

Minutes for January 9, 1961

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

The image shows handwritten initials and signatures on horizontal lines next to the names of the board members. From top to bottom: a large circle with 'M' inside; 'MS'; a large, stylized signature; 'R'; 'CB'; 'S'; and 'K'.

Minutes of the Board of Governors of the Federal Reserve System on
Monday, January 9, 1961. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Thomas, Adviser to the Board
Mr. Young, Adviser to the Board
Mr. Molony, Assistant to the Board
Mr. Fauver, Assistant to the Board
Mr. Landry, Assistant to the Secretary

Messrs. Noyes, Garfield, Koch, Robinson, Brill,
Dembitz, Eckert, Gehman, Sigel, Solomon,
Weiner, Altmann, and Wernick, and Miss
Dingle of the Division of Research and
Statistics

Messrs. Marget, Furth, Hersey, Sammons, Katz,
Irvine, Wood, and Maroni of the Division
of International Finance

Economic review. The staffs of the Divisions of Research and
Statistics and International Finance presented a review of domestic and
international economic and financial developments.

At the conclusion of this presentation, all members of the staff
withdrew with the exception of Messrs. Sherman, Kenyon, Sammons, and Landry,
and the following entered the room:

Mr. Solomon, Director, Division of Examinations
Mr. Hexter, Assistant General Counsel
Mr. Hooff, Assistant General Counsel
Mr. Hostrup, Assistant Director, Division of
Examinations
Mr. Leavitt, Supervisory Review Examiner, Division
of Examinations
Mr. Thompson, Supervisory Review Examiner, Division
of Examinations

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Limited voting permit for Sottile, Inc. (Item No. 1). There had been distributed under date of January 8, 1961, a memorandum from the Division of Examinations recommending issuance to Sottile, Inc., Miami, Florida, of a limited permit to vote its stock of Pan American Bank of Miami, Miami, Florida, at the annual meeting of the shareholders of that bank scheduled to be held on January 14, 1961, provided that all actions taken with respect to increasing the capital stock of Pan American Bank were to be in accordance with plans satisfactory to the Federal Reserve Bank of Atlanta.

Following comments by Governor Robertson, unanimous approval was given to the issuance of the requested voting permit. A copy of the telegram authorizing the Federal Reserve Agent at the Federal Reserve Bank of Atlanta to issue the permit is attached as Item No. 1.

Limited voting permit for Firstamerica Corporation (Item No. 2). Distribution had been made under date of January 4, 1961, of a memorandum from the Division of Examinations recommending issuance to Firstamerica Corporation, Los Angeles, California, of a limited permit to vote its stock of Southern Arizona Bank and Trust Company, Tucson, Arizona, at the annual meeting of the shareholders scheduled to be held on or about January 10, 1961. The Federal Reserve Bank of San Francisco had recommended favorably on the application, and the Federal Reserve Bank of Dallas had stated it knew of no reason why the permit should not be granted.

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As noted in the memorandum, although Firstamerica filed with the San Francisco Reserve Bank on July 22, 1958, an application for a general permit to vote its stock of Southern Arizona Bank and Trust Company, the application was not forwarded to the Board. This was because the Board had previously requested that the Reserve Bank submit a study of banking in Arizona, with special reference to the competitive effects of the acquisition by Transamerica Corporation (predecessor to Firstamerica) of stock in Southern Arizona Bank and Trust Company; if Transamerica (or later Firstamerica) had voted its shares to terminate the existence of Southern, the Board would not have been in a position to compel divestment of that bank by the holding company if the Board decided that the acquisition of stock had violated section 7 of the Clayton Act. On April 13, 1960, the Board considered the Clayton Act aspects of the acquisition of Southern and decided that the Act was not thereby violated. However, it was agreed that the Reserve Bank should not be requested to forward Firstamerica's application for a general voting permit because of the pendency of legislation affecting bank mergers. Subsequently, such legislation was enacted. Therefore, it was the thought of the Division of Examinations that the Board might now wish to request the Reserve Bank to forward the application. In the meantime, the Division believed that issuance of a limited voting permit would be in order.

After discussion, it was agreed, pursuant to a suggestion by Governor Mills, that since the matter was not urgent the Board would defer

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a request to the San Francisco Reserve Bank to transmit the general voting permit application pending appraisal of further developments relating generally to the administration of the bank holding company and bank merger legislation. It was understood, however, that the Division of Examinations would raise with the Board again, at such time as seemed appropriate, the question of making such a request of the Reserve Bank.

The issuance to Firstamerica Corporation of the requested limited voting permit was then approved unanimously. A copy of the telegram authorizing the Federal Reserve Agent at the Federal Reserve Bank of San Francisco to issue the permit is attached as Item No. 2.

Limited voting permit for Texas Bank & Trust Company (Item No. 3).

It was the recommendation of the Division of Examinations, as made in a distributed memorandum dated January 6, 1961, that a limited permit be issued to Texas Bank & Trust Company of Dallas, Dallas, Texas, to vote the stock that it controlled of The West National Bank, West, Texas, at the annual shareholders' meeting scheduled to be held in January 1961. The Federal Reserve Bank of Dallas had recommended favorably. The Division's memorandum noted that Texas Bank became a bank holding company and a holding company affiliate during 1960 when shares in four banks were acquired through foreclosure of loans to one W. L. Bridges, Jr., his associates, and associated companies, secured by stock of the banks. Subsequently, the stock thus acquired by Texas Bank was sold to the bank's

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attorney, Mr. John B. Stigall, Jr., and at some point there were transferred to Senior Vice President Lew C. Sayers of Texas Bank a sufficient number of shares to qualify him as a director in the four banks concerned. Both Mr. Stigall and Mr. Sayers had stated, in connection with the voting permit application, that the shares held by them were actually controlled by Texas Bank. Also, Counsel for the Federal Reserve Bank of Dallas advised that Texas Bank admitted control of West National Bank for the purpose of securing the voting permit.

Texas Bank & Trust Company had also applied for a limited permit to vote the stock it controlled of the First National Bank in Richland, Richland, Texas. However, the information submitted by the applicant indicated that such a permit was not required, because Texas Bank did not control a majority of the voting shares outstanding or more than 50 per cent of the number of shares voted at the previous election of directors. The other two banks in which Texas Bank & Trust Company controlled shares were nonmember banks, so that no voting permit was required in those two cases.

Governor Mills said that although he would vote to approve issuance of the requested limited voting permit in this case, he would do so rather reluctantly. He indicated that he was also inclined to feel that the Board should act favorably on certain requests, listed on today's agenda, for determinations that the companies concerned would not be deemed to be

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holding company affiliates except for the purposes of section 23A of the Federal Reserve Act. This was because he believed that the provisions of section 23A were sufficient to control any abuses that might occur in one-bank cases and that the examining function was adequate to keep a watch over the conduct of the banks controlled. However, he was concerned about the circumstances surrounding two or three of these cases, which suggested to him a lessened sense of the moral responsibility on the part of management that should attend the ownership of commercial banks.

After a discussion for the purpose of clarifying certain points, the issuance to Texas Bank & Trust Company of a limited permit entitling it to vote the stock it controlled in The West National Bank, West, Texas, was approved unanimously. A copy of the telegram to the Federal Reserve Agent at the Federal Reserve Bank of Dallas authorizing issuance of the permit is attached as Item No. 3.

Requests of Bankers Financial Corporation and M. L. Felker, Inc.

(Items 4 and 5). Memoranda from the Division of Examinations dated January 5 and January 6, 1961, respectively, had been distributed regarding requests from Bankers Financial Corporation, Fergus Falls, Minnesota, and M. L. Felker, Inc., Avinger, Texas, for determinations that they would not be deemed to be holding company affiliates except for the purposes of section 23A of the Federal Reserve Act. It was the Division's recommendation in each instance that the determination be made.

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In discussion of these cases, Governor Mills indicated that he would approve the requests, subject to the comments he had made in connection with the granting of a limited voting permit to Texas Bank & Trust Company of Dallas. Governor Robertson stated that these cases appeared to fall within the scope of the Board's policy of making favorable determinations as a normal matter in one-bank cases in the absence of extraordinary circumstances. Therefore, despite his reservations regarding that policy, as noted on numerous occasions in the past, he felt that these two requests were eligible for approval as long as the policy was in existence.

Accordingly, the basis of Governor Robertson's vote having been noted, approval was given to letters to Bankers Financial Corporation and M. L. Felker, Inc., granting the requested determinations, it being understood that the letter to the former would be in a form reflecting a suggestion that had been made by Mr. Hooff. Copies of the letters sent to the respective companies pursuant to this action are attached as Items 4 and 5.

Requests of Jim Walter Corporation, Lovett Corporation, and The Republic Corporation (Items 6, 7, and 8). Application had been made by Jim Walter Corporation, Tampa, Florida, for a determination that it would not be deemed to be a holding company affiliate except for the purposes of section 23A of the Federal Reserve Act. The Division of Examinations had

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recommended favorably in a memorandum distributed under date of January 6, 1961, and a favorable recommendation had also been made by the Federal Reserve Bank of Atlanta. As noted in the Division's memorandum, the corporation controlled only one bank and held but a nominal number of the outstanding shares of each of two other banks. It was the opinion of the Legal Division and the Division of Examinations that operation by the applicant of various enterprises incident to the construction and sale of "shell" homes, its ownership of companies engaged in providing funds for credit sales of such homes and the servicing and collection of mortgage payments on such credit sales, and its ownership of subsidiaries engaged in the consumer finance or small loan business did not constitute exceptional circumstances warranting denial of the application.

A similar request had been received from the Lovett Corporation, Houston, Texas. Action thereon had been deferred by the Board until the Division of Examinations could obtain additional information on the possibility of an affiliation between Lovett Corporation or its subsidiary bank (Montrose National Bank of Houston) and Bank of the Southwest National Association, Houston. In a memorandum distributed under date of January 5, 1961, the Division reported that a review of the latest examination reports of Bank of the Southwest and Montrose National Bank indicated that the banks had no common officers or directors. Two of

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Lovett's three directors were directors of Montrose National Bank, but none of its directors were officers or directors of Bank of the Southwest. There was no indication that either bank was affiliated with the other, or that Lovett was in any way affiliated with Bank of the Southwest. The examination report of Montrose National indicated that Lovett's note payable to Bank of the Southwest, and secured by stock of Montrose National, was endorsed by the stockholders of Lovett on a pro rata basis of stock owned; and in this connection the Dallas Reserve Bank had advised orally that in its opinion the loan did not constitute control of Montrose National by Southwest or an affiliation between the two. Instead, it was believed that the loan probably was made to insure or gain a good correspondent relationship. In view of the results of its further investigation into this matter, the Division of Examinations renewed its recommendation that the requested determination be granted.

A request for a determination that it be deemed not to be a holding company affiliate except for the purposes of section 23A also had been received from The Republic Corporation, Houston, Texas. In a memorandum dated January 5, 1961, which had been distributed to the Board, the Division of Examinations recommended that the determination be granted.

Consideration of these three requests led to a general discussion of the philosophy embodied in the Board's policy, in effect since 1954, of making favorable determinations of this kind as a normal matter in all

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one-bank cases, but with the understanding that a determination would be declined in any extraordinary case where such action might seem necessary. The history of that policy, and some of the determinations made thereunder, had been traced briefly in the memorandum from the Division of Examinations relating to the request of Jim Walter Corporation.

During the discussion Governor Mills indicated that, although he would favor granting the requested determinations, he wished to call attention to the fact that loans by Bank of the Southwest to the Lovett Corporation and The Republic Corporation both appeared to involve situations where the lending bank had extended credit, perhaps rather loosely, for the purpose of obtaining the correspondent business of the banks controlled by the respective corporations. In the Republic case, some difficulty with the administration of the loan now seemed to be indicated.

Governor Robertson commented to the effect that although the administration of the provisions of the holding company affiliate legislation might be a rather futile operation, he remained convinced that, as long as the legislation was on the statute books, the Board's policy on one-bank cases was in the wrong direction. Over the years, he had gone along with the granting of a number of determinations in such cases, but only on the basis that a general policy had been adopted by the Board and the cases in question fell within the scope of that policy.

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After Governor Shepardson indicated that he had shared the view of Governor Robertson in considering a number of such cases, Governor Mills recounted some of the reasons that had influenced the Board to adopt its general policy relating to one-bank cases. In this connection, he brought out that it was not clear that any substantial benefits would be derived from following a more restrictive procedure.

Members of the staff then commented, beginning with Mr. Hexter, who pointed out that, by statutory definition, one-bank situations are not subject to the provisions of the Bank Holding Company Act. Therefore, when determinations such as sought in the cases now before the Board were granted, the corporations concerned were subject to neither the holding company affiliate provisions of the law (except section 23A of the Federal Reserve Act) nor the provisions of the Bank Holding Company Act. On the other hand, situations involving control by a corporation of more than one bank might fall within the purview of both statutes. Mr. Thompson commented that it was his understanding that under the Bank Holding Company Act no supervisory control of holding companies was provided except to the extent that such companies had to come to the Board for permission to expand their holdings. Therefore, the only provisions for continuing supervision were in the holding company affiliate provisions of the law, and those provisions did not confer adequate powers of supervision. Mr. Hostrup said it had been his feeling for some time that in a one-bank case the best tool of control

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was found in supervision and examination of the controlled bank. The holding company affiliate law had proven to be a weak and unhandy tool with which to work. For that reason, the Board had recommended to the Congress that the holding company affiliate provisions of the law be repealed in entirety. In this connection, Mr. Hexter commented that until such time as the Congress might act on that recommendation, the Board was obligated to administer the law to the best of its ability, recognizing that its provisions might not be particularly adequate. Mr. Hooff then reviewed briefly the history of the Board's administration of the holding company affiliate provisions of the law, particularly in relation to one-bank cases.

Governor Shepardson made certain observations with regard to the apparent futility, in terms of practical effects, of the present procedure for administering one-bank cases, following which Governor Robertson indicated that he would be willing to go along with granting the three determinations now under consideration by the Board, solely on the basis, however, that they appeared to fall within the policy that the Board had followed for several years. As previously noted, he did not feel that that policy was well founded; to the contrary, he felt that a proper reading of the language of the statute called for application of the holding company affiliate provisions of the law to one-bank cases as well as cases where more than one bank was controlled. However, since

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the one-bank policy had been in existence for several years and had been applied in a number of other cases, he would go along with favorable determinations in these particular instances.

In further discussion, question was raised as to whether the Board should reconsider its policy with respect to one-bank cases. It was noted, however, that until such time as the law might be changed, the existing policy was probably the easiest course for the Board to follow administratively. Should that policy be changed, the Board might have to go into each case extensively, and perhaps deny certain requests for determinations. Even if it did, however, there remained the question whether any substantial benefit would be derived in most cases. With respect to an application of City Commerce Corporation, Anchorage, Alaska, for such a determination, it was noted that the request had been held in a pending status for some time because of the circumstances involved. This handling of the matter appeared to the staff to be in accord with the part of the existing Board policy which indicated that, even though favorable determinations would be made as a normal matter, they might be withheld in exceptional circumstances. The unusual circumstances in the City Commerce Corporation case were now in the process of being eliminated, and it was the intention of the staff to present the matter to the Board shortly for decision. With regard to the circumstances of the Jim Walter Corporation case, it was pointed out that the proposed letter to the corporation granting the

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requested determination would contain language emphasizing that a different determination might be made if certain developments should occur. In reply to a question raised in this connection, Mr. Solomon commented that under certain conditions the inability of a holding company affiliate to vote its shares of a bank might be something of an impediment, although due to the provisions of the law this would not be true in all cases.

Thereupon, it being understood that the minutes would reflect the discussion that had taken place, the granting of the three requested determinations was approved. Copies of the letters sent to the applicants pursuant to this action are attached as Items 6, 7, and 8.

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:

	<u>Item No.</u>
Telegram to the Federal Reserve Bank of New York authorizing it to open an account in the name of Banco Central de Nicaragua.	9
Letter to James E. Cross, Esq., Los Angeles, California, expressing the opinion that a Bahamian bank would not, under circumstances such as described by Mr. Cross, be a "bank" within the meaning of section 2(c) of the Bank Holding Company Act.	10
Letter to the Chairmen of all Federal Reserve Banks regarding the biennial Conference of General Auditors to be held in the Board's offices on April 26, 27, and 28, 1961.	11

Messrs. Sammons and Thompson then withdrew from the meeting.

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Report on competitive factors (Kingsport-Bristol, Tennessee).

Copies had been distributed of a draft of report to the Comptroller of the Currency on the competitive factors involved in the proposed consolidation of The First National Bank of Kingsport, Kingsport, Tennessee, with The First National Bank in Bristol, Bristol, Tennessee.

In a discussion of the proposed report, Governor King raised certain questions with respect to the competitive situation in the area concerned, including the extent of indicated competition between the two banks planning to consolidate, and the staff commented on the information that was available from the application papers and the report that had been submitted by the Federal Reserve Bank for use in preparing the report to the Comptroller of the Currency. Governor King then stated reasons why he felt that a revision of the conclusion of the proposed report would be desirable, and suggestions were made with a view to accommodating the points that he had raised.

At the conclusion of the discussion, unanimous approval was given to the transmittal of the report to the Comptroller of the Currency in a form in which the conclusion was stated as follows:

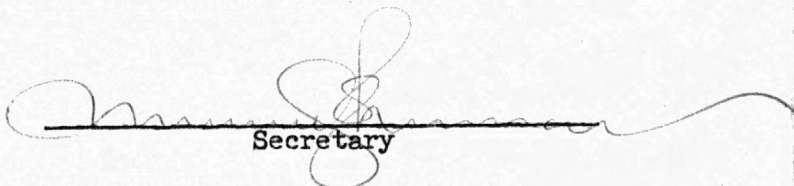
The proposed consolidation would unite two of the three largest banks in the Kingsport-Bristol area, resulting in a bank more than three times as large as any of its competitors. The continuing bank now has a dominant position in Kingsport and would obtain a dominant position in Bristol as well as the over-all Kingsport-Bristol area.

The meeting then adjourned.

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Secretary's Note: Pursuant to the recommendation contained in a memorandum dated January 4, 1961, from Mr. Marget, Director, Division of International Finance, Governor Shepardson today approved on behalf of the Board the transfer of Alma Davita Clift from the position of Stenographer in the Division of Examinations to the position of Secretary in the Division of International Finance, with no change in her basic annual salary at the rate of \$4,675, effective January 9, 1961.



Secretary

TELEGRAM
LEASED WIRE SERVICE

Item No. 1
1/9/61

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON

January 9, 1961

MITCHELL - ATLANTA

KECEA

- A. Sottile, Inc., Miami, Florida.
- B. Pan American Bank of Miami, Miami, Florida.
- C. None.
- D. At any time prior to April 1, 1961, at the annual meeting of shareholders of such bank or any adjournments thereof (1) to elect directors, and act thereat upon such matters of a routine nature as are ordinarily acted upon at the annual meetings of such bank; and (2) to take all actions necessary to increase the bank's common capital stock, provided that all actions taken in connection therewith are in accordance with plans satisfactory to the Federal Reserve Bank of Atlanta.

(Signed) Elizabeth L. Carmichael
CARMICHAEL

Definition of KECEA:

The Board authorizes the issuance of a limited voting permit, under the provisions of section 5144 of the Revised Statutes of the United States, to the holding company affiliate named below after the letter "A", entitling such organization to vote the stock which it owns or controls of the bank(s) named below after the letter "B", subject to the condition(s) stated below after the letter "C". The permit authorized hereunder is limited to the period of time and the purposes stated after the letter "D". Please proceed in accordance with the instructions contained in the Board's letter of March 10, 1947, (S-964).

TELEGRAM
LEASED WIRE SERVICE

Item No. 2
1/9/61

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BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON

January 9, 1961

WHITMAN - SAN FRANCISCO

KECEA

- A. Firstamerica Corporation, Los Angeles, California.
- B. Southern Arizona Bank and Trust Company, Tucson, Arizona.
- C. None.
- D. At any time prior to April 1, 1961, at the annual meeting of shareholders of such bank, or any adjournments thereof (1) to elect directors and to act thereat upon such matters of a routine nature as are ordinarily acted upon at the annual meetings of such bank; and (2) to amend the bylaws of such bank in order to change the date of the annual meeting of shareholders from the second Wednesday in January of each year to approximately January 27 of each year STOP Please forward copy of permit issued by your Bank to the Dallas Reserve Bank.

(Signed) Merritt Sherman

SHERMAN

Definition of KECEA:

The Board authorizes the issuance of a limited voting permit, under the provisions of section 5144 of the Revised Statutes of the United States, to the holding company affiliate named below after the letter "A", entitling such organization to vote the stock which it owns or controls of the bank(s) named below after the letter "B", subject to the condition(s) stated below after the letter "C". The permit authorized hereunder is limited to the period of time and the purposes stated after the letter "D". Please proceed in accordance with the instructions contained in the Board's letter of March 10, 1947, (S-964).

Item No. 3
1/9/61

T E L E G R A M
LEASED WIRE SERVICE

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON

January 9, 1961

ANDERSON - DALLAS

KECEA

- A. Texas Bank & Trust Company of Dallas, Dallas, Texas.
- B. The West National Bank, West, Texas.
- C. None.
- D. At any time prior to April 1, 1961, at the annual meeting of shareholders of such bank or any adjournments thereof to elect directors, and act thereat upon such matters of a routine nature as are ordinarily acted upon at the annual meetings of such bank. Please advise Applicant that on the basis of information furnished it controls exactly 50 per cent of the outstanding shares and exactly 50 per cent of the shares voted at the previous election of directors of First National Bank in Richland, Richland, Texas. Therefore, no voting permit is required to vote the shares it controls of that bank at its 1961 shareholders' meeting.

(Signed) Elizabeth L. Carmichael
CARMICHAEL

Definition of KECEA:

The Board authorizes the issuance of a limited voting permit, under the provisions of section 5144 of the Revised Statutes of the United States, to the holding company affiliate named below after the letter "A", entitling such organization to vote the stock which it owns or controls of the bank(s) named below after the letter "B", subject to the condition(s) stated below after the letter "C". The permit authorized hereunder is limited to the period of time and the purposes stated after the letter "D". Please proceed in accordance with the instructions contained in the Board's letter of March 10, 1947, (S-964).

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

Item No. 4
1/9/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



January 10, 1961

Mr. Walter R. Olson, President,
Bankers Financial Corporation,
Fergus Falls, Minnesota.

Dear Mr. Olson:

This refers to the request contained in your letter of December 2, 1960, submitted through the Federal Reserve Bank of Minneapolis, for a determination by the Board of Governors of the Federal Reserve System as to the status of Bankers Financial Corporation as a holding company affiliate.

The Board understands that the principal activities of Bankers Financial Corporation consist of engaging in the insurance business through partnership arrangement and holding investments in bank stocks; that Bankers Financial Corporation owns 382 of the 500 outstanding shares of stock of First National Bank in Drake, Drake, North Dakota, and 2 per cent of the stock of Security State Bank of Fergus Falls, Fergus Falls, Minnesota; and that Bankers Financial Corporation does not, directly or indirectly, own or control any stock of any other banking institution, or manage or control, any banking institution other than First National Bank in Drake.

In view of these facts, the Board has determined that Bankers Financial Corporation is not engaged, directly or indirectly, as a business in holding the stock of or managing or controlling banks, banking associations, savings banks, or trust companies within the meaning of section 2(c) of the Banking Act of 1933, as amended; and, accordingly, Bankers Financial Corporation is not deemed to be a holding company affiliate except for the purposes of section 23A of the Federal Reserve Act and does not need a voting permit from the Board of Governors in order to vote the bank stock which it owns.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Mr. Walter R. Olson

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If, however, the facts should at any time indicate that Bankers Financial Corporation might be deemed to be so engaged, this matter should again be submitted to the Board. Particularly, should future acquisitions by or activities of the corporation result in its attaining a position whereby the Board may deem desirable a determination that the corporation is engaged as a business in the holding of bank stock, or the managing or controlling of banks, the determination herein granted may be rescinded. The Board reserves the right to rescind this determination and make further determination of this matter at any time on the basis of the then existing facts.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 5
1/9/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



January 9, 1961

Raffaelli & Keeney,
312 West Fourth Street,
P. O. Box 515,
Texarkana, Texas.

Gentlemen:

This refers to the request contained in your letter of December 27, 1960, submitted through the Federal Reserve Bank of Dallas, for a determination by the Board of Governors of the Federal Reserve System as to the status of M. L. Felker, Inc., Avinger, Texas, as a holding company affiliate.

From the information submitted or available to the Board, the Board understands that M. L. Felker, Inc. is primarily engaged in the timber and pulpwood business; that the Corporation owns for investment purposes only 199 of the 250 outstanding shares of stock of the First State Bank, Avinger, Texas, and a minority interest in Old Rockland Life Insurance Company, Texarkana, Texas; and the Corporation does not, directly or indirectly, own or control any stock of, or manage or control, any banking institution other than the First State Bank.

In view of these facts, the Board has determined that M. L. Felker, Inc. is not engaged, directly or indirectly, as a business in holding the stock of or managing or controlling banks, banking associations, savings banks, or trust companies within the meaning of section 2(c) of the Banking Act of 1933, as amended; and, accordingly, M. L. Felker, Inc. is not deemed to be a holding company affiliate except for the purposes of section 23A of the Federal Reserve Act and does not need a voting permit from the Board of Governors in order to vote the bank stock which it owns.

If, however, the facts should at any time indicate that M. L. Felker, Inc. might be deemed to be so engaged, this matter should again be submitted to the Board. The Board reserves the right to rescind this determination and make further determination of this matter at any time on the basis of the then existing facts.

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. 6
1/9/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



January 9, 1961

Mr. J. B. Cordell, Vice President,
Jim Walter Corporation,
Tampa, Florida.

Dear Mr. Cordell:

This refers to the request contained in your letters of December 14, 1959, and December 29, 1960, for a determination by the Board of Governors of the Federal Reserve System as to the status of Jim Walter Corporation as a holding company affiliate.

The Board understands that Jim Walter Corporation is principally engaged in the construction of "shell" homes, and the operation of various enterprises incident to the construction and sale of such homes; that Jim Walter Corporation owns several companies engaged in the business of providing funds for credit sales of such homes and the servicing and collection of mortgage payments on such credit sales; that Jim Walter Corporation indirectly owns a number of subsidiary companies engaged in the consumer finance or small loan business; that Jim Walter Corporation owns directly 67.5 per cent of the outstanding shares of stock of First National Bank in St. Petersburg, St. Petersburg, Florida, acquired for investment purposes only, and indirectly owns minor investments in the stock of Marine Bank and Trust Company, Tampa, Florida, and Chemical Bank New York Trust Company, New York, New York; and that Jim Walter Corporation does not, directly or indirectly, own or control any stock of any other banking institution, and does not manage or control any banking institution other than First National Bank in St. Petersburg.

In view of these facts, the Board has determined that Jim Walter Corporation is not engaged, directly or indirectly, as a business in holding the stock of or managing or controlling banks, banking associations, savings banks, or trust companies within the meaning of section 2(c) of the Banking Act of 1933, as amended; and, accordingly, Jim Walter Corporation is not deemed to be a holding company affiliate except for the purposes of section 23A of the Federal Reserve Act and does not need a voting permit from the Board of Governors in order to vote the bank stock which it owns.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Mr. J. B. Cordell

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If, however, the facts should at any time differ from those set out above to an extent which would indicate that Jim Walter Corporation might be deemed to be so engaged, this matter should again be submitted to the Board. If undue use is made of the resources of the subsidiary bank for the benefit of Jim Walter Corporation or the benefit of the Corporation's subsidiary or affiliated nonbanking companies, or any officer or director thereof, the Board would consider such a development as a change in circumstances that would make continuance of this determination inconsistent with the purposes of section 2(c) of the Banking Act of 1933. The Board reserves the right to rescind this determination and make a further determination at any time on the basis of the then existing facts and circumstances.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 7
1/9/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



January 9, 1961

Mr. Ralph Schnitzer, Sr., President,
Lovett Corporation,
Houston, Texas.

Dear Mr. Schnitzer:

This refers to your request, submitted through the Federal Reserve Bank of Dallas, for a determination by the Board of Governors of the Federal Reserve System as to the status of Lovett Corporation of Houston, Texas, as a holding company affiliate.

From the information submitted, the Board understands that Lovett Corporation was organized for the sole purpose of acquiring shares of stock of Montrose National Bank of Houston, Houston, Texas; that Lovett Corporation is a holding company affiliate by reason of the fact that it owns 24,000 shares of stock of Montrose National Bank of Houston which amount is more than 50 per cent of the number of shares voted at the last election of directors of that bank; and that Lovett Corporation does not, directly or indirectly, own or control any stock of, or manage or control any banking institution other than Montrose National Bank of Houston.

In view of these facts, the Board has determined that Lovett Corporation is not engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling banks, banking associations, savings banks, or trust companies within the meaning of section 2(c) of the Banking Act of 1933, as amended; and, accordingly, Lovett Corporation is not deemed to be a holding company affiliate except for the purposes of Section 23A of the Federal Reserve Act, and does not need a voting permit from the Board of Governors in order to vote the bank stock which it owns.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Mr. Ralph Schnitzer, Sr.

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If, however, the facts should at any time differ from those set out above to an extent which would indicate that Lovett Corporation might be deemed to be so engaged, this matter should again be submitted to the Board. The Board reserves the right to rescind this determination and make a further determination of this matter at any time on the basis of the then existing facts.

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. 8
1/9/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



Mr. G. A. Godine, Jr., President,
The Republic Corporation,
Houston 2, Texas.

January 9, 1961

Dear Mr. Godine:

This refers to the request contained in your letter of November 23, 1960, submitted through the Federal Reserve Bank of Dallas, for a determination by the Board of Governors of the Federal Reserve System as to the status of The Republic Corporation as a holding company affiliate.

From the information submitted, the Board understands that The Republic Corporation is principally engaged in the origination and financing of residential units in the Houston area; that the corporation has acquired 14,937-1/2 of the 20,000 outstanding shares of stock of First National Bank in Trinidad, Trinidad, Colorado, for investment purposes only; and that the corporation does not, directly or indirectly, own or control any stock of, or manage or control, any banking institution other than First National Bank in Trinidad.

In view of these facts, the Board has determined that The Republic Corporation is not engaged, directly or indirectly, as a business in holding the stock of or managing or controlling banks, banking associations, savings banks, or trust companies within the meaning of section 2(c) of the Banking Act of 1933, as amended; and, accordingly, The Republic Corporation is not deemed to be a holding company affiliate except for the purposes of section 23A of the Federal Reserve Act and does not need a voting permit from the Board of Governors in order to vote the bank stock which it owns.

If, however, the facts should at any time indicate that The Republic Corporation might be deemed to be so engaged, this matter should again be submitted to the Board. The Board reserves the right to rescind this determination and make further determination of this matter at any time on the basis of the then existing facts.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

T E L E G R A M
LEASED WIRE SERVICEItem No. 9
1/9/61BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON

January 9, 1961

SANFORD - NEW YORK

Your wire January 5. Board approves the opening and maintenance of an account on your books in the name of Banco Central de Nicaragua subject to the usual terms and conditions upon which your Bank maintains accounts for foreign central banks and governments. It is understood that you will in due course offer participation in this account to the other Federal Reserve Banks.

(Signed) Merritt Sherman

SHERMAN

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

Item No. 10
1/9/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 9, 1961.



AIR MAIL

James E. Cross, Esq.,
O'Melveny & Myers,
433 South Spring Street,
Los Angeles 13, California.

Dear Mr. Cross:

This is in reply to your letter of December 23, addressed to the Federal Reserve Bank of San Francisco, requesting an interpretation of the Bank Holding Company Act of 1956. It is understood that your client, a Delaware corporation, proposes to acquire more than 25 per cent of the voting shares of a bank that will be organized in the Bahama Islands under a charter granted by the British Government, and that will operate banking offices solely in the Bahama Islands. It is also understood that the bank will be "engaged principally in the banking business outside the United States", within the meaning of section 4(c)(8) of the Act.

In the opinion of the Board of Governors, an institution that is organized and conducts its operations in the manner described in the preceding paragraph would not be a "bank" as defined in section 2(c) of the Bank Holding Company Act.

In any future correspondence on this subject, you are requested to identify the corporations and individuals concerned and to outline other relevant facts of the proposed arrangement.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 11
1/9/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 9, 1961.



Dear Sir:

Please be advised that the regular biennial Conference of General Auditors of the Federal Reserve Banks will be held in the Board's offices in Washington on April 26, 27, and 28, 1961.

The Standing Committee of General Auditors, in consultation with the Board's Division of Examinations, ascertained that these dates would be convenient and desirable, and the holding of the Conference in Washington at such time has been cleared with the Chairman of the Chairmen's Conference.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Merritt Sherman".

Merritt Sherman,
Secretary.

TO THE CHAIRMAN OF EACH FEDERAL RESERVE BANK
COPIES TO THE PRESIDENT OF EACH FEDERAL RESERVE BANK
AND TO EACH GENERAL AUDITOR