

Minutes for October 28, 1959

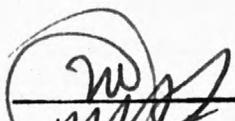
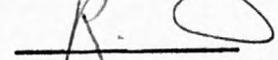
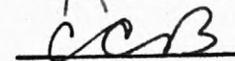
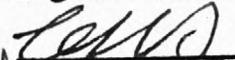
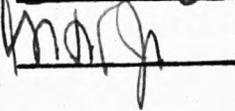
To: Members of the Board

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	
Gov. Szymczak	
Gov. Mills	
Gov. Robertson	
Gov. Balderston	
Gov. Shepardson	
Gov. King	

Minutes of the Board of Governors of the Federal Reserve System
on Wednesday, October 28, 1959. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Balderston, Vice Chairman
Mr. Mills
Mr. Shepardson
Mr. King

Mr. Sherman, Secretary
Mr. Fauver, Assistant to the Board
Mr. Young, Director, Division of Research
and Statistics
Mr. Hackley, General Counsel
Mr. Solomon, Director, Division of Examinations
Mr. Hexter, Assistant General Counsel
Mr. Nelson, Assistant Director, Division of
Examinations
Mr. Landry, Assistant to the Secretary

Discount rates. The establishment without change by the Federal Reserve Bank of Atlanta on October 26, 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 Board and copies of which are attached to these minutes under the respective item numbers indicated, were approved unanimously:

	<u>Item No.</u>
Letter to the American Commercial Bank, Charlotte, North Carolina, approving the establishment of three branches in Raleigh, North Carolina, incident to its proposed merger with the First National Bank of Raleigh.	1
Letter to The Ashville Bank, Ashville, Ohio, approving an investment in bank premises.	2

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	<u>Item No.</u>
Letter to the Federal Reserve Bank of Atlanta regarding the proposed relocation by the Progressive Bank and Trust Company, New Orleans, Louisiana, of its Lakeview-Canal Branch from 5055 Canal Street to a new site at 120 City Park Avenue.	3
Letter to The National Bank of Canton, Canton, Illinois, approving its application for fiduciary powers.	4
Telegram to the Federal Reserve Agent at Chicago authorizing the issuance of a limited voting permit to Brenton Companies, Des Moines, Iowa, covering their stock in Northwest Des Moines National Bank, Des Moines, Iowa.	5
Letter to The National Lumberman's Bank of Muskegon, Muskegon, Michigan, approving its application for fiduciary powers.	6
Letter to The Cynthiana State Bank, Cynthiana, Indiana, waiving the requirement of six months' notice of withdrawal from membership in the Federal Reserve System.	7
Prior tax certification with respect to Borgerding Investment Company, Belgrade, Minnesota.	8

Report on grants of trust powers. In connection with the approval of the letter to The National Lumberman's Bank of Muskegon, (Item No. 6), Vice Chairman Balderston commented that he presumed the Board's Annual Report would include information as to the number of requests for fiduciary powers approved by the Board during 1959, to which Mr. Solomon replied in the affirmative. Governor Shepardson stated that the Board sometime previously had requested a report on the criteria for granting trust powers, including information as to the number of such requests granted, the number not granted, and the reasons in the latter instances.

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Mr. Solomon replied that this study was in process and that he hoped the resulting report would soon be available.

Deposit insurance for First State Bank and Trust Company of Lufkin, Texas (Item No. 9). There had been circulated to the Board a draft letter to the Federal Deposit Insurance Corporation concerning the application of the First State Bank and Trust Company of Lufkin, Texas, Lufkin, Texas, for continuance of deposit insurance after withdrawal from membership in the Federal Reserve System. The letter stated that the bank had been considered to be moderately deficient in capital funds in view of the volume of assets at risk and that the Federal Reserve had suggested curtailment of cash dividends to effect correction of this deficiency.

In response to a question from Governor Shepardson as to what the Federal Deposit Insurance Corporation might do in this case as a result of the bank's failure to follow the corrective suggestion made by the Federal Reserve Bank of Dallas, Mr. Nelson replied that the Federal Deposit Insurance Corporation would probably be more insistent than the Federal Reserve. For example, it might stipulate that the bank increase its capital before permission would be granted for the continuance of deposit insurance after withdrawal from membership in the Federal Reserve System.

Vice Chairman Balderston then asked whether the corrective program that had been urged upon the bank had prompted the First State Bank and Trust Company's decision to withdraw from Federal Reserve

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membership, and Mr. Nelson replied that there was no indication that this was so.

Following reference to a number of recent withdrawals from Federal Reserve membership of banks in the States of Texas and Indiana, Governor Shepardson commented that when a bank withdrew from membership in the System on the grounds that it wished to place the reserves thus released in the form of earning assets, it would find it necessary to keep some of the funds elsewhere as a reserve or to place them on deposit with a correspondent bank. Thus, the net amount available for investment would be something less than the reserves formerly required to be kept at the Federal Reserve Bank.

Unanimous approval was then given to a letter to the Federal Deposit Insurance Corporation in the form attached hereto as Item No. 9.

Application to organize a national bank in Tulsa, Oklahoma (Item No. 10). A memorandum dated October 14, 1959, had been circulated to the Board from the Division of Examinations concurring in a recommendation of the Federal Reserve Bank of Kansas City that an application to organize a national bank at Tulsa, Oklahoma, be disapproved. A draft of letter that would so recommend to the Comptroller of the Currency accompanied the memorandum. The memorandum pointed out that, although future earnings prospects of the proposed bank were favorable, the general character of the proposed management was not entirely satisfactory and

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the convenience and needs of the community to be served were not sufficiently established at the present time.

In elaborating upon the memorandum, Mr. Nelson explained that the southeast section of Tulsa in which the proposed bank would be located was considered to be a logical spot for a new bank eventually but that there was little commercial or industrial development in the immediate area at present and the application appeared to be premature.

Governor Mills commented that, on balance, he would agree with the recommendation of the Division of Examinations. However, he thought the decision a close one since the individual proponents enjoyed good reputations and had evidenced capacity to raise and invest the necessary risk capital.

Vice Chairman Balderston also indicated that he would agree with the recommendation of the Division of Examinations, although he did so with some reluctance. He was concerned as to whether the Board was consistent in its recommendations to the Comptroller of the Currency for different parts of the country. He felt that in some districts the Reserve Bank officers sending in recommendations seemed more ready to discourage the opening of new banks than in others. He had no suggestion at this time as to how to assure consistency in the Board's recommendations to the Office of the Comptroller.

Unanimous approval was then given to a letter to the Comptroller of the Currency in the form attached as Item No. 10.

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Deposit pickups in New Jersey (Item No. 11). Mr. Hackley reported that letters dated October 14 and October 26, 1959, had been received from the Hudson County National Bank, Jersey City, New Jersey, inquiring as to whether any Federal statute or regulation would be violated in the event that bank should inaugurate a pickup service of deposits for present and prospective customers, to be made either by vehicles owned by the bank or by vehicles owned by an independent company. He indicated that there was involved possible violation of Regulation Q, Payment of Interest on Deposits, as well as of section 5155 of the Revised Statutes relating to the establishment of a branch or branches. With reference to the possible relevance of Regulation Q to this question, the principle indicated by the Board in its decision of January 1957 in the Lubbock, Texas, case was that a service rendered to a customer did not constitute a payment of interest, directly or indirectly, and it would appear that in the present case this ruling would apply. Therefore, it was not necessary to raise the question of Regulation Q in responding to Hudson County National Bank and, since any question as to the establishment of a branch of a national bank was a matter for the Comptroller of the Currency, it was planned to refer the letter to that office for reply, with advice of the referral to be sent to Hudson County National Bank. Mr. Hackley went on to say that this was brought to the Board's attention because of the position that had been taken in

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March 1953 in connection with an inquiry regarding Commercial Trust Company of New Jersey, a member State bank also located in Jersey City, that armored car pickup of deposits would be construed as operation of a branch without the approval of the Board in violation of section 9 of the Federal Reserve Act. The State banking authorities of New Jersey held a different opinion at that time, however, and it was Mr. Hackley's understanding that Commercial Trust Company was still providing deposit pickup service.

Governor Mills commented that this was a tender subject that had been up before the New Jersey State banking authorities, and he requested that the proposed letter to Hudson County National Bank be read.

Following a reading of the proposed reply, Governor Mills questioned the advisability of language which might indicate doubt on the part of the Board as to whether the pickup service would constitute a branch operation. He recalled that legislation had been introduced in New Jersey in this connection but had not been enacted. Governor Mills also commented that smaller banks in New Jersey had objected to the practice of large banks picking up deposits in areas served by smaller banks.

Mr. Solomon and Mr. Hackley observed that in the Commercial Trust case, the Board had taken a firm position that the practice of picking up deposits constituted a branch operation.

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Mr. Hexter added the comment that Hudson County National Bank, a competitor of Commercial Trust Company, no doubt anticipated a reply similar to that given Commercial Trust, and he expressed the view that, in line with Governor Mills' suggestion, it would be preferable to make no reference to the branch question in referring the letter to the Comptroller and informing the national bank of this disposition. In response to a question from Governor Shepardson as to what steps could be taken by the Board in instances of this type where the Board's views were ignored, Mr. Hexter replied that the Board could initiate a proceeding to remove the directors of the offending bank or, if it felt the circumstances warranted, take action to terminate the offending bank's membership in the System.

After further discussion, during which it was noted that in California the State authorities had been unwilling to take firm action against the practice of picking up deposits, it was unanimously agreed that the inquiry from Hudson County National Bank should be referred to the Comptroller of the Currency and the bank so advised by letter in the form attached as Item No. 11.

Mr. Young withdrew from the meeting at this point.

In connection with the foregoing discussion, Governor King stated that he recently learned of a service being offered by certain banks whereby they provided a postal box address to which remittances

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due the depositor could be sent. The bank credited the depositor's account on its books, after which it returned a check list to the depositor showing the names of those making the payments and the amounts paid by each. He wondered whether the Board had had occasion to consider this practice, which he felt was efficient.

After comments were made on several variations of the practice to which Governor King referred, Mr. Hackley said that, rightly or wrongly, this issue as far as Regulation Q was concerned had been settled in the Lubbock, Texas, ruling of the Board on January 22, 1957, in which the Board held that the rendering of such services by a bank did not constitute indirect payment of interest on a demand deposit in violation of Regulation Q.

Messrs. Hexter and Nelson then withdrew from the meeting.

Topics for Federal Advisory Council meeting (Item No. 12).

Reference was made to a draft of letter to Mr. Prochnow, Secretary of the Federal Advisory Council, suggesting topics for inclusion on the agenda for the meeting of the Council to be held on November 16, 1959, and for discussion at the joint meeting of the Council and the Board on November 17, 1959.

During discussion, several changes in wording of the letter were suggested and agreed upon. It was also agreed that the Board would not include in this letter a request for views on maximum rates of interest payable under Regulation Q, and that it would ask for the

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Council's views regarding the expansion and implications of so-called "revolving" check and charge bank credit plans.

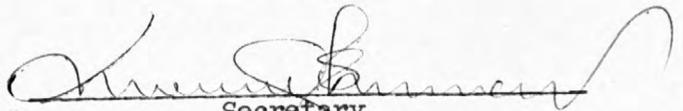
Thereupon, unanimous approval was given to a letter to Mr. Prochnow in the form of attached Item No. 12.

The meeting then adjourned.

Secretary's Notes: On October 27, 1959, Governor Shepardson approved on behalf of the Board a letter to the Executive Vice President of the National Association of Bank Auditors and Comptrollers extending an invitation to the national officers of that Association to visit the Federal Reserve Building on February 17, 1960, for a program which would include a luncheon.

Governor Shepardson today approved on behalf of the Board a letter to the Federal Reserve Bank of Richmond (attached Item No. 13) approving the designation of James R. T. Hodgson as special assistant examiner.

On the basis of information contained in a memorandum from Mr. Johnson, Director, Division of Personnel Administration, dated October 27, 1959, Governor Shepardson today approved on behalf of the Board a program of visits to commercial banks in various cities by James B. Eckert, Chief of the Banking Section, Division of Research and Statistics, as a part of the Board's training program, it being understood that the total period of time covered by these visits would be approximately eight to nine weeks.


Secretary

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

Item No. 1
10/28/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 28, 1959.



Board of Directors,
American Commercial Bank,
Charlotte, North Carolina.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Richmond and subject to the circumstances described therein, the Board of Governors of the Federal Reserve System approves the establishment of branches by American Commercial Bank at the locations listed below, following consummation of the proposed merger of your bank and First National Bank of Raleigh, Raleigh, North Carolina:

200 South Salisbury Street, Raleigh, North Carolina;
2518 Fairview Road, Raleigh, North Carolina; and
518 West South Street, Raleigh, North Carolina.

This approval is given provided:

- (a) Shares of stock acquired from dissenting shareholders are disposed of within six months from the date of acquisition, and
- (b) The branches are established within six months from the date of this letter.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

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

Item No. 2
10/28/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 28, 1959.

Board of Directors,
The Ashville Bank,
Ashville, Ohio.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Cleveland, the Board of Governors of the Federal Reserve System approves, under the provisions of Section 24A of the Federal Reserve Act, an investment in bank premises not to exceed \$124,000, by The Ashville Bank, Ashville, Ohio, for the purpose of constructing a new bank building and providing temporary quarters during the construction period. This approval is granted with the understanding that the real estate occupied as temporary quarters will be sold subsequent to completion of the new bank building and that the carrying value of bank premises will be reduced to \$110,000.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

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

Item No. 3
10/28/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 28, 1959.

Mr. J. E. Denmark, Vice President,
Federal Reserve Bank of Atlanta,
Atlanta 3, Georgia.

Dear Mr. Denmark:

Reference is made to your letter of October 15, 1959, with respect to the proposed relocation by the Progressive Bank and Trust Company, New Orleans, Louisiana, of its Lakeview-Canal Branch from 5055 Canal Street to a new site at 120 City Park Avenue. According to the information available, the proposed site is about 500 feet from the existing branch and competing banking facilities are more than one mile distant.

It would appear that the proposed change would constitute a mere relocation of an existing branch in the immediate neighborhood without affecting the nature of its business or the customers served. Under the circumstances formal approval of the Board of Governors is unnecessary.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.



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

Item No. 4
10/28/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 28, 1959.



Board of Directors,
The National Bank of Canton,
Canton, Illinois.

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 Canton 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 Illinois. 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) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

T E L E G R A M
LEASED WIRE SERVICEItem No. 5
10/28/59BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON

October 28, 1959.

PRALL - CHICAGO

KECEA

- A. Brenton Companies, Des Moines, Iowa.
- B. Northwest Des Moines National Bank, Des Moines, Iowa.
- C. None.
- D. At any time prior to April 1, 1960, at the annual meeting of such bank or any adjournment thereof, to act upon proposals (1) to increase the capital stock of such bank, and (2) to amend the articles of association of such bank to conform to articles recommended by the Comptroller of the Currency, provided that all actions taken shall be in accordance with plans satisfactory to the Comptroller of the Currency.

(Signed) Kenneth A. Kenyon

KENYON

Definition of KECEA:

The Board authorizes the issuance of a limited voting permit, under the provisions of section 5144 of the Revised Statutes of the United States, to the holding company affiliate named below after the letter "A", entitling such organization to vote the stock which it owns or controls of the bank(s) named below after the letter "B", subject to the condition(s) stated below after the letter "C". The permit authorized hereunder is limited to the period of time and the purposes stated after the letter "D". Please proceed in accordance with the instructions contained in the Board's letter of March 10, 1947, (S-964).

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

Item No. 6
10/28/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



October 28, 1959.

Board of Directors,
The National Lumberman's Bank of Muskegon,
Muskegon, Michigan.

Gentlemen:

The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers and grants The National Lumberman's Bank of Muskegon 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 Michigan. 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) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

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

Item No. 7
10/28/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 28, 1959.

Board of Directors,
The Cynthiana State Bank,
Cynthiana, Indiana.

Gentlemen:

The Federal Reserve Bank of St. Louis has forwarded to the Board of Governors your letter of October 7, 1959, and the accompanying resolution signifying your intention to withdraw from membership in the Federal Reserve System and requesting waiver of the six months' notice of such withdrawal.

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

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

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) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 8
10/28/59

C E R T I F I C A T I O N

1. The Board of Governors of the Federal Reserve System has been informed by Borgerding Investment Company, Belgrade, Minnesota, that it proposes to distribute to its shareholders 766 shares of stock of North American State Bank, Belgrade, Minnesota, and 145 shares of stock of Elrosa State Bank, Elrosa, Minnesota.

2. Pursuant to the provisions of section 1101(b) and section 1103(b) of the Internal Revenue Code of 1954, the Board of Governors of the Federal Reserve System hereby certifies that:

- (a) Borgerding Investment Company satisfies the requirements of subsection (b) of section 1103 of the Internal Revenue Code of 1954 and therefore is a "qualified bank holding corporation" as defined in that subsection.
- (b) The 766 shares of stock of North American State Bank and the 145 shares of stock of Elrosa State Bank referred to in "1" above are all or part of the property by reason of which Borgerding Investment Company controls (within the meaning of section 2(a) of the Bank Holding Company Act of 1956) said banks.
- (c) The proposed distribution of the shares of bank stock enumerated hereinabove is appropriate to effectuate the policies of the Bank Holding Company Act of 1956.

Executed in Washington, D. C., pursuant to direction of the Board of Governors of the Federal Reserve System.

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

Date: October 28, 1959.

(SEAL)

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

Item No. 9
10/28/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 28, 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 October 6, 1959, concerning the application of the First State Bank and Trust Company of Lufkin, Texas, Lufkin, Texas, for continuance of deposit insurance after withdrawal from membership in the Federal Reserve System.

The bank has been considered to be moderately deficient in capital funds in view of the volume of assets at risk, and in order to effect correction of this deficiency, curtailment of cash dividends has been suggested. No other corrective programs that the Board of Governors feels should be incorporated as conditions to the continuance of deposit insurance have been urged upon or agreed to by the bank.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

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

Item No. 10
10/28/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 28, 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 June 29, 1959, enclosing copies of an application to organize a national bank at Tulsa, Oklahoma, 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 Kansas City discloses generally favorable findings with respect to capital structure and earnings prospects of the proposed bank. However, it appears that the character of the proposed management is not entirely satisfactory and the area to be served has not developed sufficiently to warrant the organization of a bank at this time. Accordingly, the Board of Governors does not feel justified in recommending approval of the application to organize a national bank at Tulsa, Oklahoma.

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) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.



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

Item No. 11
10/28/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 28, 1959



Mr. F. C. Ferguson, President,
Hudson County National Bank,
Montgomery & Washington Streets,
Jersey City, New Jersey.

Dear Mr. Ferguson:

Your letters of October 14 and October 26, 1959, regarding the question whether a practice of picking up deposits from customers by truck or otherwise would violate any Federal statute or regulation, have been referred to the Office of the Comptroller of the Currency for reply.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 12
10/28/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 28, 1959



AIR MAIL

Mr. Herbert V. Prochnow,
Secretary,
Federal Advisory Council,
c/o The First National Bank
of Chicago,
P. O. Box A,
Chicago 90, Illinois.

Dear Mr. Prochnow:

The Board suggests the following topics for inclusion on the agenda for the meeting of the Federal Advisory Council to be held on November 16, 1959 and for discussion at the joint meeting of the Council and the Board on November 17, 1959:

1. The Board would appreciate receiving the views of the Council regarding the current business situation and the prospects for business activity during the remainder of this year and the first six months of 1960, along with reports from the individual members of the Council regarding current or prospective developments in their districts having especial significance to the total picture for the country as a whole. Comments on the impact of the strike in the steel industry, as it may have affected levels of production and trade and also as it may have a future effect on activity or psychology of the business community and the general public, will be of particular interest to the Board.
2. The Board would appreciate the Council's views on the strength of the current and prospective demand for bank loans and other credit during the remainder of this year and the first half of 1960.
3. The Board would be glad to have the views of the Council regarding appropriate credit policy between now and the next meeting of the Council.
4. The Board has been considering the desirability of amending the definition of savings deposits contained in Section 1(e) of Regulation Q, Payment of Interest on Deposits, so as to exclude deposits of public agencies even though operated for charitable or educational purposes. Consideration is also being given to whether the definition

Mr. Prochnow

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should be even further restricted so as to limit savings deposits solely to individuals, thus eliminating all corporations including the special types of nonprofit corporations and associations now permitted to have savings deposits. The Board would be interested in any views that the Council might care to express.

5. The Board would be interested in the views of the members of the Council with respect to the development and operation of "revolving" check and charge credit plans, particularly as such developments may have an impact on sound bank lending and on the exercise of monetary and credit policy.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 13
10/28/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 28, 1959.



Mr. John C. Horigan, Chief Examiner,
Federal Reserve Bank of Richmond,
Richmond 13, Virginia.

Dear Mr. Horigan:

In accordance with the request contained in your letter of October 26, 1959, the Board approves the designation of James R. T. Hodgson as a special assistant examiner for the Federal Reserve Bank of Richmond, for the purpose of participating in examinations of all banks, except The Bank of Virginia, Richmond, Virginia, and State-Planters Bank of Commerce and Trusts, Richmond, Virginia.

The authorization heretofore given your Bank to designate Mr. Hodgson as a special assistant examiner is hereby canceled.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.