FR 609
Rev. 10/59

Minutes for October 5, 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

Minutes of the Board of Governors of the Federal Reserve System on Wednesday, October 5, 1960. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary
Mr. Hackley, General Counsel
Mr. Farrell, Director, Division of Bank Operations
Mr. Solomon, Director, Division of Examinations
Mr. Masters, Associate Director, Division of Examinations
Mr. Hexter, Assistant General Counsel
Mr. Hooff, Assistant General Counsel
Mr. Nelson, Assistant Director, Division of Examinations
Mr. Goodman, Assistant Director, Division of Examinations
Mrs. Semia, Technical Assistant, Office of the Secretary
Mr. Young, Assistant Counsel

Discount rates. The establishment without change by the Federal Reserve Bank of Boston on October 4, 1960, of the rates on discounts and advances in its existing schedule was approved unanimously, with the understanding that appropriate advice would be sent to that Bank.

Report on competitive factors (Bedford-Roanoke, Virginia). A memorandum dated September 30, 1960, from the Division of Examinations had been distributed submitting a draft of report to the Comptroller of the Currency on the competitive factors involved in a proposed merger of The Peoples National Bank of Bedford, Bedford, Virginia, into The First National Exchange Bank of Roanoke, Roanoke, Virginia.

In discussion, Governor Mills expressed the opinion that the effect of the proposed merger on competition had not been brought out strongly enough in the conclusion of the report, following which Governor Robertson commented that after the merger the remaining independent bank in Bedford would be competing with a branch of a much larger institution. Thus, it appeared that the Roanoke bank, through its Bedford branch, would have a substantial competitive advantage. Two small but good banks in Bedford were meeting the needs of the community satisfactorily, and he saw no need for a large institution to establish an office in the area. In the circumstances, he felt that the competitive situation in the Bedford area should be spelled out more clearly in the report.

After further comments to the same effect, the Division of Examinations was requested to revise the proposed report along the lines indicated prior to further consideration of the matter by the Board.

Common trust fund advertising and publicity (Item No. 1). There had been circulated to the Board a memorandum from Mr. Masters dated August 15, 1960, relating to an inquiry from the Federal Reserve Bank of Philadelphia concerning the provisions of section 17(a) of Regulation F, Trust Powers of National Banks, which prohibit publication of certain data regarding common trust funds. Submitted with the memorandum was a draft of possible reply that would in effect reaffirm a 1955 ruling of the Board on the same question, that ruling having embodied the traditional and conservative approach to the subject. The proposed

reply would state that a review of the Board's common trust fund regulation and related administrative interpretations, both on the basis of the restrictions imposed and the concepts underlying the purpose and use of common trust funds, would suggest no reason to alter the provisions of section 17(a) or 17(c)(3) of Regulation F prohibiting the publicizing of earnings of a common trust fund or the value of the assets thereof.

The memorandum from Mr. Masters spoke of the strong interest of the Trust Division of the American Bankers Association, regarding the advertising and publicity question, and described changing conceptual attitudes that made it seem probable that the Board would soon be formally petitioned to liberalize pertinent provisions of its Regulation. Views on those conceptual questions had been obtained from the Reserve Bank Presidents and from trust institutions operating common trust funds, and it was thought that the views of the Trust Division would be helpful to the Board's staff in studying the advertising and publicity question. Therefore, Mr. Masters recommended that, prior to final action on the draft reply, the Board inform the Trust Division of the position proposed to be taken and invite its comments. A draft of letter to the American Bankers Association reflecting that recommendation was attached to the memorandum.

Mr. Masters reviewed the regulation of common trust funds by the Board and the relationship between Regulation F and section 584 of the Internal Revenue Code, which grants exemption from Federal income taxation

to common trust funds as therein defined. He spoke of opinions voiced by some trust officers in the past few years concerning the desirability of liberalizing the concepts underlying Regulation F, and the fact that certain proposals were now under consideration by the staff. Since it would seem desirable to treat those proposals and the publicity question as a package, he thought it advisable to obtain comments from the American Bankers Association before the Board issued any interpretation.

The letter to the American Bankers Association, a copy of which is attached as Item No. 1, was then approved unanimously.

Mr. Noyes, Director, Division of Research and Statistics, joined the meeting during the foregoing discussion.

Virginia industrial development corporations. On September 28, 1960, the Board considered a draft of reply to an inquiry from the Federal Reserve Bank of Richmond as to whether State member banks might be permitted to participate in the organization of industrial development corporations, authorized under a recently enacted Virginia statute, to the extent of making reasonable contributions toward the capitalization of such corporations.

It appeared that under the Virginia law a bank may become a "member" of only one such corporation, and may not withdraw for a period of two years. Membership would carry an obligation to make loans to the corporation up to 2 per cent of the bank's capital and surplus, and a bank becoming a member could acquire stock of the corporation up to .2 of one per cent of the bank's capital and surplus. It was expected that the

Comptroller of the Currency would permit national banks to participate in the organization of Virginia industrial development corporations, since he had ruled favorably with respect to similar organizations in other States.

On the basis of the discussion at the September 28 meeting, the staff had been requested to prepare a revised draft of reply to the inquiry from the Richmond Bank, and such a draft had been distributed.

The revised draft stated that the Board was in sympathy with the objective of the Virginia industrial development corporations; that the Board questioned the wisdom and propriety of a commercial bank, operating with depositors' funds, entering into a long-term commitment to make loans, even in a small amount, irrespective of what might be the nature of the loan or the condition of the borrower at the time the loan was made; but that the Board had not disapproved of bank membership in corporations of this type provided membership did not extend to more than one such corporation. The Board recognized that there might be situations where a worth-while civic service would be served by a member bank contributing to the initial capitalization of such corporations. Therefore, the Board would have no objection to a member bank making a contribution to such a corporation and taking stock as evidence of its contribution, provided the amount was such in relation to the size and earning capacity of the bank that it might reasonably be regarded as a legitimate advertising or business expense, and provided

any stock so received was not carried on the books of the bank as an asset. This position, however, was based on the assumption that a member bank would not make such a contribution to more than one such corporation.

Mr. Hackley said the Legal Division believed that the proposed position in regard to a member bank accepting stock would constitute a violation of the provisions of section 5136 of the Revised Statutes and section 9 of the Federal Reserve Act. The Division felt, however, that there was no reason why member banks should not make contributions to such corporations. He noted that insofar as the acceptance of stock was concerned, the position taken in the draft of letter now before the Board would represent a reversal of the position taken by the Board in 1955 to the effect that member banks could not purchase stock of a similar development corporation in North Carolina. Also, since the proposed ruling presumably would be published, it would tend to create a precedent for future cases, even though the circumstances might not be exactly the same. In other instances in which Congress had deemed it desirable for banks to contribute to the capitalization of lending agencies, such as the Federal National Mortgage Association and small business investment companies, it had so provided in the pertinent legislation. The present situation was complicated, of course, by the fact that the Comptroller of the Currency might be expected to take the position that national banks could accept stock of Virginia industrial development corporations.

Governor Robertson suggested that, in order to permit banks to help in this worth-while cause but avoid condoning violation of the law, the Board might allow State member banks to contribute to the capital of the corporations if they did not accept stock in return. Acceptance of stock would place the contribution in the light of an investment; if banks wished to make a contribution, he thought they should do so in fact and not just in form, by refraining from taking the stock. If the Board felt that stock purchases violated the law, it should not allow them, regardless of what position was taken by the Comptroller of the Currency.

Governor Robertson also expressed the view that, if the Board allowed State member banks to purchase stock in Virginia industrial development corporations, it should reverse the ruling it made in 1955 relative to the purchasing of stock in the Business Development Corporation of North Carolina.

Governor Mills said that he was content with the revised draft of letter. Although he did not challenge the literal interpretation of the law that Governor Robertson and Mr. Hackley had cited, he considered that what was in question here was technically a contribution, which was lawful. It was difficult for him to find fault with it simply because the receipt for the contribution was not a receipt for money but was in the form of a stock certificate that was not carried on the bank's books as an asset. Nor was he fearful that a favorable decision would trouble the Board in the future. Since the Board and the Comptroller of the

Currency were confronted with the same situation, he thought that a problem of public relations would arise if the Board should take a different position from that of the Comptroller and that the Board would be charged with being picayunish in its stand.

Governor Shepardson expressed concern about issuing an interpretation contrary to the advice of the Legal Division, and said he thought that possibly the suggestion of Governor Robertson was the closest the Board could come to a favorable decision.

Mr. Hackley commented that a practical difficulty would arise in drawing a line in the future between a purchase of stock in an amount that would be regarded as a contribution and one that could not be so regarded. At Governor Robertson's request, he then described the provisions of law governing bank subscriptions to the capital of the Federal National Mortgage Association and small business investment companies, and also the provisions of paragraph 7 of section 5136 of the Revised Statutes, prohibiting national banks from purchasing corporate stock, and paragraph 8, permitting them to contribute to civic organizations.

Governor Mills observed that although the legislation establishing the Federal National Mortgage Association referred to "contributions," actually a bank is compelled to accept stock of the Association if it wishes to participate in this activity of national scope. He went on to

say that, according to the approach suggested by Governor Robertson, banks would be making a contribution in a vacuum, so to speak, if the stock of the industrial development corporation for which they subscribed was not actually issued. As he recalled the statute, the Virginia industrial development corporations were to be true corporations, with stock and all the standing of any other corporation.

Governor Robertson suggested that Governor Mills' point might be met by having the shares that would have been issued to bank subscribers issued instead to some charitable institution. If the bank's subscription was really a contribution, he said, the corporation would get exactly the amount of funds that it would have received if stock had been issued to the bank.

In the course of further discussion it was pointed out that the reasonableness of the contribution was a factor that the Comptroller of the Currency apparently would leave to the judgment of national banks, presumably on the theory that paragraph 8 of section 5136 of the Revised Statutes, allowing national banks to make contributions to civic and charitable organizations, was the controlling law, rather than paragraph 7 of the section, which prohibits purchases of stock.

Governor Szymczak said his problem in considering the case was that national banks would be permitted to do something that was not permitted to State member banks. The purpose of the industrial development

corporations was to help the Virginia economy, and a healthy economy would benefit State banks as well as national banks.

Governor King reviewed various elements in the situation--the Virginia law, the position of the Comptroller of the Currency, and the light in which State member banks would be placed if they were not allowed to purchase stock in the corporations while national banks were so allowed. He was apprehensive that the Board would lose stature with State member banks if it did not allow them to do what national banks were allowed to do, and there were already a number of factors discouraging State banks from becoming members of the Federal Reserve System. Therefore, he agreed with the revised draft of letter. He thought the Board should consider the over-all effect of a decision one way or the other. If the Board adopted Governor Robertson's suggestion, technical compliance with the statute might be achieved, but he doubted that the Board would be dispensing real justice.

Chairman Martin expressed the view that the real problem was whether the Board could in effect rewrite the law. Regardless of the Comptroller's position, he would not like to see the Board overrule the position of its Counsel, in which it was understood Counsel for the Federal Reserve Bank of Richmond concurred, unless the Board had real justification.

After further discussion of the bearing of various provisions of law on the situation, Governor Szymczak inquired whether the question had been taken up with the Comptroller of the Currency and with the Federal

Reserve Bank of Richmond to the extent that there was no further area to explore in the interest of obtaining a uniform interpretation of the law. The resulting discussion indicated that it had been assumed that the Comptroller would rule in the present case in the same manner as with respect to a similar statute in Kentucky. However, it appeared that he had not yet actually taken a formal position on the Virginia statute.

In the circumstances, a decision was deferred and it was understood that the matter would be brought back to the Board after consultation by the staff with the Office of the Comptroller of the Currency and with the Federal Reserve Bank of Richmond.

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:

	Item No.
Letter to Fidelity-Philadelphia Trust Company, Philadelphia, Pennsylvania, approving an investment in bank premises.	2
Letter to The Elyria Savings & Trust Company, Elyria, Ohio, approving an extension of time to establish a branch on West Street.	3

Application of Deposit Guaranty Bank & Trust Company. A memorandum dated September 15, 1960, from the Division of Examinations had been circulated, along with other appropriate papers, in connection with a request for the Board's consent to the proposed merger of Bank of Hazlehurst, Hazlehurst, Mississippi, into Deposit Guaranty Bank & Trust Company, Jackson, Mississippi,

and for permission to establish a branch of the resulting bank at the present site of the Bank of Hazlehurst. The Federal Reserve Bank of Atlanta had recommended approval of the merger, but the Division of Examinations recommended disapproval.

Governor King stated that he would abstain from participation in the discussion and the vote on the proposed merger because his personal banking connection was with Deposit Guaranty Bank & Trust Company.

Governor Mills stated that he concurred in the recommendation of the Division of Examinations. If that should be the Board's position, however, he thought the letter conveying that decision should not encompass the banking factors involved. There could be honest opinions on both sides of the question, and if the Board's decision should be contested, expressions on the banking factors could involve the Board in any number of difficulties. In his opinion, there was ample basis for denying the proposal on the public interest and competitive factors. An especially significant fact, he thought, was that Deposit Guaranty Bank & Trust Company was ambitiously working to expand its field of operations, both directly and through ownership by its officers and directors of shares in other and smaller banks.

Governor Robertson expressed concurrence with the recommendation for disapproval of the merger.

Governor Shepardson stated that he had found this a difficult case. Apparently, there had been a good deal of effort by Deposit Guaranty to gain a dominant position. On the other hand, because he knew the problems

of obtaining capital in the South and the need for institutions large enough to handle the requirements of the area, he had been glad to see some institutions grow sufficiently large to satisfy those credit demands. His first inclination had been to go along with the Reserve Bank and favor the proposed merger, but he thought the limitation of competition in this case, where Deposit Guaranty was gaining a strongly dominant position, was what the merger law was intended to avoid. Therefore, he would concur with the recommendation of the Division of Examinations.

Governor Szymczak also expressed agreement with the staff recommendation.

Chairman Martin stated that while this was a difficult case from the broad standpoint of the public interest, he thought that at the present time the Board should lean over backward to avoid rewriting the law. He then suggested that the Board indicate to the Federal Reserve Bank of Atlanta that it was considering disapproval and ask the Bank if it had any further views to present.

Mr. Solomon pointed out that attorneys representing the Merchants and Planters Bank of Hazlehurst, Mississippi, had requested a hearing to present evidence in opposition to the proposed transaction. However, if the Board should decide to deny the merger application, the hearing would not be necessary. He also recalled that in a recent case involving denial of a merger application, the Board did not ask the Reserve Bank concerned whether it wished to present further views in support of its favorable recommendation.

There was a discussion as to whether the previous case had set a pattern, and the consensus indicated that it had not, it being expected that the decision on consulting the Reserve Bank concerned would be made on a case-by-case basis.

Thereupon, it was agreed to follow Chairman Martin's suggestion and provide the Federal Reserve Bank of Atlanta an opportunity to submit additional information if it so desired.

Acquisition of shares of nominee company (Item No. 4). With a letter dated September 15, 1960, the Federal Reserve Bank of New York transmitted a letter from Chemical International Finance, Ltd., New York, New York, requesting the Board's consent for the corporation to purchase and hold the capital stock of Chembank Nominees, Ltd., a corporation to be formed under British law for the sole purpose of acting as a securities nominee for the London branch of Chemical Bank New York Trust Company, the parent company of Chemical International Finance, Ltd. A draft of reply granting such consent had been circulated.

After a brief discussion, the letter was approved unanimously; a copy is attached as Item No. 4.

Mr. Hexter withdrew from the meeting at this point.

Eligibility of Associated Hospital Service of Philadelphia to maintain savings account (Item No. 5). In a letter dated September 9, 1960, the Federal Reserve Bank of Philadelphia submitted to the Board an inquiry from Fidelity-Philadelphia Trust Company, Philadelphia, as to the

eligibility of the Associated Hospital Service of Philadelphia, operators of Blue Cross and Blue Shield plans providing hospital and medical-surgical benefits, to maintain a savings account under the provisions of section 1(e) of Regulation Q, Payment of Interest on Deposits. The letter stated that, when told of the view of the Board's Legal Division that the Association would be regarded as being in the same category as a mutual insurance company and hence not eligible to maintain a savings account, the Association asked that a formal ruling be obtained. The request was based largely on the fact that Association was incorporated under a special Pennsylvania statute known as The Nonprofit Hospital Plan, which declares that any such corporation is a charitable and benevolent institution.

A memorandum dated September 28 from Mr. Hooff, which had been circulated, outlined the contentions underlying the opinion of Fidelity-Philadelphia Trust Company and of Counsel for the Federal Reserve Bank of Philadelphia that the Association was eligible to maintain a savings account. Regardless of those contentions, the Board's Legal Division was of the opinion that the Association was similar to other mutual insurance plans that the Board had held to be ineligible to hold savings accounts in member banks. The matter had been discussed with the Assistant General Counsel of the Federal Deposit Insurance Corporation, who concurred with that conclusion from the standpoint of the regulations of the Corporation relating to insured nonmember banks. A draft of letter was attached to the memorandum informing

the Federal Reserve Bank of Philadelphia that in the Board's opinion Associated Hospital Service of Philadelphia was not eligible to maintain a savings account.

After discussion, the letter, a copy of which is attached as Item No. 5, was approved unanimously.

Messrs. Hackley, Masters, Hooff, and Nelson then withdrew from the meeting.

Program of fellowship awards. Chairman Martin referred to the report made yesterday by representatives of the Federal Reserve Bank of Chicago regarding that Bank's program of fellowship awards to graduate students, and to his statement at the time that the Board would consider whether copies of the Bank's written report, which formed the basis for the presentation, should be sent to the Presidents of all Federal Reserve Banks for their information.

After discussion, it was agreed that this should be done.

Call for condition reports. Information had been received yesterday from the Office of the Comptroller of the Currency that the Comptroller would make a call on all national banks on October 7, 1960, for reports of condition as of the close of business October 3, 1960, and in accordance with the usual practice a telegram had been sent to the Federal Reserve Banks indicating that a similar call should be made upon all State member banks.

The sending of the telegram was ratified by unanimous vote.

The meeting then adjourned.

Secretary's Note: Governor Shepardson today approved on behalf of the Board acceptance of the resignation of C. Lavon Watson, Statistical Assistant, Division of Research and Statistics, effective October 9, 1960.

Secretary

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

Item No. 1
10/5/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 5, 1960

Mr. Robert G. Howard, Secretary,
Trust Division,
The American Bankers Association,
12 East 36th Street,
New York 16, New York.

Dear Mr. Howard:

There has been presented to the Board an inquiry relative to the provisions affecting common trust fund advertising and publicity contained in Section 17(a), Regulation F, specifically concerning the applicability of such provisions to the publication of details of the earnings and unit values of a bank's common trust fund in its annual report to its shareholders.

Collateral to this specific inquiry is the suggestion that the reasons for and purpose of the subject provisions be re-examined in the light of prinicples underlying the authorization of common trust funds and their administrative experience.

The Board is considering the subject matter of this question and has before it a possible response which would be consistent with the views previously expressed by the Board on this subject, and along the lines indicated in the enclosed copy of a memorandum currently prepared for Board consideration. In view of observations and suggestions which have recently been made by spokesmen of the Trust Division relative to various features of the common trust fund regulation, including the Section 17(a) provisions concerning advertising and publicity, you may wish to comment on the views expressed in the memorandum referred to. If so, the Board would welcome such comments.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

Enclosure

October 5, 1960

MEMORANDUM

Inquiry has been made relative to the provisions of Section 17(a) Regulation F which prohibit publicizing of certain data related to the administration of common trust funds; specific reference is made in the inquiry to publication of earnings and unit values of common trust funds in annual reports to shareholders of a bank maintaining such a fund, with the question raised whether publication of information of this kind in such form is prohibited by subject provisions of the Regulation.

A similar question was considered by the Board in 1955 and, in an opinion published in the February 1955 Federal Reserve Bulletin at page 142, the Board said "The word 'publish,' as used in the publicity prohibition contained in Sections 17(a) and 17(c)(3) of the Regulation, refers not only to publication in newspapers or periodicals, but to publication in any form designed to reach outside the group comprising those who ordinarily would receive periodic accountings related to administration of a common trust fund." However, in the interest of a clearer understanding of the Board's position on this question--and the reasons supporting that position--it may be helpful to restate some of the circumstances and principles underlying the authorization of common trust funds and the Board's Regulation related to their administration.

Section 584 (formerly 169) of the Internal Revenue Code, enacted in 1936, granted exemption from Federal income taxation to common trust funds as therein defined, provided they were maintained in conformity with rules and regulations of the Board of Governors pertaining to the collective investment of trust funds by national banks. In developing its regulations relative to common trust funds the Board sought to distinguish between (1) common trust funds of the kind the Board believed were intended to be covered by Section 584, and (2) investment trusts for other than strictly fiduciary purposes. Consequently, Section 17(a) of Regulation F, in reflecting the special purpose and restricted use of common trust funds, provides, in part, that:

> "The purpose of this Section is to permit the use of Common Trust Funds, as defined in Section 169 (now Section 584) of the Internal Revenue Code, for the investment of funds held for true fiduciary purposes; and the operation of such Common Trust Funds as investment trusts for other than strictly fiduciary purposes is hereby prohibited. . . . A bank administering a Common Trust Fund shall not, in soliciting business or otherwise, publish or make representations which are inconsistent with this paragraph or

"the other provisions of this regulation and, subject to the applicable requirements of the laws of any State, shall not advertise or publicize the earnings realized on any Common Trust Fund or the value of the assets thereof." (Underscoring added)

A similar prohibition, relating specifically to the contents of the required annual audit report covering a common trust fund, is contained in Section 17(c)(3) of the Regulation.

In reconsidering these provisions at this time, it first should be made clear that, throughout the period of its responsibility in this field, the Board has recognized and supported the desirability and propriety of bank advertising and publicity which announces that a common trust fund has been established and is maintained and explains its type and purpose as well as restrictions on its use; limitations on publicity have not been interpreted to inhibit trust institution representatives in the disclosure of more specific features of common trust fund operations and administration in discussions, in appropriate cases and on an individual basis, with potential trust customers.

The Board has shown similar consistency in holding to the principle that the common trust fund was not designed as an investment entity to be offered to the public for investment purposes nor to be used by trust institutions as a competitive device by which to secure additional trust business. As was stated in the Board's administrative interpretation published in 1955 and earlier referred to,

"Publicity efforts of a trust institution operating a common trust fund should be directed toward demonstrating the desirability of and need for corporate fiduciary services. Reference to the common trust fund in such publicity should be incidental to the provision of such services and should be discussed only as one medium possibly to facilitate the investment of funds held for true fiduciary purposes."

Each person to whom a periodic accounting of the trusts participating in a common trust fund would ordinarily be rendered is fully informed, through the medium of the required annual audit reports, of pertinent facts concerning the operation of the fund, including the current value of each investment held, changes in investments, income and disbursements, and the value of units of participation. It must be observed, therefore, that publication of such information, directed to those who do not have a fiduciary and/or beneficial interest in the common trust fund, can serve no purpose other than to attract new

trust business by use of the common trust fund itself as the means of solicitation. Furthermore, publicizing the fund in such manner tends to lend credence to any misconception that the common trust fund is an investment trust for other than strictly fiduciary purposes.

This review of the Board's common trust fund regulation and of related administrative interpretations, both on the basis of the restrictions imposed and the concepts underlying common trust fund purpose and use, would suggest no reason to alter the present provisions of Section 17(a) or 17(c)(3) of Regulation F which prohibit, for sound reasons it is believed, the publicizing of earnings of a common trust fund or the value of the assets thereof. As earlier interpretations of the Board have indicated, such prohibition on publicity of such data extends to publication in any form designed to reach outside the group comprising those who ordinarily would receive periodic accountings related to administration of a common trust fund. The current review of this topic likewise suggests that similar publicity given to investment holdings of a common trust fund, or to changes in investments, or to the value of units of participation, would be contrary to the intent and spirit of applicable provisions of Section 17(a).

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

Item No. 2
10/5/60

October 5, 1960

Board of Directors,
Fidelity-Philadelphia Trust Company,
Philadelphia, Pennsylvania.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Philadelphia, 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 $90,400 in bank premises by Fidelity-Philadelphia Trust Company, Philadelphia, Pennsylvania, for the purchase of ground and improvements required in the relocation of its West End office in Chester, Pennsylvania.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

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

Item No. 3
10/5/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 5, 1960

Board of Directors,
The Elyria Savings & Trust Company,
Elyria, Ohio.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Cleveland, the Board of Governors has approved an extension of time until May 1, 1961, in which The Elyria Savings & Trust Company may establish a branch on West Street just west of the intersection of Huron and Woodland Streets, Elyria, Ohio. The establishment of this branch was authorized in a letter dated September 29, 1959.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

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

Item No. 4
10/5/60

October 5, 1960

Mr. Amos B. Foy, Executive Vice President,
Chemical International Finance, Ltd.,
165 Broadway,
New York 15, New York.

Dear Mr. Foy:

In accordance with the request made in your letter dated September 12, 1960, transmitted through the Federal Reserve Bank of New York, the Board of Governors grants Chemical International Finance, Ltd. consent to purchase and hold the shares of a nominee company to be organized under British law and to be known as "Chembank Nominees, Ltd.," or such other similar name as may be required under British law, in an amount not to exceed US$1,000 (equivalent).

It is understood that the sole activity of the nominee company will be to act as a securities nominee for the London Branch of Chemical Bank New York Trust Company and that the directors, officers, and employees of Chembank Nominees, Ltd. will principally be officers and employees of the London Branch of Chemical Bank New York Trust Company.

Please advise the Board of Governors in writing, through the Federal Reserve Bank of New York, when the nominee company has been organized and furnish copies of the charter or articles of association or other authorizing instrument and by-laws, together with a list of the directors and officers.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

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

Item No. 5
10/5/60

October 5, 1960

Mr. Z. G. Fenner, Assistant Vice President,
Federal Reserve Bank of Philadelphia,
Philadelphia 1, Pennsylvania.

Dear Mr. Fenner:

This refers to your letter of September 9, 1960, forwarding letters from Fidelity-Philadelphia Trust Company requesting a ruling by the Board on the question whether Associated Hospital Service of Philadelphia is eligible to maintain a savings account. It is understood that the Association is a nonprofit corporation that operates a plan whereby hospitalization is provided for subscribers to such plan by any hospital with which the Association has a contract.

Section 1(e) of Regulation Q defines a savings deposit as a fund deposited to the credit of one or more individuals, or of a corporation, association, or other organization operated primarily for religious, philanthropic, charitable, educational, fraternal, or other similar purposes and not operated for profit.

It is urged that the Association is eligible to maintain a savings account since it is a nonprofit organization and the statute under which it is organized provides that such corporations are "hereby declared to be charitable and benevolent institutions, and all of their funds and investments shall be exempt from taxation by the Commonwealth and its political subdivisions."

There is no indication that the Association is operated for charitable purposes even though the organic Act declares it to be a charitable institution. A plan for hospital insurance and medical and surgical benefits is provided for subscribers thereto and no element of charity is present. The insurance risk in such plans is usually determined on an actuarial basis and payments by subscribers are based upon disbursements by the Association computed upon such basis and past experience. Therefore, the Board is of the

opinion that Associated Hospital Service of Philadelphia is similar to other mutual insurance plans which the Board has held to be ineligible to maintain savings accounts in member banks.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.