

Minutes for April 28, 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>WM</u>
Gov. Szymczak	<u>MS</u>
Gov. Mills	<u>[Signature]</u>
Gov. Robertson	<u>R. C.</u>
Gov. Balderston	<u>CB</u>
Gov. Shepardson	<u>[Signature]</u>
Gov. King	<u>[Signature]</u>

Minutes of the Board of Governors of the Federal Reserve System  
on Thursday, April 28, 1960. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary  
Mr. Hackley, General Counsel  
Mr. Farrell, Director, Division of Bank Operations  
Mr. Solomon, Director, Division of Examinations  
Mr. Johnson, Director, Division of Personnel  
Administration  
Mr. Hexter, Assistant General Counsel  
Mr. Nelson, Assistant Director, Division of  
Examinations  
Mr. Smith, Assistant Director, Division of  
Examinations  
Mr. Landry, Assistant to the Secretary  
Mr. Hooff, Assistant Counsel

Old Kent Bank and Trust Company v. Martin et al. Mr. Hackley reported that he had just received word this morning of the 2-1 reversal by the United States Court of Appeals for the District of Columbia Circuit of the lower court's decision in the case of Old Kent Bank and Trust Company v. Martin et al. The effect of this decision, he said, would be to nullify the power of the Board to regulate the establishment of branches of State member banks via merger. He added that as soon as copies of the majority and dissenting opinions were received, the Legal Division would distribute them to the Board as attachments to a memorandum outlining the legal steps that might be taken by the Department of Justice regarding this decision.

4/28/60

-2-

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

	<u>Item No.</u>
Letter to the Federal Deposit Insurance Corporation regarding the application of The First Bank of Alabaster, Alabaster, Alabama, for continuation of deposit insurance after withdrawal from membership in the Federal Reserve System.	1
Letter to the Citizens Bank and Trust Company of Clarksville, Clarksville, Virginia, granting its request for permission to accept a specific fiduciary appointment.	2
Letter to the Federal Reserve Bank of Chicago approving the appointment of Otis R. Radford as Federal Reserve Agent's Representative at the Detroit Branch.	3
Letter to the Federal Reserve Bank of Chicago approving the payment of salaries to the Bank's painters at specified rates.	4
Letter to the Comptroller of the Currency recommending favorably with respect to an application to organize a national bank at Crystal Lake, Illinois.	5
Letter to the Federal Reserve Bank of Boston concerning applicability of section 11(m) of the Federal Reserve Act in the case of loans to an individual and to an organization of which the same individual is an officer who has endorsed the note given by the organization.	6
Letter to the Federal Reserve Bank of Richmond approving the payment of salaries to an Assistant Vice President and an Assistant Cashier at the rates fixed by the Board of Directors.	7

4/28/60

-3-

Item No.

8

Letter to the Federal Reserve Bank of Atlanta approving the payment of salary to a Vice President at the rate fixed by the Board of Directors.

Applications to organize national banks at Houston, Texas

(Items 9 and 10). There had been circulated under date of April 18, 1960, a memorandum from the Division of Examinations regarding the application by a group represented by E. L. Evensen and associates and sponsored by the Bank of the Southwest National Association of Houston, Texas, for a new national bank and a similar application of a group represented by John H. Crooker, Jr., and associates and sponsored by Houston Bank and Trust Company, Houston, Texas. It was the view of both the Division of Examinations and the Federal Reserve Bank of Dallas that the application for a charter be disapproved in each instance. The memorandum dealt with both applications because of the similarity of information regarding organization, trade areas to be served, and competing banking institutions.

Asked by Governor Robertson to review the background of each application, Mr. Nelson noted that the application of the group sponsored by Bank of the Southwest was dated November 23, 1959, and the application of the other group was dated November 30, 1959. He then proceeded to detail facts regarding the population in the primary service area, the competitive banking situation, and the convenience and needs of the community, noting that the Division of Examinations concurred with the Dallas Reserve Bank in the view that establishment of the two new banks

4/28/60

-4-

would have an adverse effect on existing banks that were currently serving the area adequately.

Governor Mills stated that he felt somewhat "up in the air" about these applications that enjoyed reasonable sponsorship in each case. He suspected that bitter competitive rivalries among banks in the State of Texas frequently led to applications to establish new national banks that sprang "more from the heart than from the head." He agreed with the recommendation of the Division of Examinations, but he was fearful that rejection of these applications might give the impression the Board attached greater weight to the current competitive situation than it did to future potential banking needs in the area involved.

Unanimous approval was then given to letters to the Comptroller of the Currency recommending disapproval of the applications to establish national banks at Houston, Texas. Copies of these letters are attached Items 9 and 10.

Mr. Thomas, Adviser to the Board, entered the meeting during the foregoing discussion and Mr. Nelson withdrew at its conclusion.

Letter to Florida Bankers Association. There had been distributed a memorandum dated April 25, 1960, from Mr. Hooff submitting alternative drafts of letters to the Florida Bankers Association with respect to whether absorption by Florida banks of the tangible personal property tax on bank deposits would constitute an indirect payment of interest

4/28/60

-5-

under the Board's Regulation Q. Draft "A" expressed the view that absorption by a member bank of such a tax on a bank deposit would be equivalent to the payment to or for the account of the depositor as compensation for the use of funds constituting a deposit and should, therefore, be considered a payment of interest within the meaning of section 19 of the Federal Reserve Act. Draft "B", on the other hand, took the position that for the sake of uniformity with previous Board rulings on similar questions and to avoid individual decisions based upon the wording of particular State laws, the practice in question should not be considered a payment of interest within the meaning of section 19 of the Federal Reserve Act, regardless of whether the tax is levied against the bank or the depositor.

Mr. Hackley pointed out that the Florida statute in question does not require or apparently even contemplate that banks will pay these taxes, thereby introducing a novel element into the case as compared with prior Board consideration of other State laws, which specifically require or permit all banks to pay such taxes in the first instance although the banks, if they wish, obtain reimbursement from the depositors. Consequently, prior Board rulings to the effect that payment of the tax by a member bank would not constitute an indirect payment of interest on deposits would not necessarily establish a precedent for the instant case. He noted that since 1938 the Federal Deposit Insurance Corporation has consistently taken the position that

4/28/60

-6-

the practice of banks paying these taxes, whether or not the State law required it, does not constitute indirect payment of interest. In the opinion of the Legal Division, it was a matter of principle that, since in the Florida case there seemed to be a voluntary assumption by a bank of an obligation of a depositor, payment of the tax by the bank constituted indirect payment of interest. However, this interpretation would put the Board in the position of viewing the matter differently from the Federal Deposit Insurance Corporation. For this reason, he suggested that a copy of Draft "A" be sent to the Federal Deposit Insurance Corporation and the Comptroller of the Currency for their comment since, in addition to the position taken by the Federal Deposit Insurance Corporation on this question, the Legal Division had been informed that certain national banks in Florida are absorbing this tax without apparent objection from the Comptroller. Should the Board elect to adopt alternative "B", it was the view of the Legal Division that the opinion expressed therein should be published as a ruling of the Board in the Federal Register and the Federal Reserve Bulletin. Mr. Hackley added the comment that in 1935 both the Board and the Federal Deposit Insurance Corporation had proposed an amendment to their interest regulations to exempt the payment of taxes by banks, but that this proposal had been abandoned because of the difficulty of handling the related question of banks absorbing exchange charges.

4/28/60

-7-

Mr. Solomon observed that an argument could be made in favor of the position taken in Draft "B" from a practical viewpoint: many State laws imposing a tax on intangible assets do not include cash among such assets. Consequently, an individual in such States is subjected to the tax by depositing his funds in a bank in these States. This would be especially true where the funds were deposited in a checking account where no interest was allowed, so the point could be made that such a depositor gained nothing by converting his cash into bank deposits. Even in the instance where the State law imposed a tax on cash holdings, from a practical viewpoint the situation would not be altered greatly because of the common practice of general underreporting of cash holdings for such purposes. Mr. Solomon went on to say, in answer to a question from Governor Balderston, that should some banks pay the tax for their depositors and others not, there would be a competitive advantage for the first group of banks compared to the second, although in neither case would the depositor be better off financially by converting his cash into bank deposits.

Mr. Hackley said that the Legal Division had considered this point, which seemed valid if the tax was levied only on bank deposits, but in view of the fact that the Florida statute applied the tax on tangibles to cash as well as to bank deposits, the question did not arise solely with respect to bank deposits and could not be so regarded.



4/28/60

-8-

Mr. Hexter said that if the "practical aspects" of the question were to be considered it should be noted that the Florida tax was quite low, being only one-tenth of a mill, which amounted to but \$1.00 per \$10,000 of deposits. Mr. Hooff added that in the present case absorption by the bank of the tax was apparently an advertising scheme that was not important in quantitative terms.

Mr. Hackley observed that an advantage of the position taken over the years by the Federal Deposit Insurance Corporation on this question was that it avoided the necessity of looking into the language of every State law to discover if payment of interest by banks was involved. However, the Board on February 11, 1960, had taken the position that payment of insurance premiums on deposits in excess of \$10,000 constituted indirect payment of interest, so that the Board could be charged with inconsistency should it propound the view indicated in Draft "B".

Governor Mills remarked that a fundamental question was involved in this case. Therefore, he believed the matter should be approached with extreme caution by the Board. In essence, a bank that paid a tax for depositors was assuming a liability of the depositors, which he would construe as payment of interest on the deposits in question. The possibility existed that in other States besides Florida, such as Illinois and Oklahoma where the personal property tax was fairly important, banks would be subjected to an enormous cost in an effort to

4/28/60

-9-

hold deposits that are now converted into near-monies on the tax date to avoid payment of the tax. This would be true should the Board rule that absorption by the bank of this tax not be considered a payment of interest on deposits within the meaning of section 19 of the Federal Reserve Act. Therefore, he believed there should be a complete re-airing of this whole question with the Federal Deposit Insurance Corporation and the Comptroller of the Currency before any reply was made to the Florida Bankers Association.

Governor Robertson concurred, saying that even though in any particular case the size of the tax payment by banks was minimal, leading him to believe that the practice could be regarded by the Board as not being a payment of interest within the meaning of section 19, the question of setting a precedent was serious. He believed, with Governor Mills, that the staff should discuss the question fully with the Federal Deposit Insurance Corporation and the Comptroller's Office in an attempt to get a uniform approach by all three agencies. Should this be impossible, it probably would be necessary for the Board to go along with the views of the other two bank supervisory agencies.

Governor King agreed, noting that every State at the present time is searching for new sources of tax revenues. Should the Board sanction the practice of banks absorbing these taxes, it was possible that there would be a gradual increase in tax rates imposed under such laws.

4/28/60

-10-

It was then agreed that a copy of the draft letter that would take the position that payment of personal property taxes would constitute an indirect payment of interest be sent to the Federal Deposit Insurance Corporation and the Comptroller's Office for comment preparatory to joint discussion with these agencies on this question. It was also understood that they would be furnished with copies of Mr. Hooff's memorandum after it had been modified to eliminate reference to the draft letter that would raise no objection to the practice of absorbing the tax.

At this point Mr. Hooff withdrew and Messrs. Molony, Assistant to the Board, Noyes, Director, and Dembitz, Associate Adviser, Division of Research and Statistics, entered the meeting.

Letter to Federal Advisory Council (Item No. 11). There had been distributed a draft letter to the Federal Advisory Council suggesting topics for the agenda for the meeting on May 16 and 17, 1960. During a discussion of the draft letter, certain suggestions for change were made and agreed upon, and unanimous approval was then given to a letter to the Council in the form of attached Item No. 11.

Request from the Justice Department regarding banking competition in Arizona. Mr. Sherman reported that an attorney from the Justice Department had telephoned him yesterday with reference to a statement on page 102 of the San Francisco Reserve Bank's 1956 report on banking competition in Arizona, referring to a possible Sherman Act violation and citing a confidential memorandum prepared by Mr. Dembitz of the Board's staff in support of the statement. Later in the day he had

4/28/60

-11-

received a telegram from Mr. Mangels, President of the Federal Reserve Bank of San Francisco, on the same subject.

Mr. Hexter observed that the statement at issue concerned a relatively minor point raised with respect to competition between Arizona banks and finance companies in that State. Only a single paragraph of the entire report was involved, he said. This paragraph concerned competition as to terms of automobile financing set by General Motors Acceptance Corporation and Valley National Bank, the head office of which was in Phoenix, Arizona. The statement read "there appears to be an agreement between Valley National Bank and General Motors Acceptance Corporation" not to extend automobile credit for longer than 30 months. Tables in the confidential Dembitz memorandum indicated the extent to which new car installment contracts had been extended to over 30 months in various cities throughout the country between the end of 1954 and 1956, and Phoenix, Arizona, was a city for which no such contracts were reported.

Mr. Dembitz said that his memorandum was based on figures voluntarily supplied to the Board on a confidential basis by General Motors Acceptance Corporation concerning detailed terms of financing in various parts of the country covering various types of transactions. His memorandum did not refer in explicit terms to the Phoenix situation in particular. The memorandum had been circulated to all Reserve Banks in connection with the Board's consumer credit study in progress at the

4/28/60

-12-

time to aid the Reserve Banks in identifying those parts of their districts most suitable for intensive study of automobile financing terms.

Mr. Hexter remarked that should the Board decide to furnish the requested information to Justice, its accompanying letter should indicate that the information obtained from General Motors Acceptance Corporation had been voluntarily supplied and that the Board felt obligated to that Corporation to respect the confidentiality of the information. Therefore, Justice should be requested to treat the information only as a means of acquiring leads in any investigation of the possible violation of the Sherman Act and should not use the information as evidence.

Mr. Noyes expressed apprehension lest revealing confidential information of this type to Justice should close off provision to the Board by General Motors Acceptance Corporation and others on a voluntary basis of a great amount of valuable economic information that was nationwide in scope.

Governor Robertson suggested that to avoid being put into an uncomfortable position vis-a-vis Justice and General Motors Acceptance Corporation, the Board could invite the attorney who had called from Justice to come over to discuss the question with the staff with a view to explaining why he should not ask for this confidential information. At that time it could be suggested to him that Justice develop its own information. There was general concurrence with this suggestion.

4/28/60

-13-

On an observation from Mr. Hexter that Justice might believe the Dembitz memorandum elaborated on the Sherman Act violation point and that a glance at the memorandum would satisfy it that it did not, Governor Mills said that there was a hazy line between acceding to Justice's request to this extent and the position the Board had consistently taken in bank holding company cases that the record not include reasoning and analysis by the staff on the questions concerned. He thought the same procedure was applicable to the instant case. Consequently, since Justice already was in possession of the San Francisco Reserve Bank's 1956 study, he doubted that the Board's administrative procedure warranted its making available the reasoning on which that record had been developed. He said that the issue of the role of captive finance companies in the automobile industry was before Congress at the present time and that, as Mr. Noyes had suggested, if the Board wished to retain the confidence of companies in that industry that voluntarily provided the Board with valuable economic data, it would be improper to show Justice the Dembitz memorandum; and Governor Balderston agreed.

Unanimous approval was then given to Governor Robertson's suggestion that the attorney from Justice who had raised the question of examining the Dembitz memorandum be invited to discuss the problem with Messrs. Noyes, Hexter, and Dembitz, with the understanding that the memorandum containing information supplied on a confidential basis

4/28/60

-14-

would not be made available for his inspection. Should he wish to pursue the matter with the Board he would be informed that this was the privilege of the Justice Department.

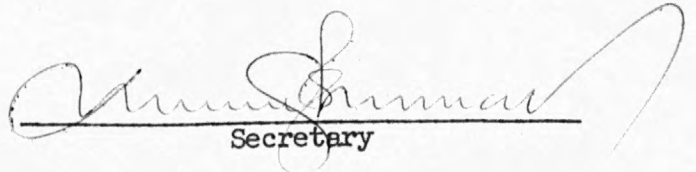
Messrs. Hexter, Dembitz, and Landry then withdrew from the meeting.

Report on examination of the Philadelphia Reserve Bank. There had been circulated to the Board the file on the report covering the examination of the Philadelphia Reserve Bank made as of the close of business January 4, 1960, with a covering memorandum from the Division of Examinations dated April 8, 1960.

At the Board's request, Mr. Smith reviewed the highlights of information developed through the examination. Nothing in his comments was deemed to require further inquiry or action on the part of the Board.

The meeting then adjourned.

Secretary's Note: Acting in the absence of Governor Shepardson, Governor Robertson approved on behalf of the Board on April 27, 1960, letters to the Federal Reserve Bank of San Francisco (attached Items 12 and 13) approving the appointment of John H. Gilmour as assistant examiner, and the designation of D. W. Fenn as special assistant examiner.

  
Secretary

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

Item No. 1  
4/28/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 28, 1960



The Honorable Jesse P. Wolcott, Chairman,  
Federal Deposit Insurance Corporation,  
Washington 25, D. C.

Dear Mr. Wolcott:

Reference is made to your letter of April 12, 1960, concerning the desire of The First Bank of Alabaster, Alabaster, Alabama, to continue as an insured bank following its withdrawal from membership in the Federal Reserve System.

No corrective programs have been urged upon the bank or agreed to by it which the Board of Governors believes should be incorporated as conditions to the continuance of deposit insurance.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.



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

1532

Item No. 2  
4/28/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 28, 1960



Board of Directors,  
Citizens Bank and Trust Company of Clarksville,  
Clarksville, Virginia.

Gentlemen:

This refers to your request for permission, under applicable provisions of your condition of membership numbered 1, to act in a specific fiduciary capacity.

Following consideration of the information submitted, the Board of Governors of the Federal Reserve System grants permission to Citizens Bank and Trust Company of Clarksville to act as trustee for William H. Nunn, with the understanding that your bank will not accept any other fiduciary appointments without first obtaining the permission of the Board.

In granting such permission, it is understood that competent legal counsel will be readily available to advise the bank as to fiduciary matters.

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  
4/28/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 28, 1960



Mr. Bert R. Prall,  
Chairman of the Board and  
Federal Reserve Agent,  
Federal Reserve Bank of Chicago,  
Chicago 90, Illinois.

Dear Mr. Prall:

In accordance with the request contained in your letter of April 14, 1960, the Board of Governors approves the appointment of Mr. Otis R. Radford as an additional Federal Reserve Agent's Representative at the Detroit Branch.

This approval is given with the understanding that Mr. Radford will be solely responsible to the Federal Reserve Agent and the Board of Governors for the proper performance of his duties, except that, during the absence or disability of the Federal Reserve Agent or a vacancy in that office, his responsibility will be to the Assistant Federal Reserve Agent and the Board of Governors.

When not engaged in the performance of his duties as Federal Reserve Agent's Representative, Mr. Radford may, with the approval of the Federal Reserve Agent and the Vice President in charge of the Detroit Branch, perform such work for the Branch as will not be inconsistent with his duties as Federal Reserve Agent's Representative.

It will be appreciated if Mr. Radford is fully informed of the importance of his responsibilities as a member of the staff of the Federal Reserve Agent and the need for maintenance of independence from the operations of the Bank in the discharge of these responsibilities.

It is assumed that Mr. Radford will execute the usual Oath of Office, which will be forwarded to the Board of Governors along with the notification of the effective date of his appointment.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

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

Item No. 4  
4/28/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 28, 1960



CONFIDENTIAL (FR)

Mr. H. J. Newman, Vice President,  
Federal Reserve Bank of Chicago,  
Chicago 90, Illinois.

Dear Mr. Newman:

The Board of Governors approves the payment of salaries by the Federal Reserve Bank of Chicago to the incumbents of the positions shown below at the rates indicated, retroactive to April 1, 1960, in accordance with the request contained in your letter of April 14, 1960:

<u>Title</u>	<u>Annual Salary</u>
Head Painter	\$7,800
Painter	7,020

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

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

Item No. 5  
4/28/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD



April 28, 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 received from your office dated October 6, 1959, enclosing copies of an application to organize a national bank at Crystal Lake, Illinois, and requesting a recommendation as to whether or not the application should be approved.

A report of investigation made by an examiner for the Federal Reserve Bank of Chicago indicates that the proponents expect to provide a minimum capital structure of \$350,000 for the bank instead of \$300,000 as shown in the application. This capital structure appears to be adequate. All other factors usually considered in these cases, future earnings prospects, general character of management, and convenience and needs of the community, appear to be favorable. Accordingly, the Board of Governors recommends approval of the application.

The Board's Division of Examinations will be glad to discuss any aspects of this case with representatives of your office if you so desire.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.

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

Item No. 6  
4/28/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 28, 1960

Mr. Benjamin F. Groot, Vice President,  
Federal Reserve Bank of Boston,  
Boston 6, Massachusetts.

Dear Mr. Groot:

This refers to your letter of March 15, 1960, requesting an opinion with respect to the application of the provisions of section 11(m) of the Federal Reserve Act to a particular situation. It is understood that a member bank made a loan of \$300,000 to Mr. Dewey D. Stone, secured by stock collateral, and made a loan of the same amount to the American Committee for the Weizmann Institute of Science, of which Mr. Stone is Chairman of the Board, also secured by stock collateral. The loan to the Institute was endorsed by Mr. Stone because the stock pledged by the Institute was not actively traded, although listed on the New York Stock Exchange.

Section 11(m) provides that a member bank may not make a loan to any person in an amount in excess of 10 per centum of the bank's unimpaired capital and surplus if the loan is secured by stock or bond collateral. The bank's legal limit under this provision is \$542,000 and the total loans under which Mr. Stone is either maker or endorser amount to \$600,000. The question, therefore, is whether these loans should be combined in determining whether a violation of law has occurred.

If Mr. Stone borrowed \$300,000 for his own use and was merely an accommodation endorser on the second loan, obtaining no benefits therefrom, each loan should be treated independently in applying the limitation of section 11(m). In the absence of evidence to the effect that the parties to these loans were attempting to circumvent the limitation of the statute, the Board is of the opinion that the two loans should not be combined in applying the limitation of section 11(m).

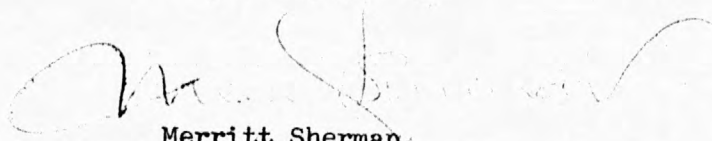
## BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Mr. Benjamin F. Groot

-2-

However, the answer would be different if, in the light of further facts which are not disclosed but which the examiner might discover, it should appear that the arrangement was for the purpose of evading the statute. For example, because of Mr. Stone's interest in the Institute, he may have wished to borrow \$600,000 on behalf of the Institute but could not do so because of the statutory limitation. (Is it a coincidence that both loans were for \$300,000?) It is conceivable that he may have borrowed half of the total amount in his own name for this purpose and loaned stock to the Institute which in turn borrowed the other half secured by such stock and endorsed by him. This would seem to be an evasion of the purpose and intent of the statute which should not be allowed. It is apparent, therefore, that the obligation of an accommodation endorser should not be disregarded in all cases in applying the limitation of this section. Also, investigation of the facts of a particular case might indicate that the endorser was, for all practical purposes, a comaker and, therefore, loans under such circumstances should be included.

Very truly yours,



Merritt Sherman,  
Secretary.

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

Item No. 7  
4/28/60



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 28, 1960

CONFIDENTIAL (FR)

Mr. Alonzo G. Decker, Jr.,  
Chairman of the Board,  
Federal Reserve Bank of Richmond,  
Richmond 13, Virginia.

Dear Mr. Decker:

The Board of Governors approves the payment of salaries to the following officers of the Federal Reserve Bank of Richmond for the period May 1 through December 31, 1960, at the rates indicated, which are the rates fixed by your Board of Directors as reported in your letter of April 14, 1960:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
Robert P. Black	Assistant Vice President	\$12,500
Robert L. Miller	Assistant Cashier	9,000

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

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

1539

Item No. 8  
4/28/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD



April 28, 1960

CONFIDENTIAL (FR)

Mr. Malcolm Bryan, President,  
Federal Reserve Bank of Atlanta,  
Atlanta 3, Georgia.

Dear Mr. Bryan:

The Board of Governors approves the payment of salary to the following officer of the Federal Reserve Bank of Atlanta for the period May 1 through December 31, 1960, at the rate indicated, which is the rate fixed by your Board of Directors as reported in your letter of April 15, 1960:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
Brown R. Rawlings	Vice President	\$13,500

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.



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

Item No. 9  
4/28/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 28, 1960



Comptroller of the Currency,  
Treasury Department,  
Washington 25, D. C.

Attention Mr. G. W. Garwood,  
Deputy Comptroller of the Currency.

Dear Mr. Comptroller:

Reference is made to a letter from your office dated November 27, 1959, enclosing copies of an application to organize a national bank at Houston, Texas, signed by Mr. E. L. Evensen and associates, and requesting a recommendation as to whether or not the application should be approved.

A report of investigation of the application made by an examiner for the Federal Reserve Bank of Dallas indicates that the proponents plan to provide a minimum capital structure of \$500,000 for the bank instead of \$300,000 as shown in the application. This revised capital structure appears to be adequate. While the general character of the proposed management appears satisfactory, future earnings prospects are only fair and there is no apparent need for an additional commercial bank in the area at this time. Accordingly, the Board of Governors does not feel justified in recommending approval of this application.

The Board's Division of Examinations will be glad to discuss any aspects of this case with representatives of your office if you so desire.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.

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

Item No. 10  
4/28/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 28, 1960



Comptroller of the Currency,  
Treasury Department,  
Washington 25, D. C.

Attention Mr. G. W. Garwood,  
Deputy Comptroller of the Currency.

Dear Mr. Comptroller:

Reference is made to a letter received from your office dated December 10, 1959, enclosing copies of an application to organize a national bank at Houston, Texas, signed by Mr. John H. Crooker, Jr. and associates, and requesting a recommendation as to whether or not the application should be approved.

A report of investigation of the application made by an examiner for the Federal Reserve Bank of Dallas discloses generally favorable findings with respect to the proposed capital structure and character of management. Future earnings prospects, however, are not entirely satisfactory and the need for an additional commercial bank in the area at this time has not been sufficiently established. Accordingly, the Board of Governors does not feel justified in recommending approval of the application.

The Board's Division of Examinations will be glad to discuss any aspects of this case with representatives of your office if you so desire.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.

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

Item No. 11  
4/28/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 28, 1960

Mr. Herbert V. Prochnow, Secretary,  
Federal Advisory Council,  
c/o The First National Bank of Chicago,  
Chicago 90, Illinois.

Dear Mr. Prochnow:

The Board suggests the following topics for inclusion on the agenda for the meeting of the Federal Advisory Council to be held May 16, and for discussion at the joint meeting of the Council and the Board on May 17, 1960:

1. What are the views of the Council regarding the current business situation and prospects of business activity during the remainder of the current calendar year? The Council's judgment as to the current expectations of the business community and the general public and the impact of those expectations on capital expenditures, business inventories, and consumer expenditures would be appreciated.
2. How does the current demand for credit compare with demands at this season of other recent years? What is the prospective demand for bank loans and other credit during the remainder of this year? Will the anticipated substantial increase in plant and equipment expenditures be financed by internal funds, term loans, or resort to capital markets?
3. Has there been a reduction in liquidity of banks so great as to hamper them in meeting the more essential needs for credit? Are there differences in this respect among groups of banks, such as money market banks, banks engaged principally in industrial and commercial lending, and banks in agricultural areas?
4. What have been recent developments in the volume of the various forms of savings? Is public interest in United States Government securities as widespread as it was last fall?

Mr. Herbert V. Prochnow

-2-

5. The Board would be glad to have the views of the Council regarding the appropriateness of monetary and credit policy in recent months.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

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

Item No. 12  
4/28/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 27, 1960



Mr. H. N. Mangels, President,  
Federal Reserve Bank of San Francisco,  
San Francisco 20, California.

Dear Mr. Mangels:

In accordance with the request contained in your letter of April 18, 1960, the Board approves the appointment of John H. Gilmour as an assistant examiner for the Federal Reserve Bank of San Francisco. The authorization heretofore given your Bank to designate Mr. Gilmour as a special assistant examiner is hereby canceled.

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. 13  
4/28/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 27, 1960



Mr. P. W. Cavan, Assistant Cashier,  
Federal Reserve Bank of San Francisco,  
San Francisco 20, California.

Dear Mr. Cavan:

In accordance with the request contained in your letter of April 20, 1960, the Board approves the designation of D. W. Fenn as a special assistant examiner for the Federal Reserve Bank of San Francisco for the purpose of participating in examinations of State member banks except Wells Fargo Bank American Trust Company, San Francisco, California. The authorization heretofore given your Bank to designate Mr. Fenn as a special assistant examiner is hereby canceled.

Appropriate notations have been made on our records of the names to be deleted from the list of members of the examining staff of your Bank.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.