

FR 609  
Rev. 10/59

Minutes for December 29, 1959

To: Members of the Board

From: Office of the Secretary

Attached is a copy of the minutes of the Board of Governors of the Federal Reserve System on the above date.

It is not proposed to include a statement with respect to any of the entries in this set of minutes in the record of policy actions required to be maintained pursuant to section 10 of the Federal Reserve Act.

Should you have any question with regard to the minutes, it will be appreciated if you will advise the Secretary's Office. Otherwise, please initial below. If you were present at the meeting, your initials will indicate approval of the minutes. If you were not present, your initials will indicate only that you have seen the minutes.

Chm. Martin

Gov. Szymczak

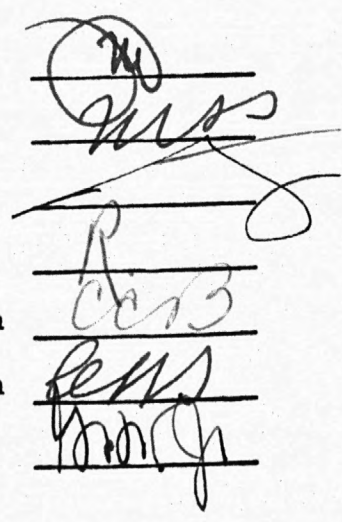
Gov. Mills

Gov. Robertson

Gov. Balderston

Gov. Shepardson

Gov. King

  
The block contains seven horizontal lines, each with handwritten initials or a signature above it. From top to bottom: 1. A circled 'M' above the line for Chm. Martin. 2. 'MS' above the line for Gov. Szymczak. 3. A large, stylized signature above the line for Gov. Mills. 4. 'R' above the line for Gov. Robertson. 5. 'C.B.' above the line for Gov. Balderston. 6. 'S.S.' above the line for Gov. Shepardson. 7. A signature above the line for Gov. King.

Minutes of the Board of Governors of the Federal Reserve System on  
Tuesday, December 29, 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  
Mr. Thomas, Economic Adviser to the Board  
Mr. Molony, Assistant to the Board  
Mr. Fauver, Assistant to the Board  
Mr. Hackley, General Counsel  
Mr. Farrell, Director, Division of Bank  
Operations  
Mr. Solomon, Director, Division of Examinations  
Mr. Bass, Assistant Controller  
Mr. Kiley, Assistant Director, Division of Bank  
Operations  
Mr. Nelson, Assistant Director, Division of  
Examinations  
Mr. Landry, Assistant to the Secretary

Discount rates. The establishment without change by the Federal Reserve Banks of Boston and Atlanta on December 28, 1959, of the rates on discounts and advances in their existing schedules was approved unanimously, with the understanding that appropriate advice would be sent to those Banks.

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

Item No.

1

Letter to the Long Island Trust Company, Garden City, New York, approving the establishment of a branch in the Village of Freeport.

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Item No.

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| Letter to Marshall and Ilsley Bank, Milwaukee, Wisconsin, approving an extension of time to establish a branch on North Market Street.   | 2 |
| Letter to the American Trust Company, San Francisco, California, approving an extension of time to establish a branch in Morgan Hill.  | 3 |
| Letter to the Lafayette Savings Bank, Lafayette, Indiana, waiving the requirement of six months' notice of withdrawal from membership in the Federal Reserve System.                         | 4 |
| Letter to the Presidents of all Federal Reserve Banks advising of the deletion from the Loose-leaf Service of a letter relating to the issuance of Federal Reserve exchange drafts.          | 5 |
| Letter to the Chairman of the Committee on Personnel of the Conference of Presidents advising of the designation of Edwin J. Johnson to serve as Associate of the Subcommittee on Personnel. | 6 |
| Memorandum dated December 28, 1959, from the Office of the Controller regarding assessment upon the Federal Reserve Banks for six months beginning January 1, 1960.                          | 7 |

Holding Company Affiliate Status of The Polmoor Corp. (Item No. 8).

There had been circulated to the members of the Board a memorandum from the Division of Examinations, dated December 18, 1959, recommending favorably on a request by The Polmoor Corporation, St. Louis, Missouri, that it be determined not to be a holding company affiliate except for the purposes of section 23A of the Federal Reserve Act. The issuance of the requested determination was deemed to fall within the policy of the Board to make favorable determinations in all "one-bank" cases,

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except those involving extraordinary circumstances. The principal asset of Polmoor consisted of 1,090-2/3 shares or 54.5 per cent of Arlington Heights National Bank, Arlington Heights, Illinois. Its only other ownership of bank stock was two shares, amounting to .33 of 1 per cent, of Pine Lawn Bank and Trust Company, Pine Lawn, Missouri. It appeared that the purchase of the shares of Arlington by Polmoor was for investment purposes and that the business of the subject Corporation was that of constructing and selling dwellings. There was no evidence of any financing of Polmoor's real estate operations by Arlington in either the financial statements of Polmoor or the examination reports of Arlington, thus indicating the existence of no circumstances of an unusual nature.

Governor Robertson referred to the decision reached by the Board on November 4, 1954, to make favorable determinations under section 301 of the Banking Act of 1935, as a normal matter in all "one-bank" cases, like the one under consideration, but with the understanding that a determination could be declined in any extraordinary case in which such action would seem necessary. He said that he would approve the Polmoor application only because this was the Board's policy in "one-bank" cases, but that he disagreed with this policy. He still believed, as he had stated at the November 1954 meeting referred to, that as a general rule the Board should decline to make favorable determinations in all "one-bank" cases unless the circumstances were clearly such as to make a favorable determination appropriate.



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Unanimous approval was then given to a letter to The Polmoor Corp., St. Louis, Missouri, determining that it is not a holding company affiliate except for the purposes of section 23A of the Federal Reserve Act and that it does not need a voting permit from the Board of Governors in order to vote the bank stock that it owns. This letter is attached as Item No. 8.

Messrs. Bass and Nelson withdrew from the meeting at this point.

Press release on 1959 income and expenses of the Federal Reserve Banks. There had been distributed under date of December 28, 1959, a draft of statement for the press relating to year-end income and expenses of the Federal Reserve Banks, with the indication that the dollar figures shown were rough estimates to be revised before release. Following a discussion, the staff was requested to prepare another draft of the statement for consideration by the Board tomorrow.

At this point all of the members of the staff except Messrs. Sherman and Fauver withdrew from the meeting.

Appointment of director. Governor Balderston reported that Chairman Perrin of the Federal Reserve Bank of Minneapolis had called him on the telephone to report that Mr. Robert S. MacFarlane was unable to accept appointment as a Class C director of the Minneapolis Bank. (Mr. John Cowles earlier had indicated that he would be unable to accept.) Governor Balderston said that Mr. Perrin now suggested the name of John M. Musser, Vice President, Weyerhaeuser Lumber Company, Minneapolis, Minnesota, as a possible appointee. After discussion, it

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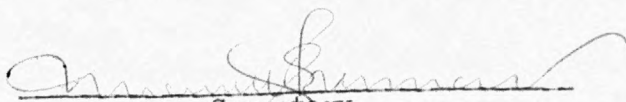
was agreed unanimously that the usual steps should be taken to ascertain whether Mr. Musser was eligible and would accept appointment as Class C director of the Federal Reserve Bank of Minneapolis if tendered and that, if he would accept, the appointment should be made.

Mr. Fauver then withdrew from the meeting.

Request from President Allen. Governor Szymczak stated that he had received a telephone call from President Allen of the Federal Reserve Bank of Chicago who expressed the view that it might be desirable for him to inform the President of the Federal Advisory Council, Mr. Homer J. Livingston, of the Board's decision to pay to the Treasury 100 per cent of Reserve Bank earnings after expenses and after payment of dividends to member banks, on the grounds that Mr. Livingston might hear of this decision otherwise through his conversations with Treasury officials. The matter was discussed, at the conclusion of which it was understood that President Allen would be informed that the Board felt it undesirable to apprise Mr. Livingston of the Board's decision prior to its public announcement.

Thereupon the meeting adjourned.

Secretary's Note: Governor Shepardson today approved on behalf of the Board the arrangement by Mr. Fauver, Assistant to the Board, for luncheon visits by bankers groups and others to the Board's offices during the period January 21 - April 5, 1960, it being noted that luncheon dates were not yet firm for two of these groups.

  
Secretary

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

Item No. 1  
12/29/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

December 29, 1959.

Board of Directors,  
Long Island Trust Company,  
Garden City, New York.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of New York, the Board of Governors approves the establishment of a branch on the north side of Atlantic Avenue, 115 feet west of the intersection of Atlantic Avenue and South Grove Street, incorporated village of Freeport, Town of Hempstead, Nassau County, New York, by Long Island Trust Company. This approval is given provided the branch is 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  
12/29/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

December 29, 1959.

Board of Directors,  
Marshall and Ilsley Bank,  
Milwaukee, Wisconsin.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Chicago, the Board of Governors of the Federal Reserve System extends until May 28, 1960, the time within which Marshall and Ilsley Bank may establish a branch on North Market Street between Mason and Wells Streets, Milwaukee, Wisconsin, under the authorization contained in the Board's letter dated July 29, 1959.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.





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

Item No. 3  
12/29/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

December 29, 1959.

Board of Directors,  
American Trust Company,  
San Francisco, California.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of San Francisco, the Board of Governors extends to September 1, 1960, the time within which American Trust Company may establish a branch in Morgan Hill, California.

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  
12/29/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

December 29, 1959.

Board of Directors,  
Lafayette Savings Bank,  
Lafayette, Indiana.

Gentlemen:

The Federal Reserve Bank of Chicago has forwarded to the Board of Governors your letter, together with the accompanying resolution dated November 9, 1959, signifying your intention to withdraw from membership in the Federal Reserve System and requesting waiver of the six months' notice of such withdrawal.

In accordance with your request, the Board of Governors waives the requirement of six months' notice of withdrawal. Upon surrender to the Federal Reserve Bank of Chicago 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 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 returned to the Federal Reserve Bank of Chicago.

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  
12/29/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

December 29, 1959.



Dear Sir:

Among the items of information reported to the Board after the meeting of the Conference of Presidents held on June 15, 1959, was a statement that the Conference had approved the elimination of Federal Reserve exchange drafts, such recommendation having been made to the Presidents' Conference by its Subcommittee on Collections in a report dated May 19, 1959.

The Board understands that since that time all Federal Reserve Banks have notified their member banks that Federal Reserve exchange drafts are no longer being issued. Accordingly, the Board's letter of January 23, 1948, S-1013, containing general instructions on this subject is obsolete and will be deleted as Item No. 4462 of the Federal Reserve Loose Leaf Service.

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. 6  
12/29/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

December 29, 1959.



Mr. Malcolm Bryan, Chairman,  
Committee on Personnel,  
Conference of Presidents,  
c/o Federal Reserve Bank of Atlanta,  
Atlanta 3, Georgia.

Dear Mr. Bryan:

Pursuant to the discussion at the joint meeting of the Board and the Presidents on December 15, 1959, the Board has designated Edwin J. Johnson, Director of the Division of Personnel Administration, to serve as Associate of the Subcommittee on Personnel of the Conference of Presidents.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

cc: Mr. Dunne



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

Item No. 7  
12/29/59

# Office Correspondence

Date December 28, 1959.

To Board of Governors

Subject: Assessment for six months

From Office of the Controller

beginning January 1, 1960.

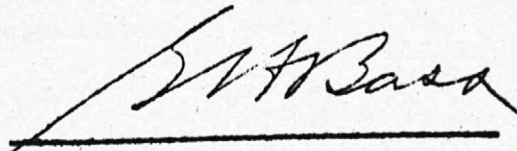
## Recommendation

It is recommended that the Board's action of December 17, approving an assessment upon the Federal Reserve Banks of two hundred thirty-two thousandths of one per cent (.00232) of the Banks' paid-in capital and surplus to cover estimated Board expenses for the first half of 1960, be amended so as to provide for an assessment rate of two hundred sixty-five thousandths of one per cent (.00265).

## Comment

The assessment of two hundred thirty-two thousandths of one per cent (.00232) which the Board approved on December 17 was based upon estimated capital and surplus of the Federal Reserve Banks of \$1,330,222,000, as of December 31, 1959.

Action taken by the Board on December 18, which reduced surplus of the Federal Reserve Banks to two-hundred per cent of paid-in capital, reduces the base upon which the assessment is computed to \$1,164,756,000. It is, therefore, necessary to increase the assessment rate to two hundred sixty-five thousandths of one per cent (.00265) in order to produce the necessary funds. The revised rate will produce a total of \$3,086,603, as compared to the \$3,086,115 which the previously approved rate would have amounted to. Approximately \$3,089,500 is needed for estimated expenses of the Board for the first six months of 1960.

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

Item No. 8  
12/29/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

December 29, 1959.



The Polmoor Corp.,  
St. Louis, Missouri.

Gentlemen:

This refers to the application of The Polmoor Corp. for a permit to vote the stock which it owns of Arlington Heights National Bank, Arlington Heights, Illinois. This application was enclosed with a letter of November 26, 1958 from Mr. J. T. Dodds to the Federal Reserve Bank of St. Louis.

The Board understands that The Polmoor Corp. was organized primarily for the purpose of dealing in real estate with broad corporate powers in that field and power to buy, sell, hold, or otherwise deal in the stock of any other corporation; that The Polmoor Corp. is presently in the business of constructing and selling dwellings and the general investment in corporate stocks; that The Polmoor Corp. owns over 50 per cent of the outstanding shares of stock of Arlington Heights National Bank and less than 1 per cent of the outstanding shares of stock of Pine Lawn Bank and Trust Company, Pine Lawn, Missouri; and that The Polmoor Corp. does not, directly or indirectly, own or control any stock of any other banking institution and does not manage or control any banking institution other than Arlington Heights National Bank.

In view of these facts, the Board has determined that The Polmoor Corp. 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 the following provisions of section 2(c) of the Banking Act of 1933:

"... Notwithstanding the foregoing, the term 'holding company affiliate' shall not include (except for the purposes of section 23A of the Federal Reserve Act, as amended) any corporation all of the stock of which is owned by the United States, or any organization which is determined by the Board

The Polmoor Corp.

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of Governors of the Federal Reserve System not to be engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies."

Accordingly, The Polmoor Corp. 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.

If, however, the facts should at any time differ from those set out above to an extent which would indicate that The Polmoor Corp. 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.