

Minutes for February 17, 1960.

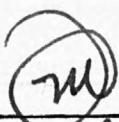
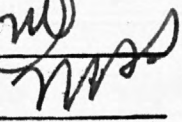
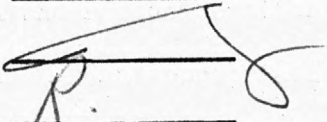
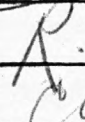
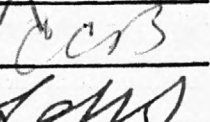
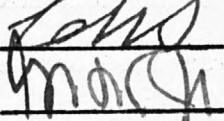
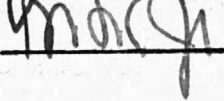
To: Members of the Board

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></u>
Gov. Szymczak	<u></u>
Gov. Mills	<u></u>
Gov. Robertson	<u></u>
Gov. Balderston	<u></u>
Gov. Shepardson	<u></u>
Gov. King	<u></u>

Minutes of the Board of Governors of the Federal Reserve System
on Wednesday, February 17, 1960. The Board met in the Board Room at
10:00 a.m.

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

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Thomas, Adviser to the Board
Mr. Fauver, Assistant to the Board
Mr. Hackley, General Counsel
Mr. Noyes, Director, Division of Research and
Statistics
Mr. Brill, Associate Adviser, Division of
Research and Statistics
Mr. Masters, Associate Director, Division of
Examinations
Mr. Farrell, Assistant Counsel
Miss Hart, Assistant Counsel
Mrs. Ulrey, Economist, Division of Research
and Statistics

Letter to Senator Holland on retail statistics (Item No. 1).

The Subcommittee on Department of Commerce and Related Agencies of the House Appropriations Committee had under consideration at this time the request of the Bureau of the Census for an appropriation of \$400,000 for fiscal 1961 to enable it to broaden its program for the collection and publication of statistical information on retail trade by taking over from the Federal Reserve System the collection of statistics on department store activity. In the course of the hearing, question had arisen with regard to the position of the Federal Reserve concerning

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this proposal, and it had been indicated by the Subcommittee staff that, in lieu of testimony by a representative of the Board, a letter to the Chairman of the Subcommittee, Senator Holland, probably would be acceptable. A draft of such a letter had been distributed to the members of the Board before this meeting.

Certain suggestions for changes in the draft letter had been submitted to Mr. Noyes, and others were made in the course of discussion at this meeting. Unanimous approval then was given to a letter to Senator Holland in the form attached as Item No. 1.

Mr. Thomas then withdrew from the meeting and Mr. Hexter, Assistant General Counsel, entered the room. Messrs. Young, Adviser to the Board, Molony, Assistant to the Board, and Solomon, Director, Division of Examinations, entered the room somewhat later.

Meeting with representatives of Morgan Guaranty Trust Company.

On February 10, 1960, the Board gave consideration to the question whether certain loans made by Morgan Guaranty Trust Company, New York City, under agreements with four members of the New York Stock Exchange for the purpose of purchasing preferred stock of Studebaker-Packard Corporation, convertible into common stock in January 1961, constituted loans for the purpose of financing bona fide arbitrage transactions under Regulation U, Loans by Banks for the Purpose of Purchasing or Carrying Registered Stocks, but a decision was deferred in order to give the member bank an opportunity to have representatives appear before the Board.

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Those representing Morgan Guaranty who met with the Board at this time were: Charles H. Willard and Leighton H. Coleman, of Counsel, and Edward K. Brass, Vice President.

A stenographic record of the discussion was made, and a transcript has been placed in the Board's files. (For this purpose a representative of Alderson Reporting Company, the Board's contract reporting firm, was present.)

The discussion concluded with a comment by Chairman Martin that the Board would give further consideration to the question of the loan transactions and that Morgan Guaranty would be advised.

Messrs. Willard, Brass, and Coleman then withdrew, as did Miss Hart, Mrs. Ulrey, and Messrs. Hexter, Brill, and Farrell.

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

	<u>Item No.</u>
Letter to Chemical Bank New York Trust Company, New York City, approving the establishment of a branch in Bayside, Borough of Queens.	2
Letter to Bankers International Financing Company, Inc., New York City, transmitting a final permit to begin business.	3
Letter to the Federal Reserve Bank of New York authorizing it to act as Fiscal Agent in respect of the proposed issue by the International Bank for Reconstruction and Development of Twenty-five Year Bonds of 1960, due February 15, 1985.	4

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	<u>Item No.</u>
Letter to Elston Bank & Trust Company, Crawfordsville, Indiana, approving the establishment of a branch in Waveland incident to its merger with The State Bank of Waveland.	5
Letter to the Farmers State Bank, Stanberry, Missouri, approving an investment in bank premises.	6
Letter to the Presidents of all Federal Reserve Banks transmitting revised portions of the Federal Reserve Loose-Leaf Service relating to the Uniform System for Rating Member Banks.	7

Letter from the California State Treasurer. In a letter to Governor Balderston dated February 11, 1960, Mr. Bert A. Betts, Treasurer of the State of California, referred to State funds held on time deposit with California banks at 3 per cent and to the possibility of obtaining a higher rate of return through investment of such funds in short-term Government securities. He inquired whether there was any evidence or thinking on the part of the Board that the maximum permissible rate of interest on time deposits might be increased, stating that the present investment policy of the State must be reconsidered if leaving the money on time deposit would work to the continuing disadvantage of the State's taxpayers.

After discussion, there was agreement that it would be in order for Governor Balderston to reply to the effect that the question of increasing the maximum permissible rate under Regulation Q continued to receive active study and consideration by the Board, that it would be inappropriate to give any intimation in advance of any prospective

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action on the interest rate ceiling, but that a decision to change the maximum rate, if made, would be announced promptly.

Loans by Morgan Guaranty Trust Company. The meeting with representatives of Morgan Guaranty Trust Company concerning the applicability of Regulation U to certain loans made by that bank under agreements with four members of the New York Stock Exchange for the purpose of purchasing Studebaker-Packard convertible preferred stock had revealed circumstances which suggested that a prompt decision by the Board would be advisable. Accordingly, further consideration was given to the matter at this time.

Mr. Hackley said he thought it only fair to point out that the legal question involved was seriously debatable. Assuming that the loans heretofore made by Morgan Guaranty to the member firms under the existing commitment were made in good faith, the provisions of Regulation U relating to errors in good faith would suggest that insofar as those loans were concerned the bank was not in violation of the Regulation. This theory would not seem to apply to future loans made under the commitment, but on the other hand a court might agree with the position of Counsel for Morgan Guaranty that the whole commitment should be considered, that the agreements were entered into in good faith, and that future loans under such a commitment therefore would not constitute violations of the Regulation. Moreover, quite apart from the good faith aspect, there was the question whether a court would conclude that there

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had been a violation of Regulation U because, whereas Regulation T contains a "reasonable time" limitation (within which a transaction must be consummated) in the exception relating to arbitrage transactions, Regulation U does not contain such language in reference to the same subject. Accordingly, a court might conclude that the Board had made a deliberate distinction. Even if the words "reasonable time" were contained in the pertinent provisions of Regulation U, a court might feel that a "reasonable time" in the case of a bona fide arbitrage transaction should be determined on the basis of testimony of people in the business, and they might support the contention that in this particular case a period as long as a year and a half was a reasonable time in the absence of a specific limitation in Regulation U. Also, there was the fact that the interpretations contained in the question and answer pamphlet issued by the Board in connection with the June 15, 1959, amendments to Regulations T and U were not published in the Federal Register. A court, being advised that the Board customarily followed the policy of publishing interpretations of general applicability with regard to its regulations in the Federal Register, might support the contention that parties subject to Regulations T and U were not bound by the information contained in the question and answer pamphlet.

Chairman Martin commented to the effect that in his opinion it would be difficult to establish that all loans under the commitment were not part of a package deal, following which Governor Mills said that from

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a banker's point of view the commitment in this case would be comparable to a loan agreement covering a term loan, where an understanding is reached that the borrower may borrow or repay at his option over the life of the agreement. Governor Mills expressed the view that in this case, as in the other he had mentioned, the past could hardly be separated from the future.

Mr. Hackley then commented on the question of reporting to the Department of Justice a possible violation of the Board's regulations that would constitute a felony. It was his view that where it was doubtful whether there had been a violation, the Board would not be subject to justifiable criticism if, in its discretion, it decided not to report the matter.

During Mr. Hackley's comments, Messrs. Thomas, Hexter, and Farrell returned to the room, and Miss Hart entered the room subsequently.

Mr. Hexter expressed agreement with the reasoning stated by Mr. Hackley on the question of reporting a possible violation. In this particular case, he felt there were sufficient elements of doubt to warrant the Board exercising discretion.

In further discussion, Governor Shepardson suggested that there was a distinction between the circumstances of this case and one involving the possibility of loans over an indefinite period of time. Here, he said, certain definite dollar and time limitations were involved because of the terms of the commitment.

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Chairman Martin agreed, and added that a special type of transaction, namely, arbitrage, was involved. He had sometimes wondered, he said, whether it was wise to permit arbitrage transactions at all. At present, however, arbitrage is an accepted feature of the market where issues such as the Studebaker-Packard stock are concerned, and that must be recognized.

Chairman Martin suggested that the broad question for the Board to have in mind, in considering the particular case before it, was the effect from the standpoint of the public interest; that is, whether real damage to the public interest was involved. He also suggested that it was important for the Board to put its Regulations T and U in such form that the problem of uncertainty in respect to arbitrage transactions would not recur. It was difficult for him to see how the Board would gain anything by getting into a squabble, even if actual litigation was not involved, which might give an impression that the Board was trying to change its regulations by interpretation.

Governor Balderston said that he thought Governor Mills had put his finger on a vital point in suggesting that the original agreement was the unit to be dealt with, rather than loans made under that agreement. In this connection, Governor Balderston noted that if a businessman makes a commitment to do certain things at a certain date and then fails to live up to the agreement, he may be faced with a suit, and properly so. Also, as brought out by Governor Shepardson, in this particular case the

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commitment was limited in time and, at least to some extent, in amount. For these reasons, Governor Balderston believed that the Board should communicate a decision to the New York Reserve Bank along lines favorable to Morgan Guaranty and request the Reserve Bank to relay that decision to the member bank.

Governor Szymczak indicated that his concern was not so much with this case, or the action taken by the Board on it, as with the broader problem of dealing equitably with a body of cases of similar nature through a general regulation. He could see the merits of the Morgan Guaranty case and how it might be regarded as different from somewhat similar cases. This particular case had come specifically to the Board's attention, but there might be others. The question was how to afford equal treatment to all parties affected by a regulation of this kind.

Governor Robertson referred to the argument that had been advanced to the effect that the Board should look to the commitment and that, if a commitment was made, it followed that loans pursuant thereto could also be made. In actuality, he said, there is a difference between a commitment and a loan. To illustrate, he presented the following hypothetical case: A commitment is made by a national bank to make loans over the ensuing five years to the X Corporation. Then, after the date of the commitment, Congress enacts legislation which says that a national bank shall not make loans in any amount to a class of corporations that includes the X Corporation. In such circumstances, it would not be legal for the

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national bank to make a loan to the X Corporation, despite the previous commitment, after the effective date of the legislation.

This would be true, Governor Robertson said, even if the commitment was limited to six months. Loans could not be made under the commitment after the law prohibiting such a loan was enacted. In the Morgan Guaranty case, it was contended that the commitment was entered into in good faith and that the loans thereunder also were made in good faith. While there is a provision in Regulation U which excuses mistakes when the element of good faith is present, that provision would not in his opinion be applicable to anything happening after the intent of the Regulation is clarified. In this case, any loan hereafter made by Morgan Guaranty under the original agreements would be granted in the face of the fact that the provisions of the Regulation had now been clarified.

Governor Robertson acknowledged that an element of doubt was involved by virtue of the fact that the definition of "reasonable time" in an arbitrage transaction was not written into Regulation U and was contained only in the interpretative pamphlet issued following adoption of the June 15, 1959, amendments, which was not published in the Federal Register. If it were not for this factor, he noted, there would be no problem before the Board. In the present circumstances, it seemed to him that it would be illegal for Morgan Guaranty to make any additional loans. As he saw it, the way to handle the matter would be to advise Morgan Guaranty that as the Board read Regulation U in the light of the

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interpretation that had been issued, certainly the reasonable time element was vital to a good-faith arbitrage transaction. In view of the existing doubts, however, the Board would not tell Morgan Guaranty that it could not make any additional loans under its commitment. Instead, it would advise the bank that the matter was being turned over to the Justice Department, with the doubts concerning it pointed out to the Department. This would let the Department know that the Board did not think that an out-and-out violation was involved, but the Department would be informed.

Mr. Hackley said he thought there would be no question but that a commitment is essentially a contract to make loans and therefore is subject to applicable laws and regulations. If in this case the loans that had been made were in violation of Regulation U, then the loans made in the future under the commitment would also violate the Regulation even though the contract was entered into in good faith. As he had indicated previously, he was concerned about putting the Board's position on the ground of carrying out a commitment entered into in good faith, rather than on the ground that, aside from the question of good faith, there was a serious question whether Regulation U had in fact been violated. It was not clear in Regulation U, he pointed out, that a 60-day limitation was applicable in the case of an arbitrage transaction. For this reason, his preference would be to take the position that there had been no willful violation of the Regulation, if in fact there was a violation at all; and in the circumstances to raise no objection to

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carrying out the original commitment. This would be preferable, he thought, to proceeding on the basis that the commitment was made in good faith and loans made pursuant to it would likewise be made in good faith, because he did not see how future loans could be said to be made in good faith.

Mr. Hackley then suggested that in the light of this case the Board might wish to issue interpretations of Regulations T and U establishing a specific time limitation applicable to arbitrage transactions, which might be 60 days or some other period. An alternative would be to adopt an appropriate amendment.

In this connection, Governor Shepardson suggested that it would be desirable for the Board to have a clear picture as to what it was seeking to accomplish in the public interest by any such interpretation or amendment.

During further discussion along these lines, Governor Szymczak noted the difficulty involved in preparing regulatory provisions that will take care of exceptional cases, and Governor Mills suggested that if such cases should arise the interested parties would be likely to bring them to the Board for consideration.

Governor King commented that he thought the matter had arisen because the area involved was a rather nebulous one and the Board had dealt with it in nebulous fashion. He did not feel that interpretations such as set forth in the question and answer pamphlet were of quite the

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same effect as regulations. While he entertained some doubt as to good faith in this case, the burden of proof in establishing otherwise would appear difficult. In the circumstances, he would be inclined to interpose no objection to what had been done or might be done under the commitment. He would favor any step the Board thought appropriate to make the Regulation clear to those subject to it. In this particular case, however, because of the fuzziness of Regulation U and the difference of language between the provisions of Regulations T and U in regard to arbitrage transactions, he had concluded that it would be hard to justify a decision to tell Morgan Guaranty not to honor its commitment. In his opinion, the consequences of directing Morgan Guaranty to do otherwise would outweigh whatever good might be accomplished.

Chairman Martin then suggested that the Board might request the Legal Division to draft a possible statement to Morgan Guaranty for the Board's consideration tomorrow, but Governor Mills suggested that the problem could perhaps be settled today if the majority of the Board was willing to give approval to Morgan Guaranty to carry out its commitment under the agreements with the four Stock Exchange firms. If that were done, he continued, the Board could ask the Legal Division to draft for the Board's consideration, as promptly as possible, amendments to Regulations T and U that would prescribe a definition of "reasonable time" consistent with ordinary market practices.

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Chairman Martin replied that he thought Governor Mills had stated the position of the majority, but that he (Chairman Martin) would not want to "give approval" to the completion by Morgan Guaranty of the loan program under its commitment.

Governor Shepardson commented that language along the lines previously mentioned by Mr. Hackley might serve to meet the Chairman's point, and Mr. Hackley then restated his suggested approach along the following lines: The Board would not say definitely to Morgan Guaranty that what the member bank was doing or had done or might do was in violation of Regulation U. However, in view of the fact that it was debatable whether any such action violated Regulation U, as now drawn, and in the light of an assumption of good faith in the matter, the Board would not interpose objection.

Governor Balderston then suggested that Mr. Hackley be requested to get in touch by telephone with Vice President Crosse of the Federal Reserve Bank of New York, advise Mr. Crosse of the Board's position along such lines, and request that Mr. Crosse advise Morgan Guaranty Trust Company accordingly.

The procedure suggested by Governor Balderston was approved, Governor Robertson dissenting for the reasons he had stated in the course of the discussion at this meeting.

Secretary's Note: Later in the day Mr. Hackley telephoned Mr. Crosse and told him that the Board's views were substantially as set forth in the following paragraph, which Mr. Hackley dictated to Mr. Crosse's secretary:

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The Board has given further consideration to the question whether certain loans made by Morgan Guaranty Trust Company under agreements with four members of the New York Stock Exchange for the purpose of purchasing convertible preferred stock of Studebaker-Packard Corporation constitute loans for the purpose of financing bona fide arbitrage transactions under Regulation U. It appears that such agreements and the loans that have heretofore been made thereunder were entered into in good faith and without intent to violate the Regulation. Apart from this consideration, the Board recognizes that the Regulation as presently drawn does not make it entirely clear whether loans made under these agreements violate the Regulation. Accordingly, the Board will interpose no objection and intends to take no adverse action with respect to loans that have been or may be made pursuant to the outstanding agreements.

Mr. Crosse indicated that he would advise Morgan Guaranty the same afternoon. Mr. Hackley also told Mr. Crosse, for his own information, that the Board had instructed the Legal Division to consider promptly amendments to Regulations T and U that would limit the arbitrage exceptions to cases in which the transaction was consummated within a specified period of time, such as 60 days. Mr. Crosse expressed the feeling that such amendments would be desirable.

The meeting then adjourned.

Secretary's Notes: Pursuant to the recommendations contained in a memorandum from Mr. Koch, Adviser, Division of Research and Statistics, Governor Shepardson approved on behalf of the Board on February 16, 1960, the temporary appointment of Kenyon E. Poole as Economist in that Division (from about June 13 to about September 2, 1960), with basic annual salary at the rate of \$13,970, effective the date he assumes his duties.

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

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

Establishment of new position

New position, with the title of General Assistant, in the Division of Administrative Services.

Salary increase with change in title

Mary E. Sanders, from \$5,880 to \$6,070 per annum, with a change in title from Secretary to General Assistant, Division of Administrative Services, effective February 21, 1960.

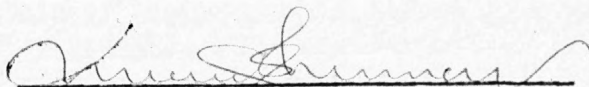
Transfer

Catherine L. Schmidt, from the position of Secretary in the Board Members' Offices to the position of Secretary in the Division of Administrative Services, effective February 21, 1960, with no change in her basic annual salary at the rate of \$6,370, but with the understanding that her annual salary will be adjusted to \$6,330, effective July 10, 1960.

Acceptance of resignation

William F. Upshaw, Legal Assistant, Legal Division, effective March 13, 1960.

Letter to the Federal Reserve Bank of Chicago (attached Item No. 8) approving the appointment of O. Jay Tomson as assistant examiner.


Secretary



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 1
2/17/60

OFFICE OF THE CHAIRMAN

February 17, 1960

The Honorable Spessard L. Holland,
Chairman, Subcommittee on Department
of Commerce and Related Agencies,
Committee on Appropriations,
United States Senate,
Washington 25, D. C.

Dear Mr. Chairman:

I am advised that your Subcommittee has expressed an interest in the views of the Federal Reserve with respect to the appropriation requested for the Bureau of the Census to improve the program for collection and publication of statistical information on retail trade.

The program, as originally proposed, envisaged, among other things, the centralization of responsibility for all data collection and processing in the field of retail trade in the Bureau of the Census, and the withdrawal of the Federal Reserve System from its present limited operation in the collection of statistics on department store activity.

The Federal Reserve System made a thorough study of its present program of department store statistics collection, processing, and publication, which led to the conclusion that much of the data we are now assembling are not as comprehensive as is desirable for economic analysis, and that certain of the components are of questionable statistical validity. In order to improve the data substantially, it would be necessary to extend considerably their present scope and add reporting stores to our sample. To proceed along these lines would be excessively costly and create direct overlapping and duplication at several points with the current program of the Bureau of the Census in the retail trade field.

After extended discussions with the Bureau of the Budget, the Bureau of the Census, and various organizations interested in the measurement of retail trade, it seemed to us that the only sensible solution to the problem was for the Federal Reserve System to discontinue completely the collection of department store data. The proposal made by the Census, in connection with its budget request for

The Honorable Spessard L. Holland -2-

1961, provides for the integration and substantial improvement of the data that would be available to the public on retail trade at the national and regional level and contemplates that the Federal Reserve System will supplement this national program by reimbursing the Census Bureau for the collection and publication of local data more useful to the Board and the Reserve Banks and to economic and business analysts than data now collected.

We are aware that some representatives of the department store industry are concerned about the withdrawal of the System from the collection of retail trade statistics. From what we know of their concern, it is based largely on a misunderstanding of the program which Census plans to carry out with the appropriated funds requested, and the funds we are prepared to add for the local data collection. The data that will be available under this program will be far superior to those now available to analysts studying current economic developments. We feel sure they also will be superior for retailers generally, despite the fact that some of the reports that have been used by department stores in the past are not included in this basic program.

We understand that in the House of Representatives the funds requested by the Bureau of the Census for the national program were reduced somewhat, and that this reduction would necessitate at least the elimination of the weekly portion of the national program. It is our feeling that such a cutback would be most unfortunate because it would make the national program less current than the department store statistics now available and would also probably make it impossible for the Bureau of the Census to prepare for the Federal Reserve, on a reimbursable basis, weekly local and regional data. We have found these weekly reports valuable in our own analysis of current business developments in the various Federal Reserve Districts, and we are also aware that they are widely used in the business communities. We would hope, therefore, that your Committee would recommend the restoration of the amount originally requested for this program.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.

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

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Item No. 2
2/17/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 17, 1960.

Board of Directors,
Chemical Bank New York 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 a branch at 2398 Bell Boulevard, Bayside, Queens, New York, by Chemical Bank New York Trust Company, New York, New York, provided the branch is established within six months from the date of this letter and formal approval of State authorities is effective as of the date of the establishment of the branch.

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
2/17/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 17, 1960.

Bankers International Financing Company, Inc.,
16 Wall Street,
New York 15, New York.

Gentlemen:

The Board of Governors has received a certificate of the Secretary and three directors of Bankers International Financing Company, Inc., dated February 4, 1960, certifying the information required by Section 3(c) of Regulation K as prerequisite to the issuance of a final permit to commence business.

There is enclosed a final permit of the Board of Governors granting to Bankers International Financing Company, Inc. authority to commence business as a corporation organized under the provisions of Section 25(a) of the Federal Reserve Act.

Upon completion of the organization of the Corporation, it will be appreciated if you will advise the Board of Governors, in writing, through the Federal Reserve Bank of New York, as to the date the Corporation commences business.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

Enclosure

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

February 17, 1960

Permit to Begin Business

WHEREAS, the Board of Governors of the Federal Reserve System on the tenth day of December, Nineteen Hundred and Fifty Nine, approved the Articles of Association and Organization Certificate of Bankers International Financing Company, Inc. in accordance with the terms of Section 25(a) of the Federal Reserve Act; and

WHEREAS, by satisfactory evidence presented to the Board of Governors of the Federal Reserve System, it appears that Bankers International Financing Company, Inc. has complied with all of the provisions of the statutes of the United States required to be complied with before a corporation shall be authorized to commence business as a corporation organized under Section 25(a) of the Federal Reserve Act;

NOW, THEREFORE, it is hereby certified that Bankers International Financing Company, Inc. is authorized to commence business as a corporation organized and operating under the provisions of Section 25(a) of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System issued in accordance therewith.

IN WITNESS WHEREOF, I have hereunto set my hand and caused the seal of the Board of Governors of the Federal Reserve System to be affixed on the day and year first above written.

(SEAL)

(Signed) Merritt Sherman
Merritt Sherman,
Secretary.

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

Item No. 4
2/17/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 17, 1960.

Mr. H. A. Bilby, Vice President,
Federal Reserve Bank of New York,
New York 45, New York.

Dear Mr. Bilby:

This refers to your letter of February 9, 1960, and its enclosures, concerning the proposed issue by the International Bank for Reconstruction and Development of its Twenty-five Year Bonds of 1960, due February 15, 1985. In that letter you state that it is proposed to amend Schedule A of the Fiscal Agency Agreement dated as of February 6, 1950, between the International Bank and your Bank to include the bonds in question.

The Board of Governors approves of your Bank acting as Fiscal Agent in respect of the proposed issue by the International Bank of Twenty-five Year Bonds of 1960, due February 15, 1985, and approves the execution and delivery by your Bank of an Agreement with the International Bank in the form or substantially in the form of Supplement No. 18 to the Fiscal Agency Agreement dated as of February 6, 1950, between your Bank and the International Bank, enclosed with your letter.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 5
2/17/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 17, 1960.

Board of Directors,
Elston Bank & Trust Company,
Crawfordsville, Indiana.

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 the present location of The State Bank of Waveland, Waveland, Indiana, by Elston Bank & Trust Company, provided the merger of the banks is effected substantially in accordance with the agreement between the parties dated December 8, 1959, and the establishment of the branch is effected 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. 6
2/17/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 17, 1960.

Board of Directors,
Farmers State Bank Stanberry,
Stanberry, Missouri.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Kansas City, the Board of Governors of the Federal Reserve System approves, under the provisions of Section 24A of the Federal Reserve Act, an additional investment of \$45,000 in bank premises by Farmers State Bank Stanberry, Stanberry, Missouri, for the purpose of acquiring a more suitable building, installing a vault and remodeling the building.

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
2/17/60
S-1730



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 17, 1960.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

Dear Sir:

The Board's Division of Examinations has completed a review of various letters in the Federal Reserve Loose-Leaf Service relating, directly or indirectly, to the Uniform System for Rating Member Banks for the purpose of eliminating obsolete portions of such letters and consolidating the remaining material in more useful form. The attached enclosures have been prepared with this purpose in mind only and represent no essential or significant change in the basic subject matter of the original letters. The enclosures will appear in the Loose-Leaf Service under the date of this letter and will collectively supersede the following Board letters currently appearing in the Loose-Leaf Service:

<u>Date of Letter</u>	<u>Letter Number</u>	<u>Loose-Leaf Service</u>
Aug. 8, 1934	X-7977	#3610
Apr. 25, 1936	X-9562	3611
May 24, 1943	S-653	3619
Aug. 11, 1952	S-1465	3593
Aug. 11, 1952	(From Div. of Exam.)	3619
Nov. 4, 1952	S-1479	3593
Apr. 23, 1953	S-1493	3614 & 3619
Aug. 12, 1953	(From Div. of Exam.)	3619
Oct. 24, 1955	S-1580	3594
	S-1580-a	3594
Dec. 5, 1955	S-1581	3593
	S-1581-a	3593
July 29, 1959	S-1703	3614
	S-1703-a	3614

It will be noted that a definition of "gross capital structure" for the purpose of rating asset quality has been added by footnote in the enclosures S-1730-a, entitled "Uniform System for Rating Commercial Activities of Member Banks."

Very truly yours,

Merritt Sherman,
Secretary.

Enclosures

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

Item No. 8
2/17/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 17, 1960.



CONFIDENTIAL (FR)

Mr. W. R. Diercks, Vice President,
Federal Reserve Bank of Chicago,
Chicago 90, Illinois.

Dear Mr. Diercks:

In accordance with the request contained in your letter of February 8, 1960, the Board approves the appointment of O. Jay Tomson as an assistant examiner for the Federal Reserve Bank of Chicago. Please advise as to the date on which the appointment is made effective.

It is noted that Mr. Tomson is indebted to Farmers Savings Bank, Stratford, Iowa, a nonmember bank, in the amount of \$480. Accordingly, the Board's approval of the appointment of Mr. Tomson is given with the understanding that he will not participate in any examination of that bank until his indebtedness has been liquidated.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.