

Minutes for December 23, 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

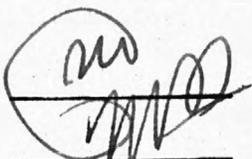
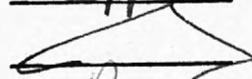
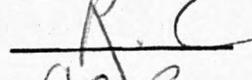
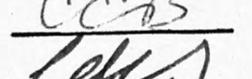
Gov. Mills

Gov. Robertson

Gov. Balderston

Gov. Shepardson

Gov. King


Minutes of the Board of Governors of the Federal Reserve System  
on Wednesday, December 23, 1959. The Board met in the Board Room at  
10:00 a.m.

PRESENT: Mr. Balderston, Vice Chairman  
Mr. Szymczak  
Mr. Mills  
Mr. Robertson  
Mr. Shepardson

Mr. Sherman, Secretary  
Miss Carmichael, Assistant Secretary  
Mr. Riefler, Assistant to the Chairman  
Mr. Hackley, General Counsel  
Mr. Farrell, Director, Division of Bank Operations  
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. Kiley, Assistant Director, Division of  
Bank Operations  
Mr. Nelson, Assistant Director, Division of  
Examinations  
Mr. Thompson, Supervisory Review Examiner,  
Division of Examinations

Discount rates. The establishment without change by the  
Federal Reserve Bank of Kansas City on December 22, 1959, of the rates  
on discounts and advances in its existing schedule was approved unani-  
mously, 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:

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	<u>Item No.</u>
Letter to the Federation Bank and Trust Company, New York City, approving the establishment of a branch at 87-24 Midland Parkway, Jamaica.	1
Letter to the American Bank and Trust Company, Suffolk, Virginia, approving the establishment of a branch at North Main and Market Streets.	2
Letter to the Comptroller of the Currency recommending unfavorably with regard to an application to organize a national bank in the Apollo Beach-Ruskin, Florida, area.	3
Letter to the Comptroller of the Currency recommending unfavorably with respect to an application to organize a national bank at Ruskin, Florida.	4
Letter to Millburn-Short Hills Bank, Millburn, New Jersey, modifying condition numbered 3 prescribed in connection with its admission to membership in the Federal Reserve System.	5
Letter to the First Granite City National Bank, Granite City, Illinois, approving its application for fiduciary powers.	6
Letter to The First National Bank of Springdale, Springdale, Arkansas, approving its application for fiduciary powers.	7
Letter to the Federal Reserve Bank of St. Louis interposing no objection to the exercise of trust powers by the Gravois Bank, Affton, Missouri, for the purpose of handling insurance business.	8
Letters to the Citizens National Bank of Chicago and National Bank of Commerce of Chicago, both of Chicago, Illinois, granting permission to maintain reduced reserves.	9, 9a
Letter to the Presidents of all Federal Reserve Banks cancelling certain outstanding letters relating to section 13b loans and requesting submission of final reports on F. R. 417 and 417a.	10

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Organization of a national bank in Sun Valley, California (Item No. 11). There had been circulated to the Board a draft of letter to the Comptroller of the Currency, prepared in the Division of Examinations, recommending disapproval of an application to organize a national bank in Sun Valley, Los Angeles County, California. This recommendation of the Division of Examinations was in line with a recommendation from the Federal Reserve Bank of San Francisco.

Governor Robertson indicated that he saw nothing in the record as submitted to warrant an adverse recommendation.

Mr. Nelson explained that the community in which the proposed bank would operate was in a rather poor area on the outskirts of Los Angeles. It seemed doubtful that a new bank could attract a satisfactory volume of business to enable it to operate profitably in that location, which was already served by two branches of large banking organizations.

Governor Mills said that he accepted the recommendation of the Division of Examinations and the Federal Reserve Bank of San Francisco predominantly on the grounds that the prospects for the community were so limited as to indicate that a disservice would be done by encouraging the organization of a new bank for the area. Governors Shepardson and Szymczak concurred in this view.

Governor Balderston said that his reaction was similar to Governor Robertson's. Unless approval were given for the establishment of banks of this type, the chance of small independent banks continuing to exist in a State like California would be slight. One of the chief

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reasons for turning down the application was the character of the community that would be served, he said, but persons familiar with the area were willing to venture their capital in a bank, and his disposition was to let them do so.

A letter to the Comptroller of the Currency (attached Item No. 11), recommending disapproval of the application, was then approved, Governors Balderston and Robertson dissenting.

Mr. Thomas, Economic Adviser to the Board, entered during the above discussion, and Messrs. Conkling and Nelson withdrew from the meeting.

Reserve Bank earnings and expenses and interest on Federal Reserve notes (Items 12, 13, and 14). There had been distributed to the Board under date of December 22, 1959, memoranda from Mr. Farrell:

- (1) Recommending that the Federal Reserve Banks be advised that the Board had noted without objection the proposed 1959 year-end entries to profit and loss accounts with the understanding that such entries would include those set forth in the Board's telegrams of December 18 and 21, 1959, concerning surplus and reserves for contingencies;
- (2) Recommending that the Board give advance authority for the sending on January 4, 1960, of telegrams to the Federal Reserve Banks specifying the interest rates on Federal Reserve notes for the year-end payment to the Treasury Department without prior Board action on that day.

It was pointed out in one of the memoranda that interest payments to the Treasury for the first eleven months of 1959 totaled \$572 million. They were calculated on the expectation that the payment for the year

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would represent 90 per cent of net earnings after dividends, and on this basis the Banks estimated that the December payment would total about \$71 million. This would have made the total for the year about \$643 million. The Board's decision on December 18 to pay all net earnings after allowances to bring surplus up to subscribed capital would add \$71 million to the interest payment, the decision to reduce surplus to the amount of subscribed capital at all Banks would increase the payment by a net of about \$92 million, and the decision to close out the reserves for contingencies other than for registered mail losses would increase the payment by another \$98 million. The total interest payment this year was expected to be \$906 million.

In commenting on the memorandum recommending that the Board give advance authority for sending telegrams to Reserve Banks specifying interest rates on Federal Reserve notes, Mr. Farrell noted that the suggested procedure would be in line with that followed in previous years.

During a discussion of the two recommendations, Governor Balderston inquired as to the date on which interest payments on Federal Reserve notes would be made to the Treasury. Mr. Farrell explained that the transactions would be as of December 31, 1959, but that actual payment would be made on January 4, the first business day in 1960. Mr. Farrell noted that the Treasury Department would not hold its books open until

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the payment had been received, although the payment would be reflected in the December 31, 1959, Federal Reserve statement.

In response to a question from Governor Shepardson, Mr. Farrell said he did not think it would be possible for the Federal Reserve Banks to have figures available in time for payment to be made before the Treasury closed its books for December 31. He also pointed out that payment to the Treasury could not be made before the Board specified the interest rates on Federal Reserve notes.

Mr. Molony, Assistant to the Board, entered during the above discussion.

Governor Mills indicated that he would approve the recommendation for advance authority for sending telegrams to the Federal Reserve Banks concerning interest rates on Federal Reserve notes and that the action of fixing such rates would be in accordance with the majority decision on December 18, 1959, regarding capital accounts of the Reserve Banks.

Governor Mills requested that the minutes reflect he had not receded from his position objecting to the policy of (1) abandoning the policy of adding to the surplus accounts of Reserve Banks on a predetermined basis that would have the approval of Congress, and (2) invading the surplus of Reserve Banks by requiring them to include as part of the interest payment to the Treasury any amount in surplus over 200 per cent of paid-in capital.

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The Board then approved telegrams to the Federal Reserve Banks advising them that the Board would have no objection to their proposed year-end entries to profit and loss accounts after making any necessary adjustments on the basis of the Board's telegrams of December 18 and 21, 1959. Copies of the telegrams are attached hereto as Items 12, 13, and 14.

The Board also approved giving advance authority for the sending on January 4, 1960, of telegrams to the Federal Reserve Banks specifying the interest rates on Federal Reserve notes for the year-end payment without prior Board action on that day.

In response to a question from Governor Balderston, Mr. Farrell indicated that data on 1959 earnings and expenses of Federal Reserve Banks probably would be released to the press on January 6, 1960, but that an advance dummy copy of the proposed press release would be prepared for Board approval, after which a copy would be sent to each Federal Reserve Bank.

A question was raised as to whether the Board action on December 18, 1959, with reference to changes in Reserve Bank capital accounts and interest payments to the Treasury Department involved a policy action or an accounting change. Governor Balderston expressed the thought that members of Congress would expect to find in the Board's Annual Report a record of this action and that it would be appropriate to have an entry regarding these decisions included in the record of policy actions.

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Removal of Federal Reserve notes from Fort Knox (Items 15 and 16). Under date of December 10, 1959, there had been circulated to the Board a memorandum from the Division of Bank Operations concerning the proposal of the Comptroller of the Currency (approved by the Board on July 31, 1959) for the removal of \$300 million of Federal Reserve notes stored in the United States Bullion Depository, Fort Knox, Kentucky. Quotations presented in the memorandum showed that the removal could be accomplished most economically by shipping the notes from Fort Knox directly to the Federal Reserve Banks of issue by registered mail; the Division of Bank Operations recommended that this procedure be followed. The memorandum pointed out that \$15 million was the maximum shipment that could be covered under the Loss Sharing Agreement of the Federal Reserve Banks, and several of the shipments would exceed that amount. Accordingly, an amendment to the Loss Sharing Agreement was proposed to cover this particular shipment.

Attached to the memorandum from the Division of Bank Operations were draft letters to (1) Mr. Johns, Chairman of the Conference of Presidents, requesting that the Reserve Banks consider an amendment to section 7 of the Loss Sharing Agreement that would apply only to the shipments under consideration and (2) to Armored Car, Inc., rejecting its proposals for transporting the Federal Reserve notes.

Governor Shepardson asked whether several shipments might be made in order to avoid the present \$15 million maximum, thereby making

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the amendment unnecessary. Mr. Farrell replied that, if this were done, the special rates furnished by the Post Office Department would not apply and the shipping cost would therefore be higher.

Unanimous approval was then given to a letter to Mr. Johns, Chairman of the Conference of Presidents, requesting that the Reserve Banks consider the proposed amendment to section 7 of the Loss Sharing Agreement. A copy of this letter is attached as Item No. 15. The Board also approved a letter, which is attached as Item No. 16, advising Armored Car, Inc. that its proposals for transporting \$300 million in Federal Reserve notes from Fort Knox were being rejected.

Messrs. Thomas, Daniels, and Kiley then withdrew from the meeting.

Application by Diversa, Inc., Dallas, Texas, for a section 301 determination (Items 17, 18, and 19). Before the meeting there had been distributed a memorandum from the Division of Examinations dated December 18, 1959, and drafts of letters to:

- (1) Bankers Life & Casualty Company, Chicago, Illinois, advising that due to actions taken (a) the Board will not rescind its 1955 section 301 determination, and (b) it is no longer a bank holding company, and it will not be necessary for it to file a registration statement, pursuant to section 5(a) of the Bank Holding Company Act of 1956.
- (2) The Murmanill Corporation, Dallas, Texas, advising (a) that the Board understands (i) that it is no longer a part of a group of corporations which controlled two banks; (ii) that it does not now own or control, directly or indirectly, or manage or control any banking institution other than Chicago City Bank & Trust Company, Chicago, Illinois ("City Bank"); and (b) on the basis of such understandings the Board will not rescind its 1958 section 301 determination.

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- (3) Diversa, Inc., Dallas, Texas, advising that a section 301 determination was being issued to that company.

Pursuant to Board action on September 14, 1959, letters were sent on September 16 to Bankers Life & Casualty Company, Chicago, Illinois, and to The Murmanill Corporation, Dallas, Texas, advising them that the Board was giving consideration to rescinding the section 301 determinations previously issued to them. Also in line with Board action on September 14, Diversa, Inc., Dallas, Texas, was advised by a letter dated September 16 that the Board was giving consideration to denying its request for a section 301 determination. The three companies were informed that before taking final action a 60-day period would be allowed in order that they might have an opportunity to submit additional information.

Mr. Solomon reported that information had been received indicating that each of the three companies had taken the steps necessary to remove their holding company status and, accordingly, they were eligible for section 301 determinations.

After a brief discussion, unanimous approval was given to letters in the form attached to these minutes as Items 17, 18, and 19, inclusive.

The meeting then adjourned.

Secretary's Notes: Governor Shepardson approved today on behalf of the Board a letter to the Federal Reserve Bank of Richmond confirming arrangements for Mr. Aubrey Heflin, Vice President and General Counsel, to assist the Board's

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Legal Division for a temporary period in a special project beginning November 1, 1959, with the understanding that the Richmond Bank would continue to pay Mr. Heflin's salary but that the Board would reimburse the Bank for travel and other official expenses incurred by him, including living accommodations in Washington, in connection with carrying out the assignment.

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

Letters to the Federal Reserve Bank of Richmond (attached Items 20 and 21) approving the appointments of Harry E. Dunn and Robert L. Miller as examiners.

Letter to the Federal Reserve Bank of Dallas (attached Item No. 22) approving the appointment of David R. Evans as examiner.

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

Salary increase

Dorothy H. Duke, Secretary, Division of Research and Statistics, from \$5,840 to \$6,330, effective January 1, 1960.

Acceptance of resignation

John E. Hogan, Legal Assistant, Legal Division, effective January 15, 1960.

Memoranda from appropriate individuals concerned recommending that merit salary increases be granted to the following employees on the Board's staff in the amounts indicated, effective January 10, 1960:

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Board Members' Offices</u>			
George L. Spencer, Jr., Secretary to Governor Szymczak		\$ 7,030	\$ 7,270

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Merit Salary Increases (continued)

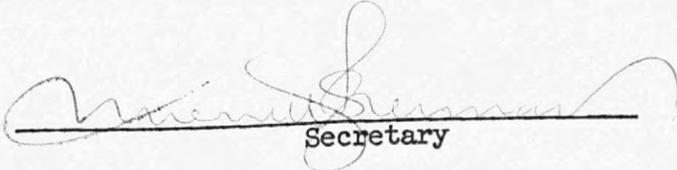
<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Office of the Secretary</u>			
Joan V. Caulfield, Senior Records Clerk		\$ 4,340	\$ 4,490
Diane Quick, Minutes Clerk		3,850	3,945
Sudelle Rice, Index & Reference Assistant		4,940	5,090
Pearl S. Thompson, Records Clerk		4,135	4,230
<u>Legal</u>			
Janet Hart, Assistant Counsel		8,330	8,570
<u>Research and Statistics</u>			
Tynan Smith, Senior Economist		13,370	13,670
Mona E. Dingle, Chief, Consumer Credit and Finances Section		13,070	13,370
Stanley J. Sigel, Chief, Flow of Funds and Savings Section		13,070	13,370
Robert Solomon, Senior Economist		13,070	13,370
Milton Moss, Economist		11,835	12,075
Maurice Schwartz, Chief Analyst, Statistical Operations Planning		11,355	11,595
Charles A. Yager, Economist		11,355	11,595
Robert M. Fisher, Economist		8,570	8,810
Helmut Wendel, Economist		8,810	9,050
Frank de Leeuw, Economist		8,330	8,570
Edward R. Fry, Economist		7,270	7,510
Caroline Burgess, Assistant Chief Librarian		7,270	7,510
Evelyn M. Hurley, Economist		7,270	7,510
Margaret V. Hastings, Research Assistant		5,130	5,280
Dorothy Bujno, Secretary		5,240	5,390
Shirley Barham, Clerk-Stenographer		4,135	4,230
Gail Roberts, Clerk-Stenographer		4,135	4,230
Ann S. Gormus, Clerk-Stenographer		3,850	3,945
Mary McKee, Clerk-Stenographer		3,850	3,945
Joan McLaughlin, Library Assistant		3,755	3,850
Joanne Jessup, Clerk-Typist		3,780	3,875
<u>International Finance</u>			
Frederick R. Dahl, Economist		8,810	9,050
John E. Reynolds, Economist		11,355	11,595
Anne T. Roberson, Secretary		4,490	4,640
Nyart S. Sharigan, Secretary		4,940	5,090

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Merit Salary Increases (continued)

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Bank Operations</u>			
John D. Smith, Technical Assistant		\$ 7,750	\$ 7,990
Seymour Golodner, Analyst		5,985	6,135
Margaret K. Ball, Supervisor, Call Report Unit		5,730	5,880
Helen M. Bennett, Secretary		4,940	5,090
Pearle E. Randour, Statistical Assistant		5,240	5,390
Judith J. McGrain, Secretary		4,040	4,190
<u>Examinations</u>			
Robert F. Achor, Review Examiner		9,050	9,290
C. Hadley Fraser, Assistant Federal Reserve Examiner		6,735	6,885
James R. Smith, Assistant Federal Reserve Examiner		4,980	5,130
Patricia D'Ambrosio, Stenographer		3,945	4,040
Daisy L. Polk, Stenographer		3,945	4,040
Susan Rowzie, Stenographer		3,945	4,040
<u>Personnel Administration</u>			
M. Callie Wickline, Nurse		5,580	5,730
<u>Administrative Services</u>			
Jeannette V. Breden, Assistant Manager, Cafeteria		4,490	4,640
Donald W. Moon, Senior Purchasing Assistant		6,285	6,435
Rita D. Brinley, Secretary		4,640	4,790
Blanche C. King, Charwoman		3,150	3,245
Garland R. Gaines, Messenger		3,150	3,245
<u>Office of the Controller</u>			
John Kakalec, Budget & Planning Assistant		8,810	9,050
Harry G. Felix, Budget & Planning Assistant		6,285	6,435
L. Waite Waller, Jr., Accounting Technician		5,985	6,135
<u>Office of Defense Planning</u>			
Gordon B. Grimwood, Economist		11,355	11,595


  
Secretary

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

Item No. 1  
12/23/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

December 23, 1959

Board of Directors,  
Federation Bank and Trust Company,  
New York, New York.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of New York, the Board of Governors of the Federal Reserve System approves the establishment of an in-town branch at 87-24 Midland Parkway, Jamaica, Borough of Queens, by Federation Bank and Trust Company, provided the branch is established within six months from the date of this letter and approval of State authorities is in effect as of the date of the establishment of the branch.

While the capital structure of the bank has failed to keep pace with the expansion of resources and liabilities, and is believed to be below the desired level, the establishment of this branch is being approved in view of the limited nature of its banking functions and the apparent convenience and needs of the area to be served. The Board wishes to emphasize the need for continued efforts to strengthen the bank's capital structure.

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  
12/23/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

December 23, 1959

Board of Directors,  
American Bank and Trust Company,  
Suffolk, Virginia.

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 American Bank and Trust Company, Suffolk, Virginia, at North Main and Market Streets in Suffolk, Virginia, provided the branch is established within one year from the date of this letter.

It is understood that on December 10, 1959, a plan was recommended to stockholders authorizing the sale of 25,000 additional shares of common capital stock at a price of \$15 per share. It is also understood that proceeds of \$375,000 from the sale of the stock are to be allocated to the capital and surplus accounts in the amounts of \$250,000 and \$125,000, respectively.

Attention is called to the fact that the proposed increase in capital stock must be paid in before the additional investment in bank premises is made, or a violation of Section 24A of the Federal Reserve Act will result unless your bank receives the advance approval of the Board of Governors.

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  
12/23/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

December 23, 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 15, 1959, enclosing copies of an application to organize a national bank in the Apollo Beach-Ruskin, Florida, area, 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 indicates that the proposed capital structure would be adequate for the volume and character of business. However, prospects for profitable operations are not entirely favorable, and arrangements for satisfactory management have not been made. Based on the information available, there does not appear to be sufficient need for the 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 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. 4  
12/23/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

December 23, 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 May 19, 1959, enclosing copies of an application to organize a national bank at Ruskin, 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 indicates that the proposed capital structure of the bank would be adequate. However, the prospects for earnings are rather poor and satisfactory arrangements for management are lacking. Based upon the information available, there does not appear to be sufficient need for the 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 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. 5  
12/23/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

December 23, 1959

Organization Committee,  
Millburn-Short Hills Bank,  
Millburn, New Jersey.

Gentlemen:

Reference is made to your request, transmitted through the Federal Reserve Bank of New York, that condition numbered 3 prescribed in the Board's letter of November 25, 1958, with respect to admission to membership of the Millburn-Short Hills Bank be modified.

The Board of Governors has modified condition numbered 3 to read as follows:

3. At the time of admission to membership, such bank shall have paid-in and unimpaired capital stock of not less than \$250,000 and other capital funds of not less than \$200,000.

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. 6  
12/23/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

December 23, 1959

Board of Directors,  
First Granite City National Bank,  
Granite City, Illinois.

Gentlemen:

The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers and grants First Granite City National Bank 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.

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

Item No. 7  
12/23/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

December 23, 1959

Board of Directors,  
The First National Bank of Springdale,  
Springdale, Arkansas.

Gentlemen:

The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers and grants The First National Bank of Springdale 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 Arkansas. 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. 8  
12/23/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD



December 23, 1959

Mr. Geo. E. Kroner, Vice President,  
Federal Reserve Bank of St. Louis,  
St. Louis 66, Missouri.

Dear Mr. Kroner:

Reference is made to your letter of December 1, 1959, transmitting the request of the Gravois Bank, Affton, Missouri, for permission to exercise limited fiduciary powers for the purpose of operating its insurance department. It is noted that authority to exercise fiduciary powers has been obtained from the Deputy Commissioner of Finance of the State of Missouri for the sole purpose of handling insurance business and that the bank has no intention of seeking or accepting any other fiduciary business. It is noted, also, that the bank's insurance business is confined to the writing of property insurance as a broker or through an agent.

From the information submitted, it appears that the proposal will not involve a broadening in the functions exercised by the bank at the time of admission to membership in the Federal Reserve System such as would tend to affect materially the standard maintained by the bank when it was admitted to membership. Therefore, permission of the Board is not required and no objection will be interposed to the Gravois Bank engaging in the insurance business as described above. Please advise the bank accordingly.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.

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

Item No. 9  
12/23/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

December 23, 1959

Mr. T. H. Golightly,  
Chairman of the Board and President,  
Citizens National Bank of Chicago,  
5200 West Chicago Avenue,  
Chicago, Illinois.

Dear Mr. Golightly:

Pursuant to your request submitted through the Federal Reserve Bank of Chicago, the Board of Governors, acting under the provisions of Section 19 of the Federal Reserve Act, grants permission to your bank to maintain the same reserves against deposits as are required to be maintained by banks located outside of central reserve and reserve cities, effective with the first semimonthly reserve computation period beginning after the date of this letter.

Your attention is called to the fact that such permission is subject to revocation by the Board of Governors of 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. 9a  
12/23/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

December 23, 1959



Mr. T. H. Colightly,  
Chairman of the Board and President,  
National Bank of Commerce of Chicago,  
4010 West Madison Street,  
Chicago, Illinois.

Dear Mr. Colightly:

Pursuant to your request submitted through the Federal Reserve Bank of Chicago, the Board of Governors, acting under the provisions of Section 19 of the Federal Reserve Act, grants permission to your bank to maintain the same reserves against deposits as are required to be maintained by banks located outside of central reserve and reserve cities, effective with the first semi-monthly reserve computation period beginning after the date of this letter.

Your attention is called to the fact that such permission is subject to revocation by the Board of Governors of 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. 10  
12/23/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

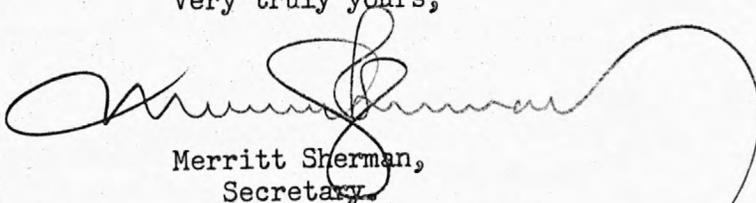
December 23, 1959.

Dear Sir:

Supplementing the Board's telegram of August 10, 1959, regarding the termination of Regulation S, this letter rescinds the Board's letter of August 15, 1956 (S-1602; F.R.L.S. #5507) regarding the submission of forms F. R. 417 and 417a and cancels F.R.L.S. items #5500 through #5557, all relating to Section 13b Industrial Loans.

In order to complete the Board's files, it is requested that Reserve Banks submit final reports on F. R. 417 and 417a as of an appropriate date which will show all industrial loans and commitments as terminated.

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. 11  
12/23/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

December 23, 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 August 25, 1959, enclosing copies of an application to organize a national bank at Sun Valley, 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 indicates that the proposed capital structure of the bank would be adequate. However, prospects for profitable earnings are not entirely satisfactory and the need for an additional commercial bank in the area has not been sufficiently established at this time. While the board of directors is composed of reputable business and professional men, only one has had previous banking experience, and a qualified chief executive officer has not been selected. 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 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.

TELEGRAM  
LEASED WIRE SERVICE

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTON

Item No. 12  
12/23/59

December 23, 1959.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS EXCEPT  
ATLANTA AND DALLAS

Board has considered and notes without objection proposed  
year-end closing entries of your Bank as shown by statement accompanying  
(a) but with understanding that such entries will be revised  
to reflect action requested in Board telegrams of December 18 and 21  
concerning surplus and reserves for contingencies other than for  
registered mail losses.

(Signed) Merritt Sherman

SHERMAN

- Boston
- New York
- Philadelphia
- Cleveland
- Richmond
- Chicago
- St. Louis
- Minneapolis
- Kansas City
- San Francisco

- (a)  
December 14 letter from Mr. Strong
- December 7 letter from Mr. Kimball
- December 3 letter from Mr. Wilgus
- December 11 letter from Mr. Clouse
- December 10 letter from Mr. Leach
- December 15 letter from Mr. Scanlon
- December 4 letter from Mr. Wotawa
- December 7 letter from Mr. Ohnstad
- December 9 letter from Mr. Boysen
- November 16 letter from Mr. Hemmings

**T E L E G R A M**  
LEASED WIRE SERVICE

Item No. 13  
12/23/59

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTON

December 23, 1959.

Bryan - Atlanta

Board has considered and notes without objection proposed year-end closing entries of your Bank as shown by statement accompanying December 11 letter from Mr. Patterson, but with understanding that such entries will be revised to reflect action requested in Board telegrams of December 18 and 21 concerning surplus and reserves for contingencies other than for registered mail losses.

It is noted that your surplus account is below subscribed capital. Necessary allowance for this purpose will be made from net earnings of your Bank before computation of payment to the Treasury of interest on Federal Reserve notes.

(Signed) Merritt Sherman

SHERMAN

**TELEGRAM**  
LEASED WIRE SERVICEBOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTONItem No. 14  
12/23/59

December 23, 1959.

Irons - Dallas

Board has considered and notes without objection proposed year-end closing entries of your Bank as shown by statement accompanying December 10 letter from Mr. Murff, but with understanding that such entries will be revised to reflect action requested in Board telegrams of December 18 and 21 concerning surplus and reserves for contingencies other than for registered mail losses.

It is noted that your surplus account is below subscribed capital. Necessary allowance for this purpose will be made from net earnings of your Bank before computation of payment to the Treasury of interest on Federal Reserve notes.

(Signed) Merritt Sherman

SHERMAN

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

Item No. 15  
12/23/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

December 23, 1959

Mr. Delos C. Johns,  
Chairman of the Conference of Presidents  
of the Federal Reserve Banks,  
c/o Federal Reserve Bank of St. Louis,  
P. O. Box 442,  
St. Louis 66, Missouri.

Dear Mr. Johns:

Several months ago, the Comptroller of the Currency recommended that the Federal Reserve notes stored in the United States Bullion Depository at Ft. Knox be removed, and the Board of Governors has interposed no objection to this recommendation.

Five of the Reserve Banks (New York, Philadelphia, Richmond, Chicago and San Francisco) have notes at the Ft. Knox Depository. It appears desirable in the interest of economy to ship the notes from the Depository at Ft. Knox direct to the Bank of issue by registered mail. Of the shipments to be made, totaling \$300 million, it is contemplated that amounts aggregating \$182,080,000 would be in excess of \$15 million (the maximum shipment of new currency by registered mail by the Treasury which may now be made under the Loss Sharing Agreement of the Federal Reserve Banks), as follows: New York, \$68,000,000; Richmond, \$25,000,000; Chicago, \$27,000,000; San Francisco, \$15,280,000; Los Angeles, \$45,320,000; Seattle, \$1,480,000.

To accomplish this end, it has been suggested that an amendment to Section 7 of the Loss Sharing Agreement be adopted which would apply only to the shipments under consideration. This would save the cost of purchasing insurance. Such an amendment might consist of the following paragraph to be added at the end of Section 7:

To: Mr. Johns

-2-

"The limitations prescribed in this section shall not apply to the shipment, during the year 1960, from the United States Bullion Depository, Fort Knox, Kentucky, to one or more Federal Reserve Bank offices, of any or all of the \$300 million in Federal Reserve notes stored in said depository on December 31, 1959."

It will be appreciated if you will take the necessary steps to have such an amendment proposed for consideration by the Federal Reserve Banks.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

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

Item No. 16  
12/23/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

December 23, 1959

Mr. Dozier Willard,  
Vice President,  
Armored Car, Inc.,  
2654 Poydras Street,  
New Orleans 19, Louisiana.

Dear Mr. Willard:

This refers to your letter of November 13, 1959, transmitting proposals and service charges for covering a movement of \$300 million in new Federal Reserve notes from the United States Bullion Depository, Fort Knox, Kentucky, to certain points.

After consideration of the various possibilities, it appears that it would be most advantageous to the Federal Reserve Banks to make the shipments by registered mail. Accordingly, the proposals of Armored Car, Inc., for transporting this currency are rejected.

The Board is appreciative of your interest and wishes to thank you for the excellent presentation of the Armored Car, Inc. proposals.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

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

Item No. 17  
12/23/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

December 23, 1959.



Bankers Life & Casualty Company,  
Chicago, Illinois.

Gentlemen:

This refers to the Board's letters of September 16, 1959, advising Bankers Life & Casualty Company of its status as a bank holding company within the purview of section 2(a)(1) of the Bank Holding Company Act of 1956 and notifying such company that the Board was considering rescinding its determination of June 29, 1955 as to the holding company affiliate status of Bankers Life & Casualty Company.

At that time, Bankers Life and Casualty Company had a direct majority interest in one bank (Citizens Bank and Trust Company, Park Ridge, Illinois) and a substantial indirect interest in another bank (Chicago City Bank and Trust Company) through control of National Drilling Company, which in turn held a substantial interest in the stock of The Murmanill Corporation. Your letter of December 9, 1959, indicates that indirect interest of Bankers Life & Casualty Company in Chicago City Bank and Trust Company has been terminated since National Drilling Company has divested itself of all shares of stock of The Murmanill Corporation. In addition, it is stated that Bankers Life & Casualty Company has divested itself of any shares of The Lakeview Trust and Savings Bank of Chicago. Accordingly, it is now understood that Bankers Life & Casualty Company does not, directly or indirectly, own or control any stock of, or manage or control, any banking institution other than Citizens Bank & Trust Company.

In view of this development, (1) the Board is of the opinion that Bankers Life & Casualty Company is no longer a bank holding company within the purview of section 2(a)(1) of the Bank Holding Company Act of 1956, and it will not be necessary to file a registration statement pursuant to section 5(a) of such Act, and (2) the Board's determination

Bankers Life & Casualty Company -2-

of June 29, 1955, as to the status of Bankers Life and Casualty Company as a holding company affiliate will not be rescinded. However, as stated in such determination, the Board reserves the right to rescind its determination and make a further determination of this matter at any time on the basis of the then existing facts.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

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

Item No. 18  
12/23/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

December 23, 1959.



The Murmanill Corporation,  
Dallas, Texas.

Gentlemen:

This refers to the Board's letter of September 16, 1959, containing advice that the Board was considering rescinding its determination of January 8, 1958, as to the holding company affiliate status of The Murmanill Corporation. At that time The Murmanill Corporation was part of a group of corporations which controlled two banks, namely, Citizens Bank and Trust Company, Park Ridge, Illinois and Chicago City Bank and Trust Company. The Board now understands that The Murmanill Corporation is no longer a part of this group and that The Murmanill Corporation does not, directly or indirectly, own or control any stock of, or manage or control, any banking institution other than Chicago City Bank and Trust Company.

In view of this development, the Board's determination of January 8, 1958, as to the status of The Murmanill Corporation as a holding company affiliate will not be rescinded. However, as stated in such determination, the Board reserves the right to rescind its determination and make a further determination of this matter at any time on the basis of the then existing facts.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

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

Item No. 19  
12/23/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

December 23, 1959



Mr. Russell Allen,  
Vice President and General Counsel,  
Diversa, Inc.,  
633 Meadows Building,  
Dallas 6, Texas.

Dear Mr. Allen:

This refers to the Board's letter of September 16, 1959, with respect to the issuance of a determination by the Board of Governors as to the holding company affiliate status of Diversa, Inc.

As stated in that letter, the Board understands that the principal activities of Diversa, Inc., involve the investment in and the management of oil and gas properties and that its holdings of bank stock are limited to investment in the stock of Chicago City Bank and Trust Company. At that time, Diversa, Inc., was part of a group of corporations which controlled another bank (Citizens Bank and Trust Company, Park Ridge, Illinois) and, therefore, the Board was considering denying the requested determination. It is now understood that Diversa, Inc., is no longer a part of this group, and that Diversa, Inc., does not, directly or indirectly, own or control any stock of, or manage or control, any banking institution other than Chicago City Bank and Trust Company.

In view of these facts the Board has determined that Diversa, Inc., is not engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies within the meaning of section 2(c) of the Banking Act of 1933, as amended; and, accordingly, Diversa, Inc., is not deemed to be a holding company affiliate except for the purposes of section 23A of the Federal Reserve Act, and does not need a voting permit from the Board of Governors in order to vote the bank stock which it owns.

Mr. Russell Allen

-2-

If, however, the facts should at any time differ from those set out above to an extent which would indicate that Diversa, Inc., might be deemed to be so engaged, this matter should again be submitted to the Board. The Board reserves the right to rescind this determination and make a further determination of this matter at any time on the basis of the then existing facts.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

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

Item No. 20  
12/23/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

December 23, 1959



Mr. John L. Nosker,  
Assistant Vice President,  
Federal Reserve Bank of Richmond,  
Richmond 13, Virginia.

Dear Mr. Nosker:

In accordance with the request contained in your letter of December 16, 1959, the Board approves the appointment of Harry E. Dunn, at present an assistant examiner, as an examiner for the Federal Reserve Bank of Richmond, effective January 1, 1960.

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. 21  
12/23/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

December 23, 1959

Mr. John L. Nosker,  
Assistant Vice President,  
Federal Reserve Bank of Richmond,  
Richmond 13, Virginia.

Dear Mr. Nosker:

In accordance with the request contained in your letter of December 16, 1959, the Board approves the appointment of Robert L. Miller, at present an assistant examiner, as an examiner for the Federal Reserve Bank of Richmond, effective January 1, 1960.

It is noted that Mr. Miller is indebted to Virginia Trust Company, Richmond, Virginia, a nonmember bank, in the amount of \$1,100. Accordingly, the Board's approval of his appointment is given with the understanding that Mr. Miller will not participate in any examination of Virginia Trust Company until his indebtedness has been liquidated.

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. 22  
12/23/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

December 23, 1959

AIR MAIL - CONFIDENTIAL (FR)

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

Dear Mr. Pondrom:

In accordance with the request contained in your letter of December 18, 1959, the Board approves the appointment of David R. Evans, at present an assistant examiner, as an examiner for the Federal Reserve Bank of Dallas, effective January 1, 1960.

It is noted that Mr. Evans is indebted to Exchange Bank & Trust Company, Dallas, Texas, a nonmember bank, in the amount of \$1,075. Accordingly, the Board's approval of the appointment is given with the understanding that Mr. Evans will not participate in any examination of Exchange Bank & Trust Company until his indebtedness to that bank has been liquidated.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.