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

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

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. Harris, Coordinator, Office of Defense Planning  
Mr. Hexter, Assistant General Counsel  
Mr. Hooff, Assistant General Counsel  
Mr. Daniels, Assistant Director, Division of Bank Operations  
Mr. Nelson, Assistant Director, Division of Examinations  
Mr. Smith, Assistant Director, Division of Examinations  
Mr. Landry, Assistant to the Secretary  
Mr. Young, Assistant Counsel  
Miss Hart, Assistant Counsel

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

<table>
<thead>
<tr>
<th>Item No.</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Letter to the Presidents of all Federal Reserve Banks and to all Federal Reserve Agents advising of approval of a series of shipments of unissued Federal Reserve notes from Washington to Salt Lake City to be stored in the vault of the Federal Reserve Bank Branch.</td>
</tr>
</tbody>
</table>

1/ Withdrew from meeting at point indicated in minutes.
Letter to the Federal Reserve Bank of Atlanta approving the payment of salary to Beyrl E. Howard as Assistant Cashier at the rate fixed by the Board of Directors.

Letter to the Comptroller of the Currency recommending unfavorably with respect to an application to organize a national bank at Louisa, Kentucky.

Letter to the Comptroller of the Currency recommending favorably with respect to an application to organize a national bank at Warr Acres, Oklahoma.

At this point Messrs. Farrell, Johnson, Harris, Daniels, and Smith withdrew from the meeting.

Report on competitive factors (Salem and Troy, New York). There had been distributed a memorandum from the Division of Examinations dated September 20, 1960, attaching a proposed report to the Comptroller of the Currency on the competitive factors involved in a proposed merger of The Salem National Bank, Salem, New York, with and into The Manufacturers National Bank of Troy, Troy, New York. This report had been prepared pursuant to the provisions of section 13(c) of the Federal Deposit Insurance Act, as amended.

Governor Mills suggested that the conclusion of the report be amplified to incorporate a reference to the fact mentioned in the text of the report that The Manufacturers National Bank of Troy is an affiliate of Marine Midland Corporation. Following this suggestion, unanimous approval was given to a report which concluded as follows:
The proposed merger would not eliminate any existing banking facilities. Competition between the two institutions is negligible and the resulting bank would provide more and better banking and trust services for citizens in the Salem community without adverse effect on the competitive situation or any apparent tendency toward monopoly.

The proposed transaction would, of course, add to the banking resources and offices controlled by Marine Midland Corporation, a holding company with subsidiaries in all but the first banking district of the State of New York. While the proportion of banking resources held by Marine Midland Corporation in the fourth banking district is relatively small, it is rather substantial in several areas of other banking districts.

Report on competitive factors (Brunswick, Georgia). Distribution had been made of a memorandum from the Division of Examinations dated September 21, 1960, attaching a draft of report on the competitive factors involved in the proposed merger of American National Bank of Brunswick, Brunswick, Georgia, and State Bank & Trust Company, Brunswick, Georgia. This report had been prepared for the Comptroller of the Currency under section 18(c) of the Federal Deposit Insurance Act, as amended. The conclusion of the report was as follows:

The proposed merger will eliminate one of the three competing banks in Brunswick, thus reducing the number of independent sources of banking services available to the public in that area. It would reduce the number of banks to four in the area composed of Wayne and Glynn Counties.

Mr. Solomon indicated that the Division of Examinations had reconsidered this conclusion and believed that the last sentence should be strengthened.
Governor Robertson said that he believed the conclusion needed more than a mere strengthening of the last sentence. He pointed out that there were now three unit banks in Brunswick, each of which under Georgia law could have one branch, thereby providing for a maximum of six banking offices. Should the Comptroller of the Currency approve the proposed merger, the maximum number of offices permitted under State law would be reduced from six to four, and the existing situation in Brunswick would be "frozen" unless a new bank was established. He believed that the conclusion of the report should deal with the need for new banking facilities in that community.

Governor Mills expressed doubt that the competitive situation in Brunswick would be affected adversely to such an extent as to work against establishment of a new bank in Brunswick, if one was needed. He thought that taking the position that there would be such adverse effect constituted looking a long way ahead since the smaller institution involved in the merger was a relatively new bank established in 1958 and was itself not flourishing.

After further discussion, unanimous approval was given to a report which concluded as follows:

The proposed merger would eliminate one of the three competing banks in Brunswick, thus reducing the number of independent sources of banking services available to the public in that area. It would reduce the number of banks to four in the area composed of Wayne and Glynn Counties and concentrate in the two remaining banks in Brunswick about 90 per cent of the banking resources of the two counties.
Virginia industrial development corporations. There had been distributed copies of a memorandum from Mr. Walter Young dated September 23, 1960, regarding purchase by State member banks of stock in Virginia industrial development corporations. Attached to the memorandum was a draft of letter to the Federal Reserve Bank of Richmond that would reaffirm the position taken by the Board in 1955 that purchase of stock by State member banks in such corporations would be illegal in view of the provisions of section 5136 of the U.S. Revised Statutes and section 9 of the Federal Reserve Act. With respect to this earlier decision, it was noted that the Board had then considered the question as to whether State member banks could purchase stock in or become members of the Business Development Corporation of North Carolina, an organization very similar to the industrial development corporations now authorized by Virginia law, and that in a letter dated September 16, 1955, to Senator W. Kerr Scott, a copy of which was sent to the Presidents of all Federal Reserve Banks, the following paragraph regarding stock ownership was included:

Under section 5136 of the U.S. Revised Statutes and section 9 of the Federal Reserve Act, national banks and State banks which are members of the Federal Reserve System are prohibited from purchasing corporate stocks with certain limited exceptions not here applicable. Consequently, such banks could not legally purchase stock in the proposed Corporation. There is no provision of Federal law, however, which would forbid a State bank, which is a member of the Federal Reserve System, from becoming a "member" of the proposed Corporation.
It was also brought out in the memorandum that the Board on that same occasion questioned the wisdom and propriety of a member bank entering into a long-term commitment to make loans to a development corporation even in a small amount, irrespective of what might be the nature of the loan or the condition of the borrower at the time of the loan. At the same time, the memorandum pointed out, the Board stated that it was not disposed to express disapproval of bank participation in the plan or in any similar plan which may have been adopted in other States. It was noted further in the memorandum that in December 1955 the Board was informed that a State member bank had made a small investment in the stock of a corporation operating a parking lot near the bank in the center of a shopping district after a competing national bank had purchased some of the stock and that the Comptroller of the Currency regarded the transaction as a contribution to a civic project rather than as an investment in corporate stock within the meaning of the prohibition contained in section 5136, according to which interpretation the national bank was required by the Comptroller to charge off the amount of its "contribution" as a business expense. Although the Board's Legal Division questioned at that time the authority of the State member bank and the competing national bank to purchase some of the stock of the corporation, the Board advised the New York Reserve Bank on December 29, 1955, that, without determining whether a violation of section 5136 was involved, "the same privilege should be given (the State member bank) provided the investment is eliminated from its book assets by charge off."
Mr. Young said that the letter of August 25, 1960, from the Richmond Reserve Bank asking the Board’s attitude on this question pointed out that the Comptroller of the Currency had taken the position with respect to business development corporations in another State that contributions by national banks which are reasonable in amount may be proper as legitimate advertising or business expenses and were, therefore, not objectionable. The Richmond Bank assumed that the Comptroller would take the same position toward Virginia industrial development corporations.

Mr. Young noted that the Division of Examinations took the position that, from a supervisory point of view, there was much to be said for reaching the same view as that apparently taken by the Comptroller. However, in view of the strong position taken by the Board in 1955 that section 5136 constitutes a prohibition against purchase of stock in industrial development corporations, the question now presented was a difficult one. In the opinion of the Legal Division, he said, two alternatives appeared to be available to the Board in framing a reply to the inquiry of the Reserve Bank:

(1) The Board might hold to the position taken in 1955 that State member bank purchases of stock in such corporations is a violation of section 5136; or

(2) The Board could acquiesce in the position taken by the Comptroller in the case of such a corporation in one State and, without determining whether a violation of section 5136 is involved, take the same position as was taken in 1955 with respect to the parking lot corporation.
9/28/60

Mr. Young concluded by noting that the Legal Division believed that purchase of stock in State industrial development corporations constituted a violation of section 5136. Consequently, the draft of letter to the Federal Reserve Bank of Richmond that was attached to his memorandum was to this effect.

Mr. Hackley commented that in the 1955 case and letter to Senator Scott referred to by Mr. Young, State law had permitted bank membership in a development corporation without stock purchase, but in its letter of September 16, 1955, to Senator Scott the Board had questioned the desirability of such membership because it committed a member bank to loans for as much as five years. In the present instance, the loan commitment would be for a maximum of two years.

Governor Mills said that he was in complete agreement with the Legal Division so far as the inadvisability of establishing a precedent for acquisition of corporate stock by member banks was concerned. He noted, however, that the position of the Comptroller referred to related to the provision of section 5136, Revised Statutes, which authorized contributions in the public interest to be written off by member banks as expenses. He recalled that a similar problem had arisen in connection with whether member banks should become stockholders in the Federal National Mortgage Association (FNMA) and that the problem had been resolved by providing that State member banks could become shareholders in FNMA. He believed that the case now before the Board was quite comparable to that
involving stockholding in FNMA. Therefore, his reasoning in the present case brought him to the conclusion that, on a practical basis, it would be best for the Board to go along with the Comptroller of the Currency's view that such stockholding can be charged off as a contribution expense undertaken in the public interest.

Governor Robertson said that although he would not be displeased should the Board reverse its 1955 ruling on this question, he believed that the better course was to adhere to the present position and to seek an appropriate change in section 5136 since it was difficult as a legal matter to construe the purchase of stock in a corporation as a contribution and not as an investment.

Governor Shepardson indicated that he was inclined to take the same position on this question as that expressed by Governor Mills. He believed that, where the problem of affording protection to the bank was concerned, the problem ran more to the matter of its loan commitment, which the Board had decided in 1955 was within practical limits though on technical grounds objectionable.

Mr. Hackley, in a reference to the comment made by Governor Mills, commented that Congress had specifically authorized contributions of the kind under discussion by national and State member banks in 1954 with respect to the Federal National Mortgage Association but that no specific authorization had been given to the type of contribution involved in the present instance. He also noted that, although national banks are
authorized by statute to make contributions to such companies, so far as State member banks are concerned, there are variations in State laws in this connection.

A discussion then ensued with respect to the comparability of State industrial development corporations and small business investment companies with respect to which Congress had also authorized investment by national and State member banks of not to exceed one per cent of their combined capital and surplus.

Mr. Hexter pointed out that inasmuch as section 302(b) of the Small Business Investment Act of 1958 specifically provides that stock of small business investment companies shall be eligible for purchase by member banks of the Federal Reserve System in an amount aggregating no more than one per cent of the bank's capital and surplus, approval by the Board of a larger than one per cent investment by member banks in stock of State industrial development corporations would place the small business investment companies at a competitive disadvantage with the State corporations.

Mr. Solomon suggested that Board consent to such investment by member banks in State corporations, if given, should be based upon two factors: (1) a writing off of the investment as a contribution expense, and (2) the relatively small size of the investment, qualifying it as a contribution.
During a further discussion, the suggestion was made that the Legal Division prepare a draft of reply to the August 25 letter from the Richmond Reserve Bank incorporating the points that (1) State member bank purchase of stock in State industrial development corporations represents merely a contribution and (2) such contributions may be charged off in line with the position taken by the Comptroller of the Currency. There being agreement with this suggestion, it was understood that such redraft would be distributed for the Board's consideration at a subsequent meeting.

Governor Szymczak withdrew from the meeting and Mr. Fauver, Assistant to the Board, entered the room during the foregoing discussion.

Proposed interchange of sites of Southgate National Bank and North Side Office of First Wisconsin National Bank (Item No. 5). Copies had been distributed of a memorandum from the Legal Division dated September 26, 1960, concerning a proposed interchange of sites of Southgate National Bank and the North Side Office of First Wisconsin National Bank, Milwaukee, Wisconsin, by First Wisconsin Bankshares Corporation of that city. Attached to the memorandum were draft letters to counsel for First Wisconsin Bankshares and to the Chicago Reserve Bank stating that the Board had concluded that under the circumstances of the present case it would interpose no objection to the proposal.

Miss Hart indicated that there were at least three ramifications of this proposal: (1) In the circumstances of the present case it was
the opinion of the Legal Division that the Board had no authority to interpose an objection to the proposed change, since by its Order dated October 9, 1957, pursuant to section 3(a) of the Bank Holding Company Act of 1956, the Board approved acquisition by First Wisconsin Bankshares of 2,950 of the 3,000 voting shares of Southgate National and did not in that Order make any reference to a ban on changing the site of that bank; (2) The Legal Division felt that it would be possible for the Board to support a requirement that whenever a holding company subsidiary bank desired to change its location it should first seek Board approval on the basis that otherwise a holding company could obtain the Board's permission to establish a bank in an isolated community where banking facilities were badly needed and subsequently move the bank to another community where the Board would have clearly refused it permission to acquire a bank in the first place; and (3) It was impossible to predict how many applications for relocation the Board would receive should it require prior approval of the kind indicated. Miss Hart went on to say that the draft of reply to counsel for First Wisconsin Bankshares specifically pointed out that "under the circumstances of the present case" the Board would interpose no objection to the change, clearly implying that, should First Wisconsin Bankshares subsequently desire to move the Southgate bank again and receive the consent of the Comptroller of the Currency for such a move, it would still be possible for the Board to object because of its obligation to consider competitive factors and the needs and convenience of the community under the terms of the Bank Holding Company Act.
Mr. Hexter said that, in the view of the Legal Division, should Southgate receive the consent of the Comptroller to move to yet another location despite Board objection thereto, it was probable that an objection by the Board would not be upheld in the courts.

Governor Mills said that he believed the Bank Holding Company Act should be amended to plug the obvious loophole revealed in the present case. Even though section 5(a) of the Act gave the Board the power to make an administrative determination of this question, he was fearful that closing the loophole in this fashion would cause the Board to be charged with an arbitrary expansion of its authority beyond the context intended by Congress in passing the law. With respect to Congressional intent in this area, he referred to the failure of the Board so far to persuade Congress to amend the Bank Holding Company Act so as to permit the Board to deny or approve applications of subsidiary banks of bank holding companies to establish branches. Should the Board attempt to solve the problem presented in the instant case by means of administrative determination under section 5(a), this would in effect preempt the authority of the Comptroller where national banks were concerned. In making these comments, Governor Mills noted that he also had in mind the current civil action against the Board by The Continental Bank and Trust Company, Salt Lake City, Utah, to set aside its administrative order of July 18, 1960, issued under the terms of Regulation H, Membership of State Banking Institutions in the Federal Reserve System. He suspected
that the same sort of situation would also eventuate should the Board attempt to settle the present case by administrative determination.

Mr. Hackley said that the Legal Division was aware of the difficulty referred to by Governor Mills, but he believed that the Board would be on sound ground in making an administrative determination with respect to establishing prior approval by the Board as a condition for future relocations of subsidiaries of bank holding companies. He pointed out that any such condition with respect to relocation of banks thus acquired by holding companies would not apply to existing subsidiaries previously acquired by them.

Governor Robertson said that he felt the Board should abide by the letter of the law and not read into it authority that he believed was not there. He suggested that the reply to counsel for First Wisconsin Bankshares simply state that the Board’s approval of the holding company’s proposal is not required. With respect to the Board’s policy on future instances of this sort, he suggested that orders concerning acquisition by bank holding companies of bank subsidiaries henceforth include a reference to the necessity for the holding company to obtain prior Board approval for any contemplated change in location of such subsidiary.

Governor Robertson went on to say that it might be advisable to publish in the forthcoming Annual Report of the Board a recommendation to Congress to amend the Bank Holding Company Act to provide specific authorization to the Board to disapprove a change in location of any holding company subsidiary without prior Board approval even if a national bank was involved.
In the discussion that followed, Governor Mills reiterated his belief that there should be no change in the Board's orders in bank holding company cases with respect to changes in locations of subsidiary banks of bank holding companies. Since this was an infrequent matter, he felt that Congress should be given an opportunity to remedy this loophole in the law.

Recalling the recommendations made to Congress by the Board in 1958 and 1959 as to desirable changes in the Bank Holding Company Act and reference thereto in the Annual Reports for those years, Mr. Hackley noted that the Association of Registered Bank Holding Companies was on the verge of submitting a report to the Board that would recommend certain changes in the Act. He indicated that upon receipt of that report, the Legal Division would be prepared to submit for the Board's consideration drafts of possible changes in the Bank Holding Company Act.

The letter to counsel for First Wisconsin Bankshares Corporation, Milwaukee, Wisconsin, stating that Board approval of the holding company's Proposal for interchange of the sites in question was not required was then approved in the form of attached Item No. 5. In taking this action, it was understood that further consideration would be given to the inclusion in any future order that the Board might issue approving the acquisition of shares by a bank holding company of a provision that would preclude a change in site of the bank to be acquired without obtaining the Board's approval.
Miss Hart withdrew from the meeting at this point.

Absorption by Florida banks of intangible personal property tax on bank deposits (Item No. 6). There had been distributed under date of September 26, 1960, a memorandum from Mr. Hooff concerning the question whether absorption by Florida banks of the State's intangible personal property tax on bank deposits is an indirect payment of interest.

Mr. Hooff referred to the decision reached at the meeting on April 28, 1960, to send for comment by the Federal Deposit Insurance Corporation and the Comptroller of the Currency copies of a proposed reply to an inquiry of March 4, 1960, from the Florida Bankers Association on this question, preparatory to joint discussion of this matter with those agencies. The proposed reply had taken the position that, since the Florida statute did not require the banks pay these taxes, the absorption by a member bank in Florida of the intangible personal property 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 therefore should be considered a payment of interest within the meaning of section 19 of the Federal Reserve Act. Mr. Hooff recalled further that the reason for the procedure followed by the Board in sending its proposed reply for comment by the Federal Deposit Insurance Corporation and the Comptroller of the Currency was that the Corporation had already adopted a liberal position on this question when it was directed to them by the Florida Bankers Association and that the purpose of arranging a meeting
of the three Federal bank supervisory agencies was to attempt to get a uniform approach on this question.

Mr. Hooff went on to say that a meeting was held on September 9, 1960, at which a full discussion of all aspects of the question took place, but that the Federal Deposit Insurance Corporation and Comptroller's representatives were unmoved by arguments presented by the Board's staff in favor of the position taken by the draft reply that had been considered by the Board on April 28. Mr. Hooff said that some members of the Legal Division continued to lean toward the strict position reflected by the draft reply that had been submitted to the two supervisory agencies, but other members were inclined, particularly in the light of the Federal Deposit Insurance Corporation's position, to favor the liberal view reflected in an alternative reply which would state that "for the sake of uniformity and to avoid individual decisions based upon the wording of particular State laws" the Board had concluded that absorption by a member bank of the Florida intangible property tax would not constitute a payment of interest "regardless of whether the tax is levied against the bank or the depositor."

Governor Mills stated that in his view the decision by the Board on April 28 with respect to the question presented by the Florida Bankers Association had been correct, but since the opposite view of the Federal Deposit Insurance Corporation had been published and since the question was not important enough for the Board to take a contrary position, he
was willing to accept the alternative reply to the Florida Bankers Association as described by Mr. Hooff.

After other members of the Board indicated agreement with this view, the letter to the Florida Bankers Association replying to its letter of March 4, 1960, and stating that the Board did not consider absorption by member banks in that State of the State's intangible personal property tax on bank deposits to be an indirect payment of interest on such deposits within the purview of section 19 of the Federal Reserve Act, was approved unanimously. A copy of this letter is attached hereto as Item No. 6. In taking this action, it was understood that the Board's answer to this question would be published in the Federal Register and in the Federal Reserve Bulletin.

The meeting then adjourned.
CONFIDENTIAL (FR)

September 28, 1960.

Dear Sir:

Under the amendment of September 13, 1960, to the Loss-Sharing Agreement of the Federal Reserve Banks, the Board of Governors has approved a series of shipments of Federal Reserve notes from Washington to Salt Lake City to be stored in the vault of the Reserve Bank Branch.

Six shipments will be made, in all probability between October 1 and November 30, in accordance with the enclosed schedule. The notes will be shipped by registered mail at special rates.

Very truly yours,

Merritt Sherman
Secretary

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS AND TO ALL FEDERAL RESERVE AGENTS.
CONFIDENTIAL (F)

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, effective this date through December 31, 1960, at the rate indicated, which is the rate fixed by your Board of Directors as reported in Mr. Potterson’s letter of September 12, 1960:

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>Annual Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beyrl E. Howard</td>
<td>Assistant Cashier</td>
<td>$12,000</td>
</tr>
</tbody>
</table>

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.
September 28, 1960

Attention Mr. C. C. Fleming,
Deputy Comptroller of the Currency.

Dear Mr. Comptroller:

Reference is made to a letter from your office dated July 6, 1960, enclosing copies of an application to organize a national bank at Louisa, Kentucky, 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 Cleveland indicates favorable findings with respect to the proposed capital structure and management of the bank. It appears that modest earnings might be realized by the bank. At the present time, Louisa is served by one bank with a very modest volume of business and there does not appear to be sufficient need for another commercial bank at this time. 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.
Comptroller of the Currency,
Treasury Department,
Washington 25, D. C.

Attention Mr. C. C. Fleming,
Deputy Comptroller of the Currency.

Dear Mr. Comptroller:

Reference is made to a letter from your office dated June 28, 1960, enclosing copies of an application to organize a national bank at Warr Acres, Oklahoma, 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 Kansas City indicates that the proponents have agreed to provide a capital structure of $500,000 for the bank instead of $400,000. According to information submitted, the investment in fixed assets of the bank may aggregate about $250,000, in which event, it is believed that $600,000 in capital funds would be more appropriate. The prospects for profitable operations and needs of the community are favorable and it is indicated that arrangements will be made for competent management. Accordingly, the Board of Governors recommends approval of the application provided arrangements are made for capital and management satisfactory to your office.

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.
Mr. Allen M. Taylor,
Foley, Sam mond & Lardner,
735 North Water Street,
Milwaukee 2, Wisconsin.

Dear Mr. Taylor:

This refers to your letter of August 17, 1960, addressed to Mr. Frederic Solomon, which enclosed a copy of a letter addressed to the Federal Reserve Bank of Chicago regarding a proposed interchange of the banking sites of the Southgate National Bank and the North Side Office of the First Wisconsin National Bank in Milwaukee, Wisconsin.

After reviewing these materials, together with the applicable statute and regulations, the Board has concluded that, under the circumstances of the present case, its approval of the proposal is not required.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.
Mr. Floyd Call,
Executive Vice President,
Florida Bankers Association,
203 North Main Street,
Orlando, Florida.

Dear Mr. Call:

This refers to your letter of March 4, 1960, addressed to Chairman Martin, regarding the question whether the payment, by banks in Florida that are members of the Federal Reserve System, of the State's intangible personal property tax on bank deposits would be an indirect payment of interest on such deposits within the purview of section 19 of the Federal Reserve Act.

The Board has heretofore considered other State laws which specifically require or permit all banks to pay such taxes in the first instance, although the banks may, if they wish, obtain reimbursement from the depositors. In those cases, the Board has taken the position that payment of the tax by a member bank would not constitute an indirect payment of interest on deposits.

The Florida statute does not require, or apparently even contemplate, that banks will pay these taxes and, therefore, may not seem closely analogous to the statutes considered previously. However, there is very little difference between a bank being required to pay the tax but not demanding reimbursement and a bank voluntarily paying the tax and also not seeking reimbursement. Therefore, for the sake of uniformity and to avoid individual decisions based upon the wording of particular State laws, the Board has concluded that the absorption by a member bank of intangible personal property tax upon a bank deposit should not be considered a payment of interest on such deposit within the meaning of section 19 of the Federal Reserve Act regardless of whether the tax is levied against the bank or the depositor.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.