

Minutes for April 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

Gov. Szymczak

Gov. Mills

Gov. Robertson

Gov. Balderston

Gov. Shepardson

Gov. King

*(Handwritten initials and signatures)*

Minutes of the Board of Governors of the Federal Reserve System on  
Thursday, April 7, 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. Sherman, Secretary  
Mr. Young, Adviser to the Board  
Mr. Molony, Assistant to the Board  
Mr. Fauver, Assistant to the Board  
Mr. Hackley, General Counsel  
Mr. Solomon, Director, Division of Examinations  
Mr. Nelson, Assistant Director, Division of  
Examinations  
Mr. Landry, Assistant to the Secretary  
Miss Hart, Assistant Counsel

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

	<u>Item No.</u>
Letter to Lincoln Rochester Trust Company, Rochester, New York, approving an extension of time to establish a branch in the Spencerport Road Plaza Shopping Center.	1
Letter to the Provident Tradesmens Bank and Trust Company, Philadelphia, Pennsylvania, approving the establishment of a branch in Middletown Township.	2
Letter to the Crosby State Bank, Crosby, Texas, waiving the requirement of six months' notice of withdrawal from membership in the Federal Reserve System.	3

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Extension of time for filing Form F. R. 728 (Item No. 4).

There had been distributed a memorandum from the Legal Division dated March 29, 1960, referring to extension by the Board on March 15, 1960, of the time for filing reports required by so-called "unregulated lenders" made subject to section 221.3(j) of Regulation U by an amendment to that Regulation on June 15, 1959, pursuant to which the Board adopted Form F. R. 728 in December 1959.

Miss Hart recalled that at the time of the Board's adoption of this reporting form, notice was published in the Federal Register, and a press release was given out and carried in the important financial journals. A circular letter was also sent to the Reserve Bank Presidents explaining the use of the form, which was intended to obtain information as to the extension of credit by banks and persons engaged in the business of extending credit for the purpose of purchasing or carrying securities registered on a national securities exchange. Following the Board's decision on March 15 to extend to May 15 the date for filing, but not to publish notice of the extension in the Federal Register until the Reserve Banks had had an opportunity to suggest ways in which notice of the need for filing could be given most effectively, comments had been received from most of the Reserve Banks. Generally, they favored a further announcement within the System, with none objecting to further publicity by the Board. Accordingly, the Legal Division recommended that further publicity be given to the extension to May 15

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of the date for filing for publication in the Federal Register. In conformity with this recommendation, a draft of notice for insertion in the Federal Register, together with a proposed press release, was attached to the Legal Division's memorandum for Board consideration.

Mr. Hackley stated that because notice of the Board's action in December adopting a reporting form had been published in the Federal Register, further publication of notice of extension of time for filing Form F. R. 728 would eliminate any legal question as to the criminal nature of a violation of the statute.

Unanimous approval was then given to the notice for insertion in the Federal Register and to the press release. A copy of the notice is attached as Item No. 4.

Messrs. Noyes, Director, and Brill, Associate Adviser, Division of Research and Statistics, entered the room and Miss Hart withdrew at this point.

Requirements of margins on loans backed by Government securities.

Governor Robertson referred to the discussion at the Board meeting on March 29, 1960, of the possibility of the issuance by the three Federal bank supervisory agencies of a joint statement regarding the imposition of margins on loans backed by Government securities. He said that last evening Mr. Jennings, Deputy Comptroller of the Currency, telephoned him to report that the Comptroller was issuing a letter to the chief national bank examiners substantially in the form of the one he had submitted under

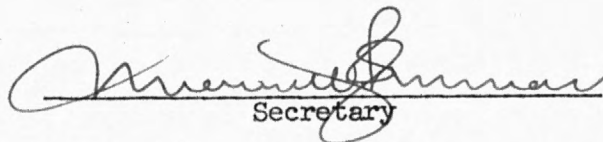
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date of March 8, 1960, to Comptroller of the Currency Gidney and Chairman Wolcott of the Federal Deposit Insurance Corporation for their comments. The letter would not be in the Comptroller's Digest nor would it be published.

During a brief discussion of this subject Chairman Martin noted that it might be desirable for the Board to consult with Under Secretary of the Treasury Baird on this problem in the near future. He said, in response to a question from Governor Shepardson, that the issuance of a joint statement by the three Federal bank supervisory agencies regarding the imposition of margins on loans backed by Government securities was not contemplated at the present time.

The meeting then adjourned.

  
Secretary



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

Item No. 1  
4/7/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 7, 1960.



Board of Directors,  
Lincoln Rochester Trust Company,  
Rochester, New York.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of New York, the Board of Governors extends to September 19, 1960, the time within which the Lincoln Rochester Trust Company, Rochester, New York, may establish a branch in the Spencerport Road Plaza shopping center on the north side of Lyell Avenue at the junction of Lyell Avenue, Spencerport and Howard Roads, in the Town of Gates, Monroe County, New York.

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  
4/7/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 7, 1960.

Board of Directors,  
Provident Tradesmens Bank  
and Trust Company,  
Philadelphia, Pennsylvania.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Philadelphia, the Board of Governors approves the establishment of a branch in the vicinity of the southeast corner of Baltimore Pike and War Admiral Lane, Lima, Middletown Township, Delaware County, Pennsylvania, by Provident Tradesmens Bank and Trust Company, Philadelphia, Pennsylvania. This approval is given provided the branch is established within one year from the date of this letter and formal approval of State authorities is effective at the time the branch is established.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.



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

Item No. 3  
4/7/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 7, 1960.



Board of Directors,  
Crosby State Bank,  
Crosby, Texas.

Gentlemen:

The Federal Reserve Bank of Dallas has forwarded to the Board of Governors your letter of March 17, 1960, and the accompanying resolution signifying your intention to withdraw from membership in the Federal Reserve System and requesting waiver of the six months' notice of such withdrawal.

In accordance with your request, the Board of Governors waives the requirement of six months' notice of such withdrawal. Upon surrender to the Federal Reserve Bank of Dallas 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 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 sent to the Federal Reserve Bank of Dallas for disposition.

Attention is invited to the fact that if your bank is desirous of continuing deposit insurance after withdrawal from membership in the Federal Reserve System it will be necessary that application be made to the Federal Deposit Insurance Corporation.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.



## TITLE 12 - BANKS AND BANKING

Item No. 4  
4/7/60

## CHAPTER II - FEDERAL RESERVE SYSTEM

PART 221 - LOANS BY BANKS FOR THE PURPOSE OF  
PURCHASING OR CARRYING REGISTERED  
STOCK

[Reg. U]

FORM TO BE USED IN REPORTING SECURITIES CREDIT  
EXTENDED BY LENDER OTHER THAN A BANK OR BROKER

1. Effective March 15, 1960, § 221.51 is amended to read as follows:

§ 221.51 Form to be used in reporting securities credit extended by lender other than a bank or broker. Pursuant to authority conferred on the Board of Governors of the Federal Reserve System by the Securities Exchange Act of 1934 (15 U.S.C. Chapter 2B; 48 Stat. 881) and in accordance with § 221.3(j), the Board has, effective December 15, 1959, adopted Form FR 728,<sup>1/</sup> to be used by persons (other than banks, as defined in § 221.3(k), and creditors, as defined in § 220.2(b) (Reg. T)) who are engaged in the business of extending credit and who, in the ordinary course of business, extend credit for the purpose of purchasing or carrying securities registered on a national exchange. Persons whose activities as of December 15, 1959, bring them within

<sup>1/</sup> Filed as part of the original document. Copies available upon request to the Board of Governors of the Federal Reserve System, Washington 25, D. C., or to any Federal Reserve Bank.

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the scope of the above definition must return the filled-in form to the Federal Reserve Bank in their district on or before May 15, 1960. Persons who were not extending credit on or before December 15, 1959, for the said purpose, but whose activities at any time or from time to time thereafter bring them within the scope of the above definition, must file filled-in forms within 90 days after the first extension of credit for such purpose.

2. (a) The amendment is issued pursuant to the Securities Exchange Act of 1934, particularly section 17(b) thereof. The purpose of this action is to extend to May 15, 1960, the time allowed for filing Form FR 728, which must be filed by all persons other than banks and creditors as defined above who are engaged in the business of extending credit and who, in the ordinary course of business, extend credit for the purpose of purchasing or carrying securities registered on a national securities exchange. Form FR 728 was adopted to implement § 221.3(j) as amended June 15, 1959 (24 F.R. 3867).

(b) The notice, public participation, and deferred effective date procedures described in section 4 of the Administrative Procedure Act are not followed in connection with this amendment for the reasons and good cause found as stated in § 262.2(e) of the Board's Rules of Procedure (Part 262), and especially because

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in connection with this amendment such procedures are unnecessary as they would serve no useful purpose. The reporting requirement contained herein has been approved by the Bureau of the Budget in accordance with the Federal Reports Act of 1942.

(Sec. 23, 48 Stat. 901; 15 U.S.C. 78w. Interprets or applies sec. 17(b), 48 Stat. 897; 15 U.S.C. 78q.)

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

(SEAL)

(Signed) Merritt Sherman  
Merritt Sherman,  
Secretary.