal was unanimously approved.

Mr. Daniels then withdrew from the meeting.

Election of Mr. W. H. Buntin to public office (Items 18 and 19).

A letter dated September 11, 1959, had been received from the Federal Reserve Bank of Dallas requesting the Board's opinion as to the propriety of one of its employees, Mr. W. H. Buntin, Supervisor in the Transit Department, serving a two-year term as City Secretary in the City of Fruitdale, Texas, at compensation of \$55.12 per month. A draft of reply that would indicate the Board interposed no objection to this service, had been circulated among the members of the Board.

Governor King noted that the letter from the Reserve Bank indicated that Mr. Buntin had already been elected to office and was serving, and he wondered whether such matters should not be submitted to the Board for advance approval. He did not see an objection to Mr. Buntin's serving in

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this case, but he felt that a discussion of the principle involved as well as of the question of prior submission to the Board would be helpful.

The Chairman commented that this was a bona fide point. In this case, the Dallas Bank's Board of Directors had approved the service in question, and it hardly seemed appropriate to ask Mr. Buntin to withdraw either from the System or from his new post.

Following a comment from Governor Robertson that it would be appropriate for the Reserve Bank, as well as the Board, to be informed beforehand about the possibility of any one of its employees participating in outside activities of this type, the suggestion was made that it would be desirable to send a letter to all Federal Reserve Banks clarifying the procedure to be followed in similar cases.

After further discussion, during which the draft letter to the Dallas Bank was changed, unanimous approval was given to a letter to the President of the Dallas Bank in the form attached to these minutes as Item No. 18. It was also understood that a letter would be sent to all Federal Reserve Banks describing the procedure to be observed in such cases in the future.

Secretary's Note: In accordance with the above understanding, a letter dated October 14, 1959, was sent to the Presidents of all Federal Reserve Banks in the form attached to these minutes as Item No. 19.

Organization of a national bank in Washington, D. C. The Federal Reserve Bank of Richmond had recommended disapproval of an application for

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establishment of a national bank in Washington, D. C., but the Board's Division of Examinations had prepared a draft of letter to the Comptroller of the Currency in a memorandum dated September 17, 1959, that would recommend, for reasons stated, that the application be approved.

Mr. Solomon, in commenting on the application, stated there was no question regarding the prospects of success or the adequacy of capital or of management of the group that had made application. The only question so far as Examinations was concerned was that of convenience and need. He continued by pointing out that seven of the thirteen banks in the immediate area of the proposed site of the new bank at 17th and K Streets, N. W., had recommended against a charter and that there were five banking offices within a three-block radius of the proposed site. He conceded that there was no great need for another banking office at this location but, in his judgment, establishment of a new bank at this site would not lead to an overbanked situation. Moreover, in consideration of recent consolidations of large banks in the District, establishment of a new banking office should offer added competition to established outlets.

Chairman Martin stated that in the light of the disagreement between the recommendations of the Federal Reserve Bank of Richmond and the Division of Examinations, the former be given an opportunity to appear before the Board and present any additional information it might have regarding this application, and there was agreement with this suggestion.

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Disposal of copies of Federal Reserve examination reports

(Item No. 20). There had been distributed a memorandum dated September 10, 1959, from the Examinations Division relating to disposal by State banking supervisory authorities of copies of Federal Reserve examination reports.

Mr. Solomon commented that in a letter under date of August 6, 1959, Vice President Denmark of the Atlanta Reserve Bank requested the Board's views regarding an inquiry from the Superintendent of Banks of Alabama as to whether there would be any objection to the destruction by the banking department of old copies of reports of examination of State member banks made by examiners for the Reserve Bank and furnished his department. Mr. Denmark had suggested that it would be preferable to permit the Superintendent to destroy the reports and furnish the Reserve Bank with a certificate to that effect. Mr. Solomon referred to the discussion on August 27, 1959, when the Board considered the recommendation of the Examinations Division that Vice President Denmark be advised to follow the procedure outlined in the Board's letter of July 23, 1954, (S-1540; F.R.L.S. #3627), that is, to request the Superintendent of Banks of Alabama to return all copies of examination reports of State member banks to the Atlanta Reserve Bank. As requested by the Board at that meeting, the Division of Examinations had given further consideration to the matter and it now proposed that the draft letter attached to the Examinations Division's memorandum of September 10,

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which would permit destruction by State banking departments of copies of Federal Reserve examination reports, be forwarded to all Federal Reserve Banks for their comments and suggestions. Mr. Solomon said that one reason for suggesting this procedure was that the large volume of these reports held by several States might place an unwarranted burden on their banking departments if they were requested to return them and that, since the Reserve Banks probably would destroy all reports thus returned, it would be more practical to permit the State authorities to destroy the reports as some are reportedly already doing.

Governor Robertson commented that he saw no reason to ask the views of the Reserve Banks about this matter. He suggested that the Board simply authorize the destruction of these reports after they had been held by the State supervisory authorities for at least five years and that State member banks also be authorized to destroy reports held by them for this minimum period.

Governor Mills expressed the view that there was an "aura of dignity" about these reports, whose cover indicated they were Federal property, and that this dignity should be preserved.

Mr. Hexter observed that the Board at present had a degree of accountability for the reports, because they are Federal property.

In reply to a question as to the manner in which member banks store examination reports, Mr. Benner said that as a rule the member banks retained them as part of their permanent records but that it was

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quite possible some banks destroyed them after a period of time. He added that he was confident some State banking departments destroyed old copies of Federal Reserve examination reports without necessarily reporting such destruction to the Reserve Bank.

It was then unanimously agreed on a motion from Governor Robertson that the Reserve Banks be authorized to permit State banking authorities or member banks to destroy reports of Federal Reserve examination upon specific authorization from the Reserve Bank in each instance. Pursuant to this authorization, a letter to all Reserve Bank Presidents was sent in the form attached as Item No. 20.

Interpretation of Regulation Q (Item No. 21). There had been circulated a draft of letter from the Legal Division under date of September 22, 1959, to the Minneapolis Reserve Bank replying to a request from the latter for advice as to whether the 10-calendar-day grace period now permitted by section 3(d) of Regulation Q in computing the maximum rate of interest on savings deposits, extends to the following business day in the event the tenth calendar day of the month falls on Saturday, Sunday, or a legal holiday.

Mr. Hackley commented that this question had originally been raised by a member bank in the Ninth District which had written to the Minneapolis Bank inquiring whether since "it has been the general practice to extend this grace period to the following business day in the event the tenth falls on Saturday, Sunday, or a legal holiday,"

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the practice would still be permitted now that the provision had been liberalized to lengthen the grace period from 5 to 10 calendar days. He noted that the proposed reply, which was in the negative, indicated that member banks would not be at a competitive disadvantage with insured nonmember banks as a result, since the Federal Deposit Insurance Corporation had made a similar amendment to its Regulation on the subject which they intended to interpret in the same manner as the Board. He also suggested that all Reserve Banks be informed of this interpretation, if approved by the Board.

Unanimous approval was then given to the letter to the Minneapolis Reserve Bank attached as Item No. 21, with the understanding that a letter would be sent to all Reserve Bank Presidents.

Letter to American Bankers Association (Item No. 22). A memorandum dated September 15, 1959, had been circulated from the Division of Bank Operations attaching a proposed letter to Mr. Eugene C. Zorn, Jr., Deputy Manager and Director of Research of the Research Council of the American Bankers Association. This letter replied favorably to a letter from the latter dated July 8, 1959, requesting a listing of all banks in the United States showing selected structure data and total deposit codes along with the deck of punch cards from which the listing was made.

Mr. Conkling remarked that the proposed letter to Mr. Zorn would furnish him bank structure information similar to that furnished the Reserve Banks semi-annually, except (1) that all codes had been deleted

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that serve to identify holding companies and their subsidiary banks and (2) that deposit codes were added for each bank. He noted that the listing and cards included class of bank codes identifying member banks by reserve classification and also showed the par status of nonmember banks. This was the first time, he said, that the Division had prepared information of this nature for use outside the System or another Government agency but that the proposed use of these data by the American Bankers Association, namely, to provide a sampling frame from which the Association might draw stratified random samples to be used in connection with the various surveys it conducts, appeared to justify a favorable response. He added that the proposed reply need not be considered a precedent for fulfilling future requests from either the Association or any other outside agency.

Unanimous approval was then given to a letter to the American Bankers Association in the form attached as Item No. 22.

Mr. O'Connell, Assistant General Counsel, entered the room at this point.

Letter to Reserve Banks regarding Representative Patman's press statement of June 22, 1959 (Items 23 through 28). There had been circulated under date of September 18, 1959, a memorandum from Mr. Kiley indicating that the comments requested of the Reserve Banks in connection with Representative Patman's press statement of June 22, 1959, on the Federal Reserve System had been reviewed and appeared sufficiently

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responsive to the items mentioned with a few exceptions. The memorandum suggested that it would be desirable to have additional information for the Board's records with respect to the policy of the Reserve Banks regarding the receipt of gifts and the purchase and sale of securities for the members of the staff. It would also be helpful to have further comments concerning parking facilities for employees at the Richmond and St. Louis Reserve Banks, the petty cash funds maintained by the Chicago Reserve Bank, and space leased to outside tenants in the Kansas City Reserve Bank Building. Drafts of letters requesting the additional information were attached to his memorandum for Board consideration.

Governor Shepardson commented that he felt it desirable to request the additional information, but that he assumed the use of such information would not be determined until Chairman Martin had ascertained from the Chairmen of the Banking and Currency Committees whether they desired a statement from the Board regarding Mr. Patman's release.

A letter in the form attached as Item No. 23 was then approved to be sent to the Federal Reserve Bank of Boston, with identical letters to the Federal Reserve Banks of New York, Philadelphia, Cleveland, Atlanta, Dallas, and San Francisco, with the understanding that appropriately modified letters attached as Items 24 through 28 would be sent to the Federal Reserve Banks of Richmond, Chicago, St. Louis, Minneapolis, and Kansas City, respectively.

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Mr. Conkling withdrew from the meeting at this point.

Letter to Old Kent Bank and Trust Company (Item No. 29). Letters under date of July 24 and September 14, 1959, from President Morgenstern of Old Kent Bank and Trust Company, Grand Rapids, Michigan, requesting "re-examination" of the branch situation of that bank had been circulated to the Board, and a memorandum from the Legal Division on this question, to which was attached a draft of reply, had been distributed under date of September 25, 1959. The draft reply also referred to discussion between the Board and Mr. Morgenstern on July 23, relating to the operation of branch offices by Old Kent, particularly to two former branches of Peoples National Bank (the Wealthy-Lake Drive office and one in the City of Wyoming), about which Mr. Morgenstern expressed the hope that the Board would "re-examine this situation in light of present conditions".

In commenting on the draft reply to Old Kent Bank, Mr. Hexter indicated that the request in its letter of September 14 was not part of the current litigation between the bank and the Board. Mr. Morgenstern evidently hoped that the Board would be prepared to give its approval to operation of the two branches that were now being operated in violation of the law. However, there was no application before the Board for such permission and, in view of the litigation in which Old Kent had taken the position that the Board had no jurisdiction over the branches it had gained by merger with Peoples National, Old Kent could hardly file an

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application without weakening its position in the pending litigation. Mr. Hexter suggested that Mr. Morgenstern might feel that, if Old Kent received an indication that the Board would now be inclined to approve the operation of the two offices in question, the bank could drop its appeal from the ruling of the District Court in the Board's favor, close the branches over a week end, get formal Board approval for their operation, and promptly reopen them. Mr. Hexter went on to say that the Legal Division was inclined to believe that in the absence of an application, the Board would not be well advised to examine the question of the two branches. Even if Old Kent were to drop its appeal, there was a question whether the Board could legally authorize the operation of the Wyoming Branch in view of the Michigan statute which apparently precluded the establishment of a branch by Old Kent in Wyoming now that it was an incorporated city. Therefore, the draft reply had been prepared with the view to giving Old Kent as much information as possible to enable it to act intelligently in the matter.

In response to a question from Governor Shepardson as to the exact position of Old Kent in connection with the Wyoming Branch, Mr. Hackley said that the present branch was permissible under the Michigan State law because it was in operation before the City of Wyoming was incorporated. Thus, if the Board had approved the operation of that branch at the time of the merger, it could continue in operation legally. However, the situation had been changed by the incorporation of Wyoming

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since Old Kent acquired the branch, and it appeared that under the Michigan statute Old Kent could not now legally be authorized to establish a branch in Wyoming.

Agreement was then expressed with the position taken by the Legal Division, and unanimous approval was given to the letter to Old Kent Bank and Trust Company attached to these minutes as Item No. 29.

Mr. Benner withdrew from the meeting at this point.

Antitrust Division request for application under the Bank Holding Company Act (Item No. 30). There had been distributed under date of September 28, 1959, a memorandum from Mr. O'Connell referring to a telephone call from Mr. Daniel Ohlbaum, Antitrust Division, Department of Justice, regarding the recent Board action in approving the application of Bank Stock Corporation of Milwaukee, filed pursuant to section 3(a) of the Bank Holding Company Act for permission to acquire 80 per cent or more of the outstanding voting shares of the Marshall and Ilsley Bank and Northern Bank, thus constituting Bank Stock Corporation a bank holding company.

Mr. O'Connell explained that the Department of Justice was interested in this matter by reason of its enforcement responsibility for section 7 of the Clayton Antitrust Act. According to Mr. Ohlbaum, he said, the Department contemplated no antitrust action at this moment in regard to the Bank Stock Corporation acquisition, but it wished to study the application giving rise to the Board's statement and order of September 3, 1959. He went on to say that Mr. Ohlbaum had been advised

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that the application and related material constituted "unpublished information" within the meaning of section 8(a) of the Board's Rules of Organization and that the Board's permission for disclosure pursuant to and under the conditions in section 7(b) would have to precede any study he might make of the material. He noted that Mr. Ohlbaum had also been advised that, should Board approval be given to the Department's request, it was assumed that a letter from the Board setting forth the conditions contained in section 7(b) of the Board's Rules of Organization would be transmitted to Justice and that after stating he understood the Board's position, Mr. Ohlbaum had replied he would appreciate being allowed to study the application as soon as possible. Mr. O'Connell concluded by remarking that despite the fact that this was the way in which the Justice Department's intervention in the Firstamerica case started, he recommended that the Board make the information available since this apparently represented a preliminary inquiry into the matter and since any further related action would be subject to additional discussions between the Department and the Board.

Mr. Hackley added that, although the Legal Division might have complied with this request of Justice under an earlier general understanding as to the Board's divulging information of this type to Government agencies, he felt it desirable to bring each such request to the attention of the Board.

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There being agreement with the procedure recommended by the Legal Division, a letter to the Justice Department in the form attached to these minutes as Item No. 30 was unanimously approved.

Messrs. Hexter and O'Connell then withdrew from the meeting.

Reserve Bank director as a member of State Banking Board

(Item No. 31). A telegram from the Federal Reserve Bank of Philadelphia dated September 25, 1959, requested a ruling as to whether the continued service of Mr. O. Albert Johnson as a Class A director of that Bank would be incompatible with his serving on the Pennsylvania State Banking Board. It was the expressed view of the Reserve Bank that Mr. Johnson's serving in a dual capacity in this manner would inhibit discussion among members of the Board of the Philadelphia Reserve Bank.

In a memorandum distributed to the Board under date of September 25, 1959, Mr. Hackley noted that this involved a matter of policy and not of law, and he referred to the Board's December 23, 1915, resolution prohibiting Reserve Bank directors from holding any public or political office. Since it was clear that a member of the Pennsylvania State Banking Board holds a "public office" and since the Banking Board is concerned with the regulation of State banks under State law, he said, it was conceivable that the interests of the Banking Board might not be the same in all respects as those of a Federal Reserve Bank and that service in both capacities by a director of a Reserve Bank could result in embarrassment of the Reserve Bank. Consequently, he recommended that the Board indicate its objection to the proposed dual service of Mr. Johnson, even though

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this meant adopting a different position than had previously been taken on this question by the Board.

Mr. Hackley pointed out that although the Senate of the General Assembly of Pennsylvania had confirmed the appointment of Mr. Johnson to the State Banking Board, it was understood that Mr. Johnson had not yet accepted and had requested advice from the Reserve Bank in the matter.

Unanimous approval was then given to a telegram, a copy of which is attached to these minutes as Item No. 31, to the Philadelphia Reserve Bank concurring in that Bank's conclusion that the proposed dual service of Mr. Johnson would be inconsistent with the policy stated in the 1915 resolution of the Board. It was further understood that all Reserve Banks would be informed of the Board's policy in this regard, it being suggested that advice of this conclusion be incorporated in a letter to the Reserve Banks regarding the views expressed earlier in this meeting in connection with service of an employee of the Dallas Bank as an elected city official.

Secretary's Note: In accordance with the foregoing understanding, a letter dated October 14, 1959, was sent to the Presidents of all Federal Reserve Banks in the form attached to these minutes as Item No. 19.

Federal health insurance program. Governor Mills noted that the President had signed the new Federal Employees Health Benefits Act of 1959, Public Law 86-382, and he commented briefly on the relationship between that plan and health insurance programs at the Board and the Reserve Banks.

9/29/59

-25-

Governor Shepardson stated that the Personnel Division was studying the new law and that the matter would be brought before the Board within the next few weeks.

The meeting then adjourned.

Secretary's Notes: On September 28, 1959, Governor Shepardson approved on behalf of the Board a letter to the Federal Reserve Bank of Chicago (attached Item No. 32) approving the appointment of Clifford H. Maddox, Jr., as assistant examiner.

Governor Shepardson today approved on behalf of the Board the following items:

Memoranda from appropriate individuals concerned recommending the following actions affecting the Board's staff:

Appointments

Betty Schieman as Statistical Clerk in the Division of Research and Statistics with basic annual salary at the rate of \$3,755, effective the date she assumes her duties.

Mary V. F. Baker as Senior Clerk (re-employment following maternity leave) in the Division of International Finance, with basic annual salary at the rate of \$4,490, effective the date she assumes her duties.

Acceptance of resignation

Lillian Eva Macrae Hughes, Clerk-Typist, Division of Administrative Services, effective October 2, 1959.


Governor Shepardson also approved today on behalf of the Board the following memoranda from Mr. Sherman, Secretary of the Board, in regard to destruction of material in the Board's files:

9/29/59

Memorandum dated September 11, 1959, recommending destruction of specified categories of duplicated or processed material prepared in the Board's offices or received from Federal Reserve Banks after designated retention periods.

Memorandum dated September 11, 1959, recommending that there be submitted to National Archives requests for Congressional authorization for destruction schedules, either on an outright basis, after a specified retention period, or after microfilming, covering certain material in the Board's files as listed on the attachments to the memorandum.

Memorandum dated September 14, 1959, requesting that authorization be given for the destruction, after retention for the periods indicated in the list attached to the memorandum, of certain types of Board records having transitory value.


Secretary

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

Item No. 1
9/29/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 29, 1959.

Comptroller of the Currency,
Treasury Department,
Washington 25, D. C.

Attention Mr. W. M. Taylor,
Deputy Comptroller of the Currency.

Dear Mr. Comptroller:

Reference is made to a letter from your office dated April 27, 1959, enclosing copies of an application to organize a national bank at Hallandale, Florida, and requesting a recommendation as to whether or not the application should be approved.

Information contained in a report of investigation of the application made by an examiner for the Federal Reserve Bank of Atlanta discloses generally favorable findings with respect to the factors usually considered in these proposals, with the exception of the amount of capital. The application provides for a capital structure of \$450,000, whereas the examiner feels that \$750,000 would be more appropriate; and this suggestion was discussed with the proponents. The Board of Governors recommends approval of the application provided arrangements are made for capital structure satisfactory to your office.

The Board's Division of Examinations will be glad to discuss any aspects of this case with representatives of your office if you so desire.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.



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

Item No. 2
9/29/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 29, 1959.



Comptroller of the Currency,
Treasury Department,
Washington 25, D. C.

Attention Mr. G. W. Garwood,
Deputy Comptroller of the Currency.

Dear Mr. Comptroller:

Reference is made to a letter from your office dated November 4, 1958, enclosing copies of an application to organize a national bank at Richardson, Texas, and requesting a recommendation as to whether or not the application should be approved.

A report of investigation of the application made by an examiner for the Federal Reserve Bank of Dallas indicates that the proposed capital structure of the bank would be adequate in relation to the anticipated volume of business. However, it does not appear that the future earnings prospects of the bank would be very favorable or that the proposed management would be strong enough to assure successful operation of the institution. The existing commercial bank is reported to be furnishing reasonably satisfactory services and there does not appear to be sufficient need to justify another bank at this time. Accordingly, the Board of Governors does not feel justified in recommending approval of the application.

The Board's Division of Examinations will be glad to discuss this application with representatives of your office if you so desire.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 3
9/29/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 29, 1959.

Comptroller of the Currency,
Treasury Department,
Washington 25, D. C.

Attention Mr. L. A. Jennings,
Deputy Comptroller of the Currency.

Dear Mr. Comptroller:

Reference is made to a letter from your office dated June 2, 1959, enclosing copies of an application to organize a national bank at Santa Barbara, California, and requesting a recommendation as to whether or not the application should be approved.

A report of investigation of the application made by an examiner for the Federal Reserve Bank of San Francisco discloses generally satisfactory findings with respect to the factors usually considered in connection with such proposals, except that definite arrangements had not been made for executive management. Accordingly, the Board of Governors recommends approval of the application provided arrangements are made for executive management satisfactory to your office.

The Board's Division of Examinations will be glad to discuss any aspects of this case with representatives of your office if you so desire.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 4
9/29/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 29, 1959.

Board of Directors,
Citizens Bank,
Colquitt, Georgia.

Gentlemen:

The Federal Reserve Bank of Atlanta has forwarded to the Board of Governors your letter of September 8, 1959, and the accompanying copy of a 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 Atlanta, of the Federal Reserve Bank stock issued to your institution such stock will be cancelled 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 Atlanta.

Attention is invited to the fact that if your bank is desirous of continuing deposit insurance after withdrawal from membership in the Federal Reserve System, it will be necessary that application be made to the Federal Deposit Insurance Corporation.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 5
9/29/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 29, 1959.

Board of Directors,
High Ridge Bank,
High Ridge, Missouri.

Gentlemen:

In accordance with your request submitted through the Federal Reserve Bank of St. Louis, the Board of Governors of the Federal Reserve System approves an extension of time to April 27, 1960, within which the High Ridge Bank may accomplish membership in the Federal Reserve System.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 6
9/29/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 29, 1959.

Board of Directors,
Chemical Bank New York Trust Company,
165 Broadway,
New York 15, 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 in temporary quarters at 97-63 Queens Boulevard in Rego Park, New York, by Chemical Bank New York Trust Company. It is understood that operations at this location will be discontinued simultaneously with the opening of the branch on the north-west corner of Queens Boulevard and 64th Road in Rego Park, New York, as approved by the Board of Governors on July 24, 1959.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 7
9/29/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 29, 1959.

Board of Directors,
The Elyria Savings & Trust Company,
Elyria, Ohio.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Cleveland, the Board of Governors approves the establishment of a branch on West Street, just west of the intersection of Huron and Woodland Streets, by The Elyria Savings & Trust Company, Elyria, Ohio. This approval is given provided the branch is established within one year 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) Merritt Sherman

Merritt Sherman,
Secretary.



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

Item No. 8
9/29/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 29, 1959.

Board of Directors,
The Lorain County Savings &
Trust Company,
Elyria, Ohio.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Cleveland, the Board of Governors of the Federal Reserve System hereby gives its consent, under the provisions of Section 18(c) of the Federal Deposit Insurance Act, to the consolidation of The Peoples Banking Company, Oberlin, Ohio, with and into The Lorain County Savings & Trust Company, Elyria, Ohio, and approves the establishment of a branch at the present location of The Peoples Banking Company.

This approval is given provided:

- (1) The proposed consolidation is effected substantially in accordance with the Agreement of Consolidation and Merger dated August 24, 1959, submitted to the Federal Reserve Bank of Cleveland.
- (2) Shares of stock acquired from dissenting stockholders are disposed of within six months from the date of acquisition.
- (3) The branch is established within six months from the date of this letter, and
- (4) Approval of the State authorities is in effect at the time the branch is established.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 9
9/29/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 29, 1959.

Board of Directors,
Maryland Trust Company,
Baltimore, Maryland.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Richmond, the Board of Governors of the Federal Reserve System approves the establishment of a branch by Maryland Trust Company, Baltimore, Maryland, at the northwest corner of Security Boulevard and Gwynn Oak Avenue in the Woodlawn area of Baltimore County, Maryland, provided the branch is established within one year from the date of this letter.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 10
9/29/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 29, 1959.

Board of Directors,
American Bank and Trust Company,
Lansing, 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 at the intersection of West Saginaw Street and Waverly Road, Lansing Township, Ingham County, Michigan, by American Bank and Trust Company, provided the branch is established within nine months from the date of this letter.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 11
9/29/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 29, 1959.

Board of Directors,
California Bank,
Los Angeles, California.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of San Francisco, the Board of Governors approves the establishment of a branch in the vicinity of the intersection of Huntington Drive and Magnolia Avenue, Monrovia, California. 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) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 12
9/29/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 29, 1959.

Board of Directors,
Rapides Bank & Trust Company
in Alexandria,
Alexandria, Louisiana.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Atlanta, the Board of Governors of the Federal Reserve System extends the time within which Rapides Bank & Trust Company in Alexandria may establish a branch near the intersection of Texas Avenue and Lee Street, Alexandria, Louisiana, to May 30, 1960, under the authorization contained in the Board's letter of April 30, 1959.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 13
9/29/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 29, 1959.

Board of Directors,
Sanford Trust Company,
Sanford, Maine.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Boston, the Board of Governors approves, under the provisions of Section 24A of the Federal Reserve Act, the investment by Sanford Trust Company of \$250,000 for the purposes of enlarging and remodeling bank premises. It is understood that of this amount not more than \$125,000 is to be capitalized and that the other \$125,000 is to be charged against undivided profits.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 14
9/29/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 29, 1959.

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

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Philadelphia, the Board of Governors of the Federal Reserve System approves, under the provisions of Section 24A of the Federal Reserve Act, an additional investment of \$105,000 in bank premises by Fidelity-Philadelphia Trust Company, Philadelphia, Pennsylvania, for the purchase of a warehouse at 24th and Manning Streets, Philadelphia, Pennsylvania.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 15
9/29/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 29, 1959.



Board of Directors,
Bank of Tuscumbia,
Tuscumbia, Missouri.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of St. Louis, the Board of Governors approves, under the provisions of Section 24A of the Federal Reserve Act an investment in bank premises by the Bank of Tuscumbia of an amount not in excess of \$50,000 for the purpose of constructing new banking quarters.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

3464

Item No. 16
9/29/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 29, 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 September 16, 1959, concerning the application of the Citizens Bank, Colquitt, Georgia, to become an insured bank as a non-member of the Federal Reserve System, effective simultaneously with withdrawal from membership.

The only corrective action which has been urged upon the bank concerns President Jinks' activities in selling certificates and stock as a part time representative of Investors Diversified Services, Inc., which are considered a violation of Section 32 of the Banking Act of 1933, and Regulation R of the Board of Governors of the Federal Reserve System. President Jinks has advised the Federal Reserve Bank of Atlanta that it is not feasible at this time to resign his connection either with the Citizens Bank or with Diversified Services, Inc.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 17
9/29/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

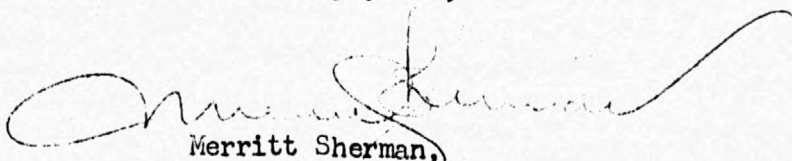
September 29, 1959.

Dear Sir:

Effective on the second Thursday following the date of this letter, the Board will change the title of the asset on pages H.4.1(a) and H.4.1(b) of the Weekly Federal Reserve Statement from "Uncollected cash items" to "Cash items in process of collection." The purpose is to avoid misunderstandings outside of banking circles as to what the present account title actually means. Future issues of the Federal Reserve Bulletin, Annual Report, and other Board publications will also reflect the change. It is requested that the Reserve Banks adopt the change in their own published statements. No special announcement or comment on the change will be made.

The 1960 edition of the daily balance sheet, form F.R. 34, will reflect the change by identifying the transit block as "Cash items in process of collection" and changing the last line in the block to "Other cash items in process." No changes are necessary on the existing supplies of forms 34.

Very truly yours,


Merritt Sherman,
Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

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

Item No. 18
9/29/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 29, 1959.

Mr. Watrous H. Irons, President,
Federal Reserve Bank of Dallas,
Dallas 2, Texas.

Dear Mr. Irons:

This is in response to your letter of September 11, 1959, regarding the election of Mr. W. H. Buntin, Supervisor in your Bank's Transit Department, to serve a two-year term as City Secretary of the City of Fruitdale, for which he is compensated at the rate of \$55.12 per month.

Your letter states that the Board of Directors of the Federal Reserve Bank of Dallas has given approval for Mr. Buntin to continue to serve his current term as City Secretary, subject to the approval of the Board of Governors. Under the circumstances described, the Board will not object to Mr. Buntin serving his current term. It believes, however, that in any future instance in which either an officer or an employee of the Bank may be considering an office that could be considered to be a public and possibly a political office of the kind referred to in the Board's Resolution of 1915, the matter should be brought to the attention of the appropriate officers of the Reserve Bank and, if necessary, of the Board of Governors, prior to seeking or accepting such office.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 19
9/29/59



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 14, 1959.

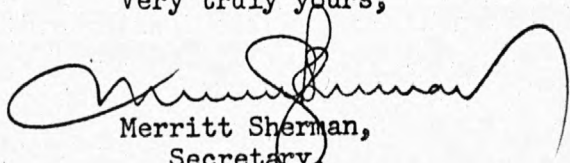
Dear Sir:

This letter refers to the Board's resolution of December 23, 1915 prohibiting the holding of political or public office by directors or officers of Federal Reserve Banks (F.R.L.S. #3090) and to the Board's letter of June 30, 1954 (F.R.L.S. #3151), which makes it clear that the principle of the 1915 resolution prohibiting political activities of the kind covered should be applied to employees as well as directors and officers.

On occasion, questions have been presented to the Board after the director, officer, or employee involved had accepted a particular public office. In order to permit advance consideration of such questions, it is suggested that every effort be made to keep employees, as well as officers and directors, informed of the Board's policy so that any such question may be brought to the attention of the appropriate officers of the Reserve Bank and, if necessary, to the Board's attention, before the individual concerned seeks or accepts an office of a public or political character.

Another aspect of this general subject may be mentioned for your information. In a few instances a number of years ago, the Board interposed no objection to the service of Federal Reserve Bank directors as members of State banking boards. This question has recently been reconsidered in a particular case and the Board is now of the view that membership on a State banking board would not be compatible with service as a director of a Federal Reserve Bank and that, therefore, dual service of this kind should be regarded as inconsistent with the policy stated in the 1915 resolution of the Board.

Very truly yours,


Merritt Sherman,
Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

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

S-1712

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 13, 1959



Dear Sir:

This letter supersedes the Board's letter S-1540 of July 23, 1954 (F.R.L.S. #3627), regarding disposal by State member banks of Federal Reserve examination reports.

Several years ago a State member bank raised the question of the proper procedure to be followed in disposing of copies of reports of examination made by examiners for the Federal Reserve Bank. In its letter of July 23, 1954 (S-1540; F.R.L.S. #3627), the Board requested all Reserve Banks to advise any State member bank desirous of disposing of Federal Reserve examination reports to return such reports to the Reserve Bank which, the Board suggested, could destroy reports so returned by incineration or other effective means. Recently, a State banking department raised a similar question of whether there would be any objection to the destruction by the banking department of copies of reports of examination made by examiners for the Reserve Bank and furnished the department.

The same question may possibly be raised in the future by other State banking departments as well as by State member banks and, in view of the volume of reports held by many such departments and banks and the expense involved, an unwarranted burden might be placed on them if they were required to return the reports to the Reserve Bank. Therefore, the Board authorizes the Reserve Banks to permit any State banking authority or State member bank which may inquire to destroy copies of Federal Reserve examination reports of State member banks furnished them which have been held for five years or longer. Permission to destroy such reports should be granted only on an individual basis as inquiries are received. In granting permission to destroy reports, the inquiring State authorities and State member banks should be impressed with the need for effective destruction through incineration or other means.

Very truly yours,

Merritt Sherman,
Secretary.

TO THE PRESIDENTS OF ALL
FEDERAL RESERVE BANKS

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

Item No. 21
9/29/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 29, 1959.

Mr. M. H. Strothman, Jr.,
Vice President and Counsel,
Federal Reserve Bank of Minneapolis,
Minneapolis 2, Minnesota.

Dear Mr. Strothman:

This refers to your letter of September 15, 1959, enclosing a letter from the First National Bank of Minneapolis, requesting advice as to whether the 10-calendar-day grace period now permitted by section 3(d) of Regulation Q in computing the maximum rate of interest on savings deposits, extends to the following business day in the event the 10th calendar day of the month falls on Saturday, Sunday, or a legal holiday.

As you know, this provision was recently liberalized so as to allow a grace period of 10 calendar days rather than 5 business days in every calendar month. It was recognized that the amendment would have a slightly restrictive effect in the case of months commencing a regular quarterly or semi-annual interest period in which deposits formerly could be received through the 10th business day, but, as stated above, the general effect was of a liberalizing nature. The Board believes that 10 calendar days is sufficient time to permit a customer to make a deposit in a savings account and receive interest at the maximum rate for the entire month. Therefore, the Board does not believe that further days of grace should be allowed when the 10th calendar day falls on Saturday, Sunday, or a legal holiday.

A similar amendment was made to the Regulation of the Federal Deposit Insurance Corporation on this subject and informal discussions with that agency have disclosed that they propose to interpret this provision

of their Regulation in the same manner as the Board, that is, the 10th calendar day will be the last day on which savings deposits may be accepted to receive full interest for the entire month. Accordingly, member banks should not be at a competitive disadvantage with insured nonmember banks.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 22
9/29/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 29, 1959.

Mr. Eugene C. Zorn, Jr., Deputy Manager
and Director of Research,
Research Council,
The American Bankers Association,
12 East 36th Street,
New York 16, New York.

Dear Mr. Zorn:

This refers to your letter of July 8, and to subsequent telephone conversations between our offices, requesting a listing of all banks in the United States, showing selected structure data and total deposit codes along with the deck of punch cards from which this listing was made. It is understood that these data are desired to provide a sampling frame from which you may draw stratified random samples to be used in various surveys that you conduct.

The requested listing and the related interpreted deck of cards are being forwarded under separate cover for the purposes stated. The listing is based on our banking structure records as of December 31, 1958; an explanation of the bank structure codes used is enclosed.

The data you requested, except pertaining to branches, are shown in the listing. Branch data are contained in the deck of cards but we have discontinued using these codes since the time consumed in maintaining them was not justified by the use made of this information.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

Enclosure.

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

Item No. 23
9/29/59



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 29, 1959.

Mr. J. A. Erickson, President,
Federal Reserve Bank of Boston,
Boston 6, Massachusetts.

Dear Mr. Erickson:

After a review of Representative Patman's press statement of June 22, 1959, concerning expenditures of the Federal Reserve Banks and of comments received from the various Reserve Banks in this connection, the Board believes that it would be desirable to have additional information with regard to the following matters:

Receipt of gifts
Purchase and sale of securities

On page 2 of his statement Mr. Patman remarked: "There is no indication of the policies of the Board and the Federal Reserve banks with respect to receiving gifts from bankers. I feel very strongly that the Board of Governors should take immediate steps to eliminate any taint of influence by either the giving or the receiving of gifts at the Federal Reserve banks."

On page 9 of his statement Mr. Patman referred to the purchase of securities by a Reserve Bank for a member of its staff.

In connection with these matters the Board would appreciate receiving from your Bank (1) a statement indicating the policy and practice with respect to the receipt of gifts by Reserve Bank officers and employees, and the nature of the circumstances of any gifts that are received; and (2) a statement of such policy as the Bank may have with respect to the use of Reserve Bank facilities for the purchase and sale of securities for its officers or employees.

Very truly yours,

Merritt Sherman,
Secretary.

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

Item No. 24
9/29/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 29, 1959.



Mr. Hugh Leach, President,
Federal Reserve Bank of Richmond,
Richmond 13, Virginia.

Dear Mr. Leach:

After a review of Representative Patman's press statement of June 22, 1959, concerning expenditures of the Federal Reserve Banks and of comments received from the various Reserve Banks in this connection, the Board believes that it would be desirable to have additional information with regard to the following matters:

Receipt of gifts
Purchase and sale of securities

On page 2 of his statement Mr. Patman remarked: "There is no indication of the policies of the Board and the Federal Reserve banks with respect to receiving gifts from bankers. I feel very strongly that the Board of Governors should take immediate steps to eliminate any taint of influence by either the giving or the receiving of gifts at the Federal Reserve banks."

On page 9 of his statement Mr. Patman referred to the purchase of securities by a Reserve Bank for a member of its staff.

In connection with these matters the Board would appreciate receiving from your Bank (1) a statement indicating the policy and practice with respect to the receipt of gifts by Reserve Bank officers and employees, and the nature of the circumstances of any gifts that are received; and (2) a statement of such policy as the Bank may have with respect to the use of Reserve Bank facilities for the purchase and sale of securities for its officers or employees.

Parking lot

On page 8 Mr. Patman commented: "In one instance the bank has leased bank space to a gasoline station operator for one dollar

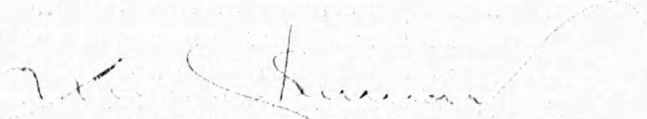
Mr. Hugh Leach

for each half year for consideration of employees' parking at a return of \$4 a month."

Your statement of July 6, 1959 mentioned that the comments submitted with your letter of March 14, 1958 were still applicable in this regard. It is noted, however, that the information you have submitted in this connection is directed more toward the reason for acquiring the property than toward the basis for the present arrangement. Accordingly, the Board would like to have an additional statement with regard to the factors that were taken into account when the present arrangement was decided upon.

It is suggested that the additional information might include comments on such matters as (a) alternative possibilities and the reasons for discarding them, (b) whether bids were obtained from other parking lot operators, (c) the income the Bank might have received if the lot had been offered for rent without restriction, and (d) the reasons for not making this lot available for employee parking without an attendant. It would also be helpful to have an estimate of the net annual income gained from the lot by the present operator, and the number of bank employees who are currently paying \$4 a month to use the lot.

Very truly yours,



Merritt Sherman,
Secretary.

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

Item No. 25
9/29/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 29, 1959.



Mr. Carl E. Allen, President,
Federal Reserve Bank of Chicago,
Chicago 90, Illinois.

Dear Mr. Allen:

After a review of Representative Patman's press statement of June 22, 1959, concerning expenditures of the Federal Reserve Banks and of comments received from the various Reserve Banks in this connection, the Board believes that it would be desirable to have additional information with regard to the following matters:

Receipt of gifts
Purchase and sale of securities

On page 2 of his statement Mr. Patman remarked: "There is no indication of the policies of the Board and the Federal Reserve banks with respect to receiving gifts from bankers. I feel very strongly that the Board of Governors should take immediate steps to eliminate any taint of influence by either the giving or the receiving of gifts at the Federal Reserve banks."

On page 9 of his statement Mr. Patman referred to the purchase of securities by a Reserve Bank for a member of its staff.

In connection with these matters the Board would appreciate receiving from your Bank (1) a statement indicating the policy and practice with respect to the receipt of gifts by Reserve Bank officers and employees, and the nature of the circumstances of any gifts that are received; and (2) a statement of such policy as the Bank may have with respect to the use of Reserve Bank facilities for the purchase and sale of securities for its officers or employees.

Petty cash fund

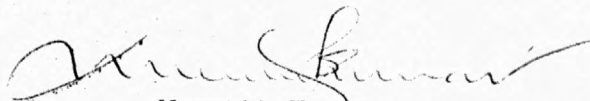
On page 21 Mr. Patman listed "petty cash funds" of \$10,000 at Chicago.

Mr. Carl E. Allen

-2-

The Board believes that it might be helpful to have from your Bank a brief statement indicating the amount, nature, and purpose of your petty cash funds, and the controls exercised over them.

Very truly yours,



Merritt Sherman
Secretary.

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

Item No. 26
9/29/59



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 29, 1959.

Mr. Delos C. Johns, President,
Federal Reserve Bank of St. Louis,
St. Louis 66, Missouri.

Dear Mr. Johns:

After a review of Representative Patman's press statement of June 22, 1959, concerning expenditures of the Federal Reserve Banks and of comments received from the various Reserve Banks in this connection, the Board believes that it would be desirable to have additional information with regard to the following matters:

Receipt of gifts
Purchase and sale of securities

On page 2 of his statement Mr. Patman remarked: "There is no indication of the policies of the Board and the Federal Reserve banks with respect to receiving gifts from bankers. I feel very strongly that the Board of Governors should take immediate steps to eliminate any taint of influence by either the giving or the receiving of gifts at the Federal Reserve banks."

On page 9 of his statement Mr. Patman referred to the purchase of securities by a Reserve Bank for a member of its staff.

In connection with these matters the Board would appreciate receiving from your Bank (1) a statement indicating the policy and practice with respect to the receipt of gifts by Reserve Bank officers and employees, and the nature of the circumstances of any gifts that are received; and (2) a statement of such policy as the Bank may have with respect to the use of Reserve Bank facilities for the purchase and sale of securities for its officers or employees.

Parking accommodations for employees

On page 8 Mr. Patman referred to the arrangement for parking employees' cars in the garage owned by the Federal Reserve Bank of St. Louis.

Mr. Delos C. Johns

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It is noted that (1) in the comment on this matter submitted with your letter of March 15, 1958, reference was made to the understanding that the garage would house the Bank's own vehicles and provide parking space for messengers and visitors "with limited parking space available to the employees" of the Bank; and (2) the 1955 examination report of the Federal Reserve Bank of St. Louis states that the garage is "used primarily as a parking area for employees' cars," and that a nominal parking fee is charged for this accommodation.

In the light of the foregoing comments, the Board believes it would be desirable to have from your Bank a statement setting forth the extent to which the garage is used to provide parking facilities for employees, and the charges made for this arrangement.

Very truly yours,



Merritt Sherman,
Secretary.

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

Item No. 27
9/29/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 29, 1959.



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

Dear Mr. Deming:

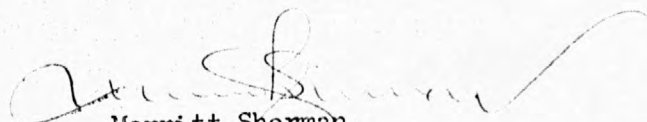
After a review of Representative Patman's press statement of June 22, 1959, concerning expenditures of the Federal Reserve Banks and of comments received from the various Reserve Banks in this connection, the Board believes that it would be desirable to have additional information with regard to the following matter:

Receipt of gifts

On page 2 of his statement Mr. Patman remarked: "There is no indication of the policies of the Board and the Federal Reserve banks with respect to receiving gifts from bankers. I feel very strongly that the Board of Governors should take immediate steps to eliminate any taint of influence by either the giving or the receiving of gifts at the Federal Reserve banks."

In this connection the Board would appreciate receiving from your Bank a statement indicating the policy and practice with respect to the receipt of gifts by Reserve Bank officers and employees, and the nature of the circumstances of any gifts that may have been received.

Very truly yours,


Merritt Sherman,
Secretary.

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

Item No. 28
9/29/59



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 29, 1959.

Mr. H. G. Leedy, President,
Federal Reserve Bank of Kansas City,
Kansas City 6, Missouri.

Dear Mr. Leedy:

After a review of Representative Patman's press statement of June 22, 1959, concerning expenditures of the Federal Reserve Banks and of comments received from the various Reserve Banks in this connection, the Board believes that it would be desirable to have additional information with regard to the following matters:

Receipt of gifts
Purchase and sale of securities

On page 2 of his statement Mr. Patman remarked: "There is no indication of the policies of the Board and the Federal Reserve banks with respect to receiving gifts from bankers. I feel very strongly that the Board of Governors should take immediate steps to eliminate any taint of influence by either the giving or the receiving of gifts at the Federal Reserve banks."

On page 9 of his statement Mr. Patman referred to the purchase of securities by a Reserve Bank for a member of its staff.

In connection with these matters the Board would appreciate receiving from your Bank (1) a statement indicating the policy and practice with respect to the receipt of gifts by Reserve Bank officers and employees, and the nature of the circumstances of any gifts that are received; and (2) a statement of such policy as the Bank may have with respect to the use of Reserve Bank facilities for the purchase and sale of securities for its officers or employees.

Tenant space

In support of his criticism of Federal Reserve building projects, Mr. Patman cited on page 4 of his statement the fact that

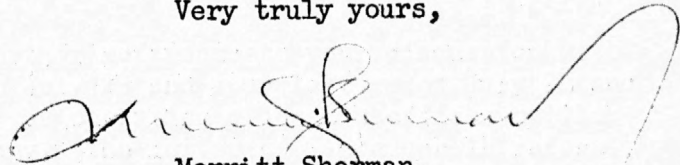
Mr. H. G. Leedy

-2-

a portion of the Kansas City building, running from the 10th through the 18th floors, is leased to outside tenants.

The Board believes that it would be helpful in this connection to have from your Bank a brief statement in support of having a Federal Reserve Bank building in which such an amount of space is devoted to tenant use, and comparing the rent charged tenants for space in your building with the charges made for comparable space in nearby buildings.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Merritt Sherman", written in dark ink. The signature is fluid and extends across the width of the page.

Merritt Sherman,
Secretary.

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

Item No. 29
9/29/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 29, 1959

Mr. Carl H. Morgenstern, President,
Old Kent Bank and Trust Company,
Grand Rapids, Michigan.

Dear Mr. Morgenstern:

This is with further reference to your discussion with the Board of Governors on July 23 and your letters of July 24 and September 14 relating to the operation of branch offices by Old Kent Bank and Trust Company. The letter of September 14 refers particularly to two former offices of Peoples National Bank (the Wealthy/Lake Drive office and the office in the City of Wyoming) and expresses the hope that the Board will "re-examine this situation, in light of present conditions".

Upon consideration, it is not clear to the Board whether your bank is requesting a re-examination of the situation as a first step to some sort of formal action by the Board. At the present time the Board does not have before it any application for Board action regarding the two branches in question, and presumably you would not wish to submit applications along these lines, in view of the pendency of litigation in which your bank takes the position that the Board of Governors has no jurisdiction over this subject matter.

It seems appropriate to mention a legal question, regarding the establishment of branches in the City of Wyoming, which apparently would be encountered in the event an application should hereafter be filed by your bank for authority to establish a branch in that community. Section 9 of the Federal Reserve Act (12 U.S.C. 321) in effect permits State member banks to establish branches only "on the same terms and conditions and subject to the same limitations and restrictions as are applicable to the establishment of branches by national banks". Section 5155(c) of the Revised Statutes (12 U.S.C. 36) authorizes the establishment of branches outside "the limits of the city, town or village" in which the bank is situated,

Mr. Carl H. Morgenstern

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"...if such establishment and operation are at the time authorized to State banks by the statute law of the State in question by language specifically granting such authority affirmatively and not merely by implication or recognition...."

The City of Wyoming is outside the limits of the City of Grand Rapids, in which your bank is situated, and it is understood that, in view of the existing banking-office situation in Wyoming, the establishment of a branch there by a State bank situated in Grand Rapids is not authorized "by the statute law [of Michigan] by language specifically granting such authority affirmatively". Consequently, it appears to be questionable whether the establishment of a branch in Wyoming by your bank would be legally permissible under section 9 of the Federal Reserve Act, even if an application were submitted to the Board of Governors with respect thereto and the Board were inclined to favor the establishment of such a branch.

The Board appreciates your desire to keep it apprised of factual developments relating to the offices involved in this difficult situation.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 30
9/29/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 29, 1959



Mr. Robert A. Bicks,
Acting Assistant Attorney General,
Antitrust Division,
Department of Justice,
Washington 25, D. C.

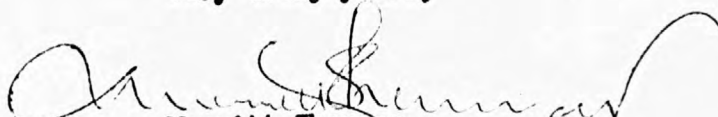
Dear Mr. Bicks:

This refers to a telephone conversation of September 28, 1959, between Mr. Daniel Ohlbaum of your staff and Mr. Thomas J. O'Connell of the Board's Legal Division wherein Mr. Ohlbaum requested an opportunity to study the application of Bank Stock Corporation of Milwaukee, filed pursuant to section 3(a) of the Bank Holding Company Act of 1956, for permission to acquire 80 per cent or more of the outstanding voting shares of Marshall and Ilsley Bank and Northern Bank, both of Milwaukee.

The Board will be glad to make this application available for study at the Board's offices to any representative of the Antitrust Division designated by you. However, as Mr. Ohlbaum was advised, this application is considered to be unpublished information of the Board as defined in the Board's Rules of Organization and, pursuant to such Rules of Organization, may be made available to agencies of the United States, among other specifically designated authorities, only under the expressed proviso that such information "shall remain the property of the Board and under no circumstances shall any person or authority to whom the information is made available, nor any officer, director, or employee thereof, disclose or otherwise make public any such information except in official publications of general statistical reports which are not in such detail as to disclose the affairs of any person."

It should be understood, therefore, that in making the application by Bank Stock Corporation available for study by a representative of the Antitrust Division, such information is furnished subject to the condition contained in the Board's Rules of Organization as set forth above.

Very truly yours,


Merritt Sherman,
Secretary.

Item No. 31
9/29/59**TELEGRAM**
LEASED WIRE SERVICEBOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON

September 29, 1959.

Bopp - Philadelphia

CONFIDENTIAL (FR)

Reurwire September 25 regarding service of O. Albert Johnson, Class A director of your Bank, as member of Banking Board of State of Pennsylvania. For reasons indicated in your wire, Board concurs in your conclusion that proposed dual service would be inconsistent with policy stated in 1915 resolution of Board and it will be appreciated if you will so advise Mr. Johnson.

(Signed) Merritt Sherman

Sherman

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

Item No. 32
9/29/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 28, 1959

Mr. W. R. Diercks, Vice President,
Federal Reserve Bank of Chicago,
Chicago 90, Illinois.

Dear Mr. Diercks:

In accordance with the request contained in your letter of September 23, 1959, the Board approves the appointment of Clifford H. Maddox, Jr. as an assistant examiner for the Federal Reserve Bank of Chicago. Please advise the date upon which the appointment is made effective.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.