

Minutes for October 15, 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>M</u>
Gov. Szymczak	x	<u>MS</u>
Gov. Mills	x	<u>[Signature]</u>
Gov. Robertson	x	<u>R</u>
Gov. Balderston		<u>CB</u>
Gov. Shepardson	x	<u>[Signature]</u>
Gov. King		<u>[Signature]</u>

Minutes of the Board of Governors of the Federal Reserve System on Thursday, October 15, 1959. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary
Mr. Hackley, General Counsel
Mr. Solomon, Director, Division of Examinations
Mr. Nelson, Assistant Director, Division of Examinations
Mr. Landry, Assistant to the Secretary
Mr. Davis, Assistant Counsel

Discount rates. The establishment without change by the Federal Reserve Bank of San Francisco on October 14, 1959, of the rates on discounts and advances in its existing schedule was approved unanimously, with the understanding that appropriate advice would be sent to that Bank.

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

	<u>Item No.</u>
Letter to Albright National Bank of Kingwood, Kingwood, West Virginia, approving its application for fiduciary powers.	1
Letter to The National Bank of Caruthersville, Caruthersville, Missouri, approving its application for fiduciary powers.	2

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	<u>Item No.</u>
Letter to Peoples Bank of Cuba, Cuba, Missouri, approving an additional investment in bank premises.	3
Letter to The Southern Missouri Trust Company, Springfield, Missouri, approving the establishment of an in-town branch at 532 East Walnut Street.	4

Draft of order relating to the request of The First Virginia Corporation, Arlington, Virginia, for determinations under section 4(c)(6) of the Bank Holding Company Act (Item No. 5). Mr. Hackley referred to the memorandum of the Legal Division dated October 13, 1959, relating to application by The First Virginia Corporation on March 25, 1959, for determinations under section 4(c)(6) of the Bank Holding Company Act that the proposed activities of First General Insurance Agency, Inc. and Mt. Vernon Insurance Agency, Inc. were of the kind that would make inapplicable the provisions of section 4(a)(2) of the Act, prohibiting the retention by a bank holding company of any voting shares of nonbanking organizations. A hearing had been duly held in the Board's offices on July 8, 1959, and on September 16, 1959, the Hearing Examiner had filed his Report and Recommended Decision wherein he recommended that the Board grant First Virginia's request. The time for filing exceptions to the Hearing Examiner's Report had expired on October 2, no exceptions having been filed thereto.

Mr. Hackley commented that this was one of those rare cases in which the Board could adopt the recommendation of the Hearing Examiner

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without rendering a further opinion. He noted that this procedure had been followed previously in section 4(c)(6) cases, unlike section 3 cases which required the issuance of a Tentative Decision under the Board's existing procedure. He went on to say that the draft order presented for the Board's consideration could be the final order if approved by the Board; and the fact that only four Board members were present at the meeting made no difference in this case.

Governor Robertson raised the question as to whether the saving clause which the Legal Division's memorandum suggested could be included in the forwarding letter to First Virginia should not be included in the order to this Corporation. He went on to say that, unless the saving clause were incorporated in the order, the Board would be exempting First Virginia from the scope of the statute without qualification; and he wondered whether inclusion of such a clause in the forwarding letter to First Virginia would be as effective as placing it in the order.

Mr. Hackley replied that there was no reason the saving clause should not be included in the order.

Following further brief discussion, it was understood that the Order would be changed to include a saving clause to the effect that the Board's approval of First Virginia's request was based solely on the facts disclosed by the record and if the facts should substantially change so as to make the reasons for the Board's concurrence no longer applicable,

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the statutory exemptions resulting from the Board's determinations would cease to obtain. Thereupon, a draft order in the form attached as Item No. 5 was approved unanimously.

Present status of pending cases. Governor Mills inquired what the present status was of the First Bank Stock, Old Kent Bank, Wachovia Bank and Trust Company, and Continental Bank cases.

Mr. Hackley replied that a hearing had been held in the First Bank Stock case and that the time for filing exceptions had been extended to November 23 at the request of the applicant, after which the Division of Examinations and the Legal Division would each prepare a statement. He added that the time for filing replies in the matter of the appeal taken by Old Kent Bank and Trust Company from the adverse decision of the District Court had been extended to late November and that the Board's Reply Brief in the United States Court of Appeals for the District of Columbia was due to be filed on or before November 14, 1959. In the case of the Wachovia Bank the time for filing replies had been extended to the first of the year. The Department of Justice felt that this was necessary considering that the case was being taken on appeal. With respect to the Continental case, Mr. Hackley indicated that the matter was in the hands of the staff and that the Legal Division had completed a detailed index to the transcript of the hearing as well as having done some work on the legal questions involved.

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Speaking for the Examinations Division, Mr. Solomon said that Mr. Strothman of the Federal Reserve Bank of Minneapolis, who had been made available pursuant to the Board's request to assist in the study of the Continental case, had been at the Board since the first of the current week. Mr. Brenton Leavitt of the Board's staff had been working full time on the case for several weeks. He noted that the factual issues were inter-related, making it impossible to segment the case for purposes of assigning the work load to different individuals.

In response to a question from Governor Mills, Mr. Hackley said that the Legal and Examinations Divisions would soon present for the Board's consideration a joint memorandum reviewing issues in the Continental case and the facts regarding adequacy of capital as well as reference to the legal question of the Board's authority so far as due process was concerned. He added that the memorandum would contain recommendations from the Legal Division about the legal questions involved and from Examinations about the adequacy of capital.

Governor Mills then asked whether Special Counsel had been barred from this phase of the case and Mr. Solomon answered in the affirmative, indicating that Messrs. Holahan, Masters, Hexter, and Chase also had been disqualified from working on the Board's consideration of the case under the provisions of the Administrative Procedure Act because they had worked on the prosecuting phases.

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He went on to say, with respect to the First Bank Stock case under section 4(c)(6) of the Bank Holding Company Act, that suit had been filed by First Bank Stock in the St. Louis Court of Appeals in mid-September appealing the Board's determination in the First Bancredit case to preserve their legal rights. However, he said, President Colman of First Bank Stock had telephoned him yesterday to inform him that First Bank Stock was attempting to divest itself of its holdings of Bancredit stock and that it had a prospective buyer. Therefore, President Colman had indicated that he would like to extend, with approval of the Department of Justice, the time permitted him for replying to the Board in this case, which at present was the latter part of October. Should he be successful in selling First Bank Stock's holdings of Bancredit stock, he would seek to dismiss the suit against the Board.

Request of Department of Justice to inspect records of Chemical Bank New York Trust Company merger on file at the Board. Governor Mills asked if the Legal Division had any further information regarding the recent request of the Department of Justice to examine records relating to the Chemical Bank New York Trust Company merger of early September 1959.

Mr. Hackley replied that to date two representatives from the Justice Department had visited the offices of the Legal Division to examine these files briefly but that no further developments had occurred in this matter.

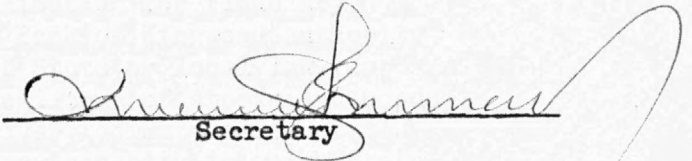
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Widening of "C" Street by the District of Columbia Highway

Department. Governor Shepardson reported that the Division of Administrative Services had received notice that within the next week or two the District Highway Department would begin a street-widening project on "C" Street through to 23rd Street which would involve the removal of the grass plots on the Board building side of "C" Street between 20th and 21st Streets and that upon inquiry he had ascertained that the Board had no legal basis for complaint concerning this project.

The meeting then adjourned.


Secretary

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

Item No. 1
10/15/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 15, 1959

Board of Directors,
Albright National Bank of Kingwood,
Kingwood, West Virginia.

Gentlemen:

The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers and grants Albright National Bank of Kingwood authority to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies, or other corporations which come into competition with national banks are permitted to act under the laws of the State of West Virginia. The exercise of such rights shall be subject to the provisions of Section 11(k) of the Federal Reserve Act and Regulation F of the Board of Governors of the Federal Reserve System.

A formal certificate indicating the fiduciary powers that your bank is now authorized to exercise will be forwarded in due course.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 2
10/15/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 15, 1959



Board of Directors,
The National Bank of Caruthersville,
Caruthersville, Missouri.

Gentlemen:

The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers and grants The National Bank of Caruthersville authority to act, when not in contravention of State or local law, as executor, administrator, and registrar of stocks and bonds. The exercise of such rights shall be subject to the provisions of Section 11(k) of the Federal Reserve Act and Regulation F of the Board of Governors of the Federal Reserve System.

A formal certificate indicating the fiduciary powers that your bank is now authorized to exercise will be forwarded in due course.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 3
10/15/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 15, 1959

Board of Directors,
Peoples Bank of Cuba,
Cuba, Missouri.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of St. Louis, the Board of Governors of the Federal Reserve System approves, under the provisions of Section 24A of the Federal Reserve Act, an additional investment in bank premises in the amount of \$17,613 by the Peoples Bank of Cuba, Cuba, Missouri.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 4
10/15/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 15, 1959

Board of Directors,
The Southern Missouri Trust Company,
Springfield, Missouri.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of St. Louis, the Board of Governors of the Federal Reserve System approves the establishment by The Southern Missouri Trust Company, Springfield, Missouri, of a branch at 532 East Walnut Street in Springfield, Missouri, provided the branch is established within twelve months from the date of this letter.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Item No. 5
10/15/59

In the Matter of the Requests of
THE FIRST VIRGINIA CORPORATION
For Determinations under Section 4(c)(6)
of the Bank Holding Company Act of 1956,
With Respect to First General Insurance
Agency, Inc. and Mt. Vernon Insurance
Agency, Inc.

DOCKET NOS.
BHC-49 and 50

ORDER

On September 16, 1959, the Hearing Examiner filed with the Board of Governors his Report and Recommended Decision in the above-entitled proceeding, recommending to the Board that it grant the requests of The First Virginia Corporation, Arlington, Virginia, for determinations that First General Insurance Agency, Inc., and Mt. Vernon Insurance Agency, Inc., and their proposed activities are of the kind described in section 4(c)(6) of the Bank Holding Company Act of 1956 (12 U.S.C. 1843) and section 5(b) of the Board's Regulation Y (12 CFR 222.5(b)), so as to make it unnecessary for the prohibitions of section 4 of the Act with respect to retention of shares in nonbanking organizations to apply in order to carry out the purposes of the Act. The time for filing with the Board exceptions and brief to the recommended decision of the Hearing Examiner expired without any exceptions or brief having been filed.

Pursuant to section 4(c)(6) of the Bank Holding Company Act and section 5(b) of the Board's Regulation Y, and on the basis of the entire record, the Board hereby adopts the findings of fact, conclusions of law, and the recommendation of the Hearing Examiner as set forth in the attached copy of his Report and Recommended Decision, and makes the following Order:

IT IS HEREBY ORDERED, for the reasons set forth in the Hearing Examiner's Report and Recommended Decision of September 16, 1959, and on the basis of the record made at the hearing in this matter, that First General Insurance Agency, Inc. and Mt. Vernon Insurance Agency, Inc. and their proposed activities are determined to be so closely related to the business of banking or of managing or controlling banks as to be a proper incident thereto and as to make it unnecessary for the prohibitions of section 4 of the Bank Holding Company Act of 1956 to apply in order to carry out the purposes of that Act, and, therefore, Applicant's requests with respect to First General Insurance Agency, Inc. and Mt. Vernon Insurance Agency, Inc. shall be, and hereby are, granted; provided that these determinations shall be subject to revocation by the Board if the facts upon which they are based should substantially change in such manner as to make the reasons for such determinations no longer applicable.

Dated at Washington, D. C., this 15th day of October, 1959.

By order of the Board of Governors.

Voting for this action: Governors Szymczak, Mills, Robertson and Shepardson.

Absent and not voting: Chairman Martin, Vice Chairman Balderston and Governor King.

(signed) Merritt Sherman

Merritt Sherman,
Secretary.

(SEAL)
FRAS...
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