

Minutes for January 7, 1960

To: Members of the Board

From: Office of the Secretary

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

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

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

Chm. Martin	<u>(M)</u>
Gov. Szymczak	<u>MS</u>
Gov. Mills	<u>J</u>
Gov. Robertson	<u>R.</u>
Gov. Balderston	<u>CB</u>
Gov. Shepardson	<u>SS</u>
Gov. King	<u>JK</u>

Minutes of the Board of Governors of the Federal Reserve System

on Thursday, January 7, 1960. The Board met in the Board Room at 10:00 a.m.

- PRESENT: Mr. Martin, Chairman 1/
- Mr. Balderston, Vice Chairman
- Mr. Szymczak
- Mr. Mills
- Mr. Robertson
- Mr. Shepardson
- Mr. King

- Mr. Sherman, Secretary
- Mr. Young, Adviser to the Board
- Mr. Molony, Assistant to the Board
- Mr. Hackley, General Counsel
- Mr. Noyes, Director, Division of Research and Statistics
- Mr. Farrell, Director, Division of Bank Operations
- Mr. Solomon, Director, Division of Examinations
- Mr. Hexter, Assistant General Counsel
- Mr. Chase, Assistant General Counsel
- Mr. Masters, Associate Director, Division of Examinations
- Mr. Nelson, Assistant Director, Division of Examinations
- Mr. Landry, Assistant to the Secretary
- Miss Hart, Assistant Counsel
- Mr. Hooff, Assistant Counsel
- Mr. Andrew Thompson, Supervisory Review Examiner, Division of Examinations
- Mr. Orville Thompson, Economist, Division of Research and Statistics

Discount rates. The establishment without change by the Federal Reserve Bank of Kansas City on January 5, 1960, 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 or distributed to the Board. The following items, which had been circulated or distributed to the members of the Board and copies of which are attached to these minutes under the respective item numbers indicated, were approved unanimously:

1/ Entered the meeting at the point indicated in the minutes.

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Item No.

Letter to the Comptroller of the Currency recommending unfavorably with regard to an application to organize a national bank at Bloomington, Illinois. 1

Letter to Davison State Bank, Davison, Michigan, approving the establishment of a branch in Burton Township. 2

Telegram instructing Federal Reserve Agent at Chicago to issue a general voting permit to Bank Stock Corporation of Milwaukee, Milwaukee, Wisconsin, to vote the stock it owns or controls of Marshall and Ilesley Bank, and the Northern Bank, both of Milwaukee, Wisconsin. 3

Telegram instructing Federal Reserve Agent at San Francisco to issue a limited voting permit to Firstamerica Corporation, Los Angeles, California, to vote the stock it owns or controls of Southern Arizona Bank and Trust Company, Tucson, Arizona. 4

With respect to Item No. 4 relating to the issuance of a limited voting permit to Firstamerica Corporation, Los Angeles, California, to vote the stock it owns or controls of Southern Arizona Bank and Trust Company, Tucson, Arizona, Governor Balderston inquired as to the status of the Legal Division's study of banking competition in Arizona, authorized at the Board meeting of January 4, 1956, in connection with the request that had been received from Transamerica Corporation for a general voting permit to vote the stock it held in its subsidiary banks, including Southern Arizona Bank and Trust Company. Mr. Hackley replied that a Division memorandum on this question would

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be ready for Board consideration in the near future and that a limited voting permit was in order in the instant case.

Group and chain banking in Florida and Texas. In response to a comment by Chairman Martin, Mr. Solomon said that the study prepared in the Division of Examinations on Group and Chain Banking in Florida and Texas had been submitted to the Board under date of December 18, 1959, for the Board's information, pursuant to its earlier request. He noted, in answer to a question from Governor Balderston, that the results of the Florida study gave no immediate cause for concern, since it showed that there had not been during the period 1954-59 a substantial increase in either percentage of total deposits or total banking offices held by groups in the aggregate or by individual groups, except for the Sottile group. A similar conclusion could be drawn from the Texas study, he said, since it showed that during the same period group banks increased their percentage of both offices and deposits somewhat in the Dallas area and slightly increased their percentage of offices in the Fort Worth and Houston areas, but small declines in percentage of deposits occurred in both the latter areas.

Retail trade data. There had been distributed a memorandum dated December 31, 1959, from Messrs. Young and Noyes relating to proposed arrangements for transferring from the Federal Reserve to Bureau of Census collection of department store statistics. Referring to the Board meeting of October 2, 1959, at which Mr. Young and he had

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reported that the Bureau of the Budget was prepared to support an appropriation request by the Bureau of the Census to provide for basic work in the area of retail trade data and to produce economically meaningful statistics at the national level, Mr. Noyes remarked that negotiations had been continued with the Budget Bureau, the Census Bureau, the Federal Reserve Banks, and to some extent with representatives of the department store industry to implement the System's decision to withdraw as rapidly as possible from the field of department store data collection and to arrange for the collection and publication of data in this area by the Census Bureau. After noting that the Conference of Presidents had considered this question at its meeting on December 14, 1959, he went on to say that in the earlier negotiations it was understood that any local area data would have to be obtained outside the Census program and that discussions had been undertaken with the Federal Reserve Banks as to the sort of local area data program that might appropriately be supported by the Federal Reserve System. He noted further that each Reserve Bank had been invited to submit information with respect to the data it would find most useful for regional analysis, that this information had been received and considered, and that further discussions had been held with the Budget Bureau and the Census Bureau with regard to the pricing of this local area data. He indicated that Mr. Bowman of the Budget Bureau was anxious that the Board provide him with a reasonably firm indication

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of the local area data that the System would be prepared to support prior to the time hearings began on the President's Budget Message, probably some time this month, and that it appeared that the most useful regional data that could be obtained economically in terms of the Census* sampling procedures would be to take the 60 largest standard metropolitan statistical areas as a basis for a regional or local area program. He observed that in the light of the Reserve Banks* indicated interest in the data, it appeared that the best package would be a monthly sales figure for all retail stores that generally handle the same type of merchandise as department stores (referred to in the past as GAAFF sales) for each of these metropolitan areas, broken down between department stores and other competing outlets, plus a weekly department store figure for each area. He went on to say that the total package that the Budget Bureau would like to present in its discussion of the program before the Appropriations Committee was:

- (1) A national program to be covered by the appropriation to the Census Bureau of \$400,000;
- (2) regional data for 60 metropolitan areas to be supported by the Federal Reserve System at a cost of \$225,000;
- (3) city departmental data for department stores only, to be paid for by the department stores at a cost of \$100,000 if they desired such figures sufficiently to pay for them.

He added that the total package made a logical and consistent over-all program that should appeal to all persons interested in better statistics on

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consumers' final takings and should therefore receive their support in its consideration by Congress. He concluded by noting that the recommendation that was being placed before the Board was to suggest to the Reserve Bank Presidents that they undertake to support the 60-metropolitan-area program and that the funds for this program be provided by assessments against each Federal Reserve Bank in proportion to the number of metropolitan areas falling within its District.

Mr. Young suggested the desirability of arranging a special meeting with the Presidents when they are in Washington on January 12, 1960, to get their thinking on the program outlined by Mr. Noyes, if such a program was acceptable to the Board, so that Mr. Bowman could be provided with a reasonably firm indication of the System's intentions in this regard prior to hearings before the Appropriations Committee. He noted that although a long-term program was contemplated, the commitment involved would be specifically for the fiscal year 1961 and that all commitments both by the System and the Census were contingent upon the approval of the basic \$400,000 appropriation by the Congress.

Mr. Fauver entered the room at this point.

Mr. Noyes commented that the proposal was in need of leadership at this stage, particularly in view of the fact that the Reserve Bank Presidents had not made up their minds regarding the question.

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Governor Robertson said that he was willing to have the Board tell the Presidents when they were in Washington next Tuesday that the Board intended to make its decision on this question promptly but he was reluctant to have the Board in the position of forcing its will on the Presidents.

Governor Mills observed that under the department store statistics program still in effect, utilization by the Board of the Reserve Banks as a vehicle for collection of national statistics fell within the sphere of the Board's responsibility and in consequence the Board could reasonably ask the Reserve Banks to adopt whatever program seemed to be appropriate to the Board for this purpose. He then asked whether the Census Bureau or the Reserve Banks would undertake the collection of regional department store statistics under the proposed program.

Mr. Noyes replied that the intention was to have all collecting and processing of department store statistics done by the Census Bureau and the question was the extent to which relevant local or regional data should be provided as a part of the program for which the System would reimburse Census. He then observed that there had been an important new development since the memorandum under consideration had been prepared on December 31, 1959. This consisted of a proposal made yesterday over the telephone by Mr. Bowman of the Budget Bureau that the System go one step further in its part of the proposed program by providing departmental sales statistics for 15 to 25 departments for

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60 metropolitan areas that would involve an additional payment by the System to Census amounting to \$48,000. He noted that this would not be as expensive as the System's present department store sales program covering about 100 departments and that Mr. Bowman had expressed the hope that the System would be willing to undertake this additional cost, whereby it was felt that the legitimate objections of department stores to the changeover in the program would largely be met.

Chairman Martin entered the room at this point.

Governor Mills remarked that it would be desirable for the Legal Division to consider the possibility at this juncture that over the years the System may have been an innocent participant to a violation of the Anti-trust laws on the grounds that these statistics might be used for uniform pricing practices.

Mr. Noyes replied that Congress had approved the Census of Retail Trade which collects substantially the same data for retail stores as a whole at 5-year intervals and that the new program was and would continue to be purely a supplement to this basic program.

In the discussion that followed it was suggested that, although the collection of statistical information by trade associations other than price information was legal, it was still possible that cost figures could be deduced from sales figures but that it could be assumed the legal staff of the Bureau of the Census was alert to this possibility.

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Governor Balderston commented that the present retail trade statistics program which cost the System about \$500,000 a year was really not the business of the System and that the original proposal considered by the Board at its October 2, 1959, meeting had entailed a big saving for the System which now appeared to be "chiseled away" to some extent by Mr. Bowman's latest suggestion. On the other hand, he felt that there was still a substantial saving in the program as supplemented by this suggestion which would require payment by the System to Census of an additional \$48,000.

Governor Shepardson observed that it was his impression that the Reserve Bank Presidents had agreed to the first of the three items in the total package which the Bureau of the Budget would like to discuss before the Appropriations Committee and that they had also agreed with respect to Item No. 2 that if the national program was worked out the individual Reserve Banks could contract with Census for regional data. He then suggested that it might be desirable at this stage to say to the Presidents that the total package was a suitable System plan and thus wind up the matter. He felt that it was important so far as Census was concerned in its negotiations with the Budget Bureau and with Congress to be able to say that the regional figures involved in Item No. 2 of the package were of interest to the Federal Reserve Banks and the System was prepared to pay for them. As

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for Item No. 3, relating to city departmental data for department stores only, and the possible alternative that Mr. Noyes had mentioned for the first time at this meeting, it was his opinion that unless the System could justify the additional \$48,000 expenditure involved in Mr. Bowman's latest proposal, the department stores themselves should bear this cost.

Governor Robertson agreed with Governor Shepardson's views on Item No. 3 but wondered whether the System could justify the \$225,000 expenditure involved in Item No. 2 relating to regional data for 60 metropolitan areas.

Mr. Noyes replied that when the question of dropping regional statistics from the System's program was considered, all of the Reserve Banks with the possible exception of the New York Bank had said that these data should continue to be collected by the System since they were needed and that the regional information could not be extracted from the national figures with statistical accuracy. With respect to Governor Shepardson's questioning of the appropriateness of an additional \$48,000 outlay by the System as an alternative to Item No. 3, Mr. Noyes said the System did have some interest in the data involved, which would be broken down by perhaps 25 departments within the covered department stores; and on a question from Governor Robertson, he explained that the independent department stores employed a standard accounting manual which divided their operations into about 100

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departments and that only the stores using this system were now reporting departmental sales. With the proliferation of chain department stores such as Sears Roebuck, J. C. Penney, Fedway, and Montgomery Ward, the city departmental data coming to the System were less meaningful than before, but the Board's staff had devised a 25-department breakdown in lieu of the 100 department breakdown, and Mr. Bowman's proposal was to use this 25-department breakdown for both independent and chain department stores at the local level at a cost of \$48,000 to be financed by the System. He noted that this was quite different from Item No. 3 in the memorandum from Mr. Young and himself and that the Census Bureau was still prepared to undertake the more detailed departmental report covered by Item No. 3, if the stores wished to pay for it. If, however, the 25 department data were provided on a metropolitan basis by the System, it seemed likely that the department stores would accept that material as a substitute for Item 3.

In the discussion that followed, Governor Shepardson commented that if Item No. 3 in the memorandum constituted the major obstacle to a consummation of the proposal, the \$48,000 additional outlay for the System in this connection might be a reasonable price to pay for a constructive program.

Chairman Martin observed that it was important from a public relations viewpoint to settle this question and that the memorandum of

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December 31, 1959, with respect to final arrangements for retail trade data could be sent to the Reserve Bank Presidents for their comments, with the expectation that the Board could act promptly on the proposed program following receipt of the views of the Presidents.

At the Chairman's suggestion, it was agreed that the memorandum of December 31 would be revised to include the alternative proposal for a shortened departmental report at a cost of \$48,000 and other minor changes, and that it would be sent to each Reserve Bank President requesting that comments be submitted promptly regarding the desirability of adopting the proposed program. He also noted there might be an opportunity for presentation of any special views following the conclusion of the Open Market Committee meeting next Tuesday.

Messrs. Molony, Fauver, Noyes, and Orville Thompson withdrew from the meeting at this point.

Interlocking directorship of Maurice S. Brody (Item No. 5).

There had been distributed to the Board, under date of January 4, 1960, a memorandum from Miss Hart concerning the proposed service as director of a national bank in Denver, Colorado, of Mr. Maurice S. Brody, president of a corporation supplying investment counsel to mutual investment companies. By way of comment on her memorandum, Miss Hart recalled that the Board had received a letter dated December 22, 1959, from Mr. Brody's counsel, Mr. Bloomenthal, protesting against the Board's unfavorable ruling in this case on December 14, 1959, in view

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of additional circumstances brought to its attention by Vice President Clay of the Kansas City Reserve Bank. The interpretation issued by the Board in April 1958 was to the effect that, based on the facts before it, Mr. Brody's association with Maurice S. Brody Investment Research Corporation did not preclude him from acting as director of a national bank. She noted that Mr. Brody is presently engaged in soliciting proxies for himself and associates as independent candidates for directorships on the Board of the Denver U. S. National Bank and that he would probably be elected as a minority director of that bank by the exercise of cumulative voting at the forthcoming meeting to be held January 19, 1960.

Governor Robertson called attention to the reference in Mr. Bloomenthal's letter of December 22 to an alleged indirect relationship between the bank in question and an investment banking firm, "which relationship (was said to be) much more likely to influence the investment policies of the bank and the investment advice given by the bank to its customers" than was Mr. Brody's relationship to American Growth Fund, Inc., and American Growth Fund Sponsors, Inc. Upon comment that the reference was unknown, he suggested that the Division of Examinations might attempt to have this question explored at the time of the next examination report of the Denver U. S. National Bank.

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Unanimous approval was then given to a letter to Mr. Bloomenthal informing him that the Board did not believe his letter of December 22 contained any information that would lead it to change the position taken in its letter of December 14 but that section 32 would not prohibit Mr. Brody's serving as a director or officer of a member bank if he were not a director, officer, or employee of a corporation primarily engaged in the business described in section 32. This letter is attached as Item No. 5.

Mr. Chase and Miss Hart withdrew at this point.

Valley Bank and Trust Co., Des Moines, Iowa. There had been distributed to the members of the Board under date of December 24, 1959, a memorandum from Mr. Masters attaching a draft letter in reply to an informal request from Vice President Diercks of the Chicago Reserve Bank presenting an inquiry by Valley Bank and Trust Co., Des Moines, Iowa, as to whether the Board would impose any special conditions of membership on this bank in considering its application for admission into the System. This inquiry was prompted by the investment composition of a profit-sharing trust established and administered by Valley for the benefit of its employees.

Mr. Masters observed that, although the request involved an unusual approach to the Board for a commitment in advance of receiving a formal application for membership, such an advance expression of the Board's view might be desirable because of the unusual background of

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this case. He recalled that Valley had contemplated System membership in 1954 and that the Chicago Reserve Bank had been concerned at that time by the investment composition of an employee profit-sharing plan and trust, which included a substantial block of Valley stock and a much larger holding (about 40 per cent of corpus) of stock of the Highland Park State Bank, Highland Park, Iowa, an insured nonmember bank. The staff had replied, on October 12, 1954, to an inquiry of the Chicago Reserve Bank relative to the effect of such investment holdings upon admission of the bank to the System that the Board might impose a condition of membership designed to limit the investment of funds of such trust in stock of the trustee bank to 10 per cent of the trust corpus and 5 per cent of the total capitalization of the bank. He noted further, as indicated in his memorandum to files dated October 27, 1959, that Vice President Diercks of the Chicago Reserve Bank had been told, when he called to advise about Valley's renewed interest in System membership, that it was doubtful, should Valley apply for membership, that the staff would recommend the imposition of a special condition of membership designed to limit the investment in bank stock of the profit-sharing trust. This view was taken because of (1) the apparent fact that authority for investments of the trust would repose in a group of individuals rather than the bank itself as trustee and (2) the action of the Board on June 9, 1959, in rescinding a similar special condition of membership of The Michigan Bank, Detroit,

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Michigan. Rescinding of the special condition for Michigan Bank, which was done with the understanding that none of its preferred stock and not more than 10 per cent of its outstanding common stock would be acquired for the profit-sharing trust, reflected the conclusion of the Board that a serious question existed as to the enforceability of such a condition of membership.

Observing that the recommendation contained in the December 24, 1959, memorandum was appropriate, Governor Mills referred to the fact that when the Financial Institutions Act was before Congress in 1956, a suggestion was made for placing controls over the investment trusts of member banks; and he suggested that the letter to be sent to Mr. Diercks on the membership application of Valley Bank and Trust Co. might include a caveat that the problem of the investment trust activities of banks was a broad one that had been considered by bank supervisory authorities.

Governor Robertson remarked that it was possible the Board was placing itself in an untenable position by not having an understanding with Valley as to the amount of stock to be held in the trust. In the Michigan Bank case, not more than 10 per cent of the bank's outstanding common stock was held in the profit-sharing trust, whereas in the case of Valley the corresponding holding was about 17 per cent. Governor Robertson suggested that the Valley Bank might be informed that, in the Board's view, the percentage should be decreased until

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it reached the 10 per cent level, although he did not contemplate that this would be a condition of membership.

A discussion ensued regarding the enforceability of such conditions of membership. During this discussion, Mr. Hackley referred to the case of People's Bank, Lakewood Village, California, whose application for membership had been accepted conditionally by the Board in May 1942. He recalled the U. S. Supreme Court decision in this case in March 1948 in which the court, while ruling in favor of the Board in that particular instance, took the position that the Board could not impose conditions of membership unrelated to the financial condition and management of the bank. That decision could serve as a precedent for challenging the authority of the Board to impose a specific condition such as the one under discussion. Mr. Hexter added that in the Michigan Bank case there was an expressed intention to limit the holdings of its common stock in its profit-sharing trust to 10 per cent, but in the case of Valley Bank there was no such expressed intention.

After minor editorial changes were suggested, unanimous approval was given to the proposed letter to Vice President Diercks of the Chicago Reserve Bank indicating that the Board would not be inclined to impose a special condition of membership regarding this trust on Valley Bank and Trust Co., Des Moines, Iowa, if that bank applied for membership. This approval was given with the understanding that, should additional discussion among the staff indicate a further revision of this letter was desirable, it should be brought back to the Board for consideration.

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Mr. Smith, Assistant Director, Division of Examinations, entered the room at this point.

At this point all of the members of the staff excepting Messrs. Sherman, Hackley, Farrell, Solomon, Masters, and Smith withdrew from the meeting.

Report of examination of New York Bank. Mr. Smith presented a review of the report of examination of the Federal Reserve Bank of New York made as of August 21, 1959, and there followed a general discussion of matters related to the report.

Replies to Patman Statement of June 22, 1959. Chairman Martin noted that the Board's comments regarding the statements regarding Reserve Bank operations made by Representative Patman in his press release of June 22, 1959, had not yet been furnished to the Chairmen of the Banking and Currency Committees, and he suggested that such material should be gotten into shape for submission at an early date.

Mr. Farrell stated that the necessary information regarding the points mentioned by Mr. Patman had been received from the Federal Reserve Banks, that it had been assembled in a document comprising well over 100 pages, and that following staff review during the next few days, it was anticipated that the document would be submitted to the Board later this month.

1959 Interest Payment to Treasury. Governor Balderston reported that, following the Board's action on December 18, 1959, with respect to the elimination of the reserves for contingencies in the Federal Reserve

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Bank statements and related actions, he paid a visit to Representative Spence, Chairman of the House Banking and Currency Committee, and he talked by telephone with Senator Robertson, Chairman of the Senate Banking and Currency Committee, to inform them of the actions that the Board had taken and the approximate amount of the interest payment that would be made to the Treasury covering the year 1959. Subsequent to the Board's action taken at the meeting on December 18, 1959, Governor Balderston also had given similar advice to Treasury officials.

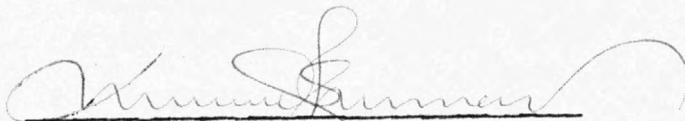
The meeting then adjourned.

Secretary's Notes: On January 6, 1960, Governor Shepardson approved on behalf of the Board the following items:

Memorandum dated December 4, 1959, recommending an increase in the basic annual salary of Sarah L. Trott, Secretary in the Division of Bank Operations, from \$5,390 to \$5,690, effective January 10, 1960.

Letters to the Federal Reserve Banks of New York and San Francisco (attached Items 6 and 7) approving the appointments of Phillip W. Cardon and William R. Chandler as assistant examiners, respectively.

Governor Shepardson approved today on behalf of the Board a letter to the Federal Reserve Bank of San Francisco (attached Item No. 8) approving the designation of 21 persons as special assistant examiners.


Secretary

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

Item No. 1
1/7/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 7, 1960

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 September 18, 1959, enclosing copies of an application to organize a national bank at Bloomington, Illinois, and requesting a recommendation as to whether or not the application should be approved.

Information contained in a report of investigation made by an examiner for the Federal Reserve Bank of Chicago indicates that the proposed capital structure of the bank would be adequate and that the proposed management would be fairly satisfactory. However, the prospects for earnings of the institution are not very favorable and it is questionable whether there will be sufficient need for the bank in the community. In this connection, it is understood that an existing bank in Bloomington will be moved into the immediate area of the site selected for the national bank. In the circumstances, the Board of Governors does not feel justified in recommending approval of the application to organize the national bank.

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. 2
1/7/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



January 7, 1960

Board of Directors,
Davison State Bank,
Davison, Michigan.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Chicago, the Board of Governors of the Federal Reserve System approves the establishment of a branch at 6007 Lapeer Road, Burton Township, Genesee County, Michigan, by Davison State Bank, provided the branch is established within six months from the date of this letter.

It is noted that a proposal to change the capital structure of the bank will be submitted to the stockholders at the annual meeting in January 1960, which will include an increase of \$100,000 through the sale of additional common stock.

Very truly yours,
(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

TELEGRAM
LEASED WIRE SERVICE

Item No. 3
1/7/60

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON

January 7, 1960

FRALL - CHICAGO

KEBJE

- A. Bank Stock Corporation of Milwaukee, Milwaukee, Wisconsin.
- B. Marshall and Ilsley Bank, Milwaukee, Wisconsin.
Northern Bank, Milwaukee, Wisconsin.
- C. Prior to the issuance of permit authorized herein, applicant shall execute and deliver to you in duplicate an agreement in form accompanying Board's letter S-964 (F.R.L.S. #7190).

(Signed) Merritt Sherman

SHERMAN

Definition of KEBJE

The Board authorizes the issuance of a general 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" at all meetings of shareholders of such bank(s), subject to the condition(s) stated below after the letter "C". The period within which a permit may be issued pursuant to this authorization is limited to thirty days from the date of this telegram unless an extension of time is granted by the Board. Please proceed in accordance with the instructions contained in the Board's letter of March 10, 1947, (S-964).

TELEGRAM
LEASED WIRE SERVICE

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 4
1/7/60

January 7, 1960

WHITMAN - SAN FRANCISCO

KECEA

- A. Firstamerica Corporation, Los Angeles, California.
- B. Southern Arizona Bank and Trust Company, Tucson, Arizona.
- C. None.
- D. At any time prior to April 1, 1960, at the annual meeting and a special meeting of shareholders of such bank, or any adjournments thereof (1) to elect directors and to act thereat upon such matters of a routine nature as are ordinarily acted upon at the annual meetings of such bank, and (2) to increase the capital stock of such bank and take all action necessary in connection therewith, provided that all actions taken with respect to the capital increase are in accordance with plans satisfactory to the Federal Reserve Bank of Dallas STOP.

Please forward copy of permit issued by your Bank to the Dallas Reserve Bank.

(Signed) Merritt Sherman

Definition of KECEA:

SHERMAN

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. 5
1/7/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 7, 1960



Mr. Harold S. Bloomenthal,
Keller, Bloomenthal and Lohf,
1411 First National Bank Building,
Denver 2, Colorado.

Dear Mr. Bloomenthal:

Receipt is acknowledged of your letter of December 22, 1959, commenting on the letter of the Board of Governors dated December 14, 1959, in which the Board expressed the opinion that section 32 of the Banking Act of 1933 would prohibit Mr. Maurice S. Brody from serving as a director of a national bank in view of his being President of Maurice S. Brody Investment Research Corporation.

As was pointed out in the Board's letter, each case of this kind must depend upon its own facts. However, this case was reviewed in the light of the previous rulings of the Board on similar matters and, as stated in the Board's letter of December 14, the additional information which was not in its possession when its letter of April 24, 1958 was written, showed a factual situation materially different from that upon which the earlier letter was based and indicated that Research, Fund and Sponsors are so related to each other and to a common enterprise that Research must be considered to be primarily engaged in activities described in section 32. The result would also be contrary to the policy underlying section 32 in that a director of a member bank would have a substantial financial interest in promoting the sale of certain shares. See Board of Governors v. Agnew et al., 329 U. S. 441. The Board does not believe that your letter contains any information which should lead it to change the position taken in its letter of December 14.

In the last paragraph of your letter you inquire whether the Board would raise any objection to Mr. Brody serving as a director of a national bank if he resigns as director, officer and employee of Research. The opinion stated in the Board's letter of December 14 was based on Mr. Brody's serving as officer and director

Mr. Harold S. Bloomenthal

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of Research. If he were not a director, officer, or employee of any corporation primarily engaged in the business described in section 32, and if he were not so engaged as an individual, section 32 would not prohibit his serving as a director or officer of a member bank.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 6
1/7/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 6, 1960

Mr. Howard D. Crosse, Vice President,
Federal Reserve Bank of New York,
New York 45, New York.

Dear Mr. Crosse:

In accordance with the request contained
in Mr. Wiltse's letter of December 24, 1959, the
Board approves the appointment of Phillip W. Cardon
as an assistant examiner for the Federal Reserve
Bank of New York. Please advise as to the date on
which the appointment is made effective.

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
1/7/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 6, 1960

Mr. Eliot J. Swan, First Vice President,
Federal Reserve Bank of San Francisco,
San Francisco 20, California.

Dear Mr. Swan:

In accordance with the request contained in your letter of December 30, 1959, the Board approves the appointment of William R. Chandler as an assistant examiner for the Federal Reserve Bank of San Francisco. Please advise as to the date on which the appointment is made effective.

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
1/7/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 7, 1960

Mr. R. H. Morrill, Vice President,
Federal Reserve Bank of San Francisco,
San Francisco 20, California.

Dear Mr. Morrill:

In accordance with the request contained in your letter of December 31, 1959, the Board approves the designation of the following individuals as special assistant examiners for the Federal Reserve Bank of San Francisco, for the purpose of participating in examinations of State member banks only:

- | | | | |
|------------------|---------------|----------------|---------------|
| D. W. Fenn | C. W. Carr | L. J. Piano | K. S. Pattee |
| R. A. Iacini | A. J. Doll | J. R. Schaefer | E. C. Watkins |
| W. J. Peden, III | B. W. Ely | G. E. Tufts | B. E. Carlsen |
| J. L. Scott | E. E. Emery | R. A. Wing | W. J. Ellis |
| D. R. Smith | G. P. McKenna | E. R. Dalke | W. B. Stewart |
| | | | A. G. Conte |

The authorization heretofore given your Bank to designate A. G. Conte as a special assistant examiner on a restricted basis is hereby canceled.

Appropriate notations have been made on our records of the names to be deleted from the list of special assistant examiners, and it has been noted that Assistant Examiner Conrad F. Kaker has disposed of his holdings of stock in General Bancshares Corporation, St. Louis, Missouri.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.