

The attached minutes of the meeting of the Board of Governors of the Federal Reserve System on January 11, 1961, which you have previously initialed, have been amended to correct a technical inaccuracy on page 11.

If you approve these minutes as amended, please initial below.

Chairman Martin

Governor Szymczak

Governor Mills

Governor Robertson

Governor Shepardson

Handwritten initials for each of the five individuals listed to the left. The initials are written over horizontal lines. The initials for Chairman Martin are circled. The initials for Governor Szymczak are 'MS'. The initials for Governor Mills are 'RM'. The initials for Governor Robertson are 'R'. The initials for Governor Shepardson are 'SS'.

Minutes for January 11, 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

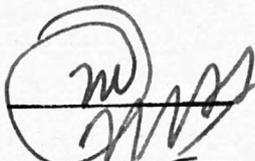
Gov. Mills

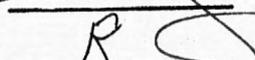
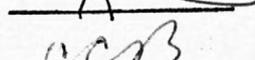
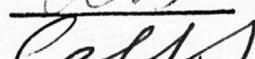
Gov. Robertson

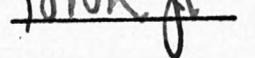
Gov. Balderston

Gov. Shepardson

Gov. King





Minutes of the Board of Governors of the Federal Reserve System on
Wednesday, January 11, 1961. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Thomas, Adviser to the Board
Mr. Young, Adviser to the Board
Mr. Fauver, Assistant to the Board
Mr. Noyes, Director, Division of Research
and Statistics
Mr. Farrell, Director, Division of Bank
Operations
Mr. Johnson, Director, Division of Personnel
Administration
Mr. Masters, Associate Director, Division of
Examinations
Mr. Hexter, Assistant General Counsel
Mr. Nelson, Assistant Director, Division of
Examinations
Mr. Benner, Assistant Director, Division of
Examinations
Mr. Landry, Assistant to the Secretary
Mr. Young, Assistant Counsel

Discount rates. The establishment without change by the Federal Reserve Banks of Boston and Atlanta on January 9, 1961, of the rates on discounts and advances in their existing schedules was approved unanimously, with the understanding that appropriate advice would be sent to those Banks.

Request by National Association of Supervisors of State Banks. In a memorandum dated January 9, 1961, copies of which had been distributed, Mr. Solomon, Director of the Division of Examinations, reported a telephone

1/11/61

inquiry from the Federal Reserve Bank of Minneapolis concerning a request by the National Association of Supervisors of State Banks that the Reserve Bank act as host at a meeting of the Third District of that Association. This would involve, among other things, providing a luncheon for ten State bank supervisors and also ten "associate members" of the Association. The memorandum noted that although the Reserve Bank had in the past sponsored meetings for the National Association, that was prior to the creation of associate memberships. The fact that the proposed meeting would include associate members therefore might raise some question as to the appropriateness of Reserve Bank sponsorship. It was indicated by the Reserve Bank that an indication of the Board's views on the question would be helpful.

In discussion of the matter, it was brought out that in 1958, following consultation with the Board, the Federal Reserve Bank of Minneapolis decided not to give a dinner on the occasion of an annual meeting of the National Association of Supervisors of State Banks held in that city, because for the first time a large number of associate members would have been included in such a dinner. Reference also was made to indications reportedly received by the Minneapolis Bank that certain other Reserve Banks had received requests to sponsor similar regional meetings in their areas, and to provide luncheons. It was understood that the reaction on the part of those Reserve Banks had been mixed. It was also understood that, on the occasion of annual meetings of the Association, the Federal

1/11/61

-3-

Deposit Insurance Corporation followed the practice of giving a breakfast for the State bank supervisors but not the associate members.

Comments by members of the Board dealt with the unusual nature of the problem posed by the enrollment by the Association of associate members and the precedent that might be created if, under such circumstances, Federal Reserve Banks acted as hosts to regional meetings of the Association and provided luncheons or dinners. However, it was suggested that a distinction might be drawn between the tendering of a luncheon on Reserve Bank premises and the tendering of a luncheon or dinner at a location outside the Reserve Bank. It was suggested, also, that some valid distinction might be made between relatively small meetings at the regional level and other meetings of the Association, such as the annual meetings, involving large attendance of supervisors and associate members.

As to the responsibility for determining, within the scope of such general views as the Board might care to express, whether particular requests of the Association should be responded to favorably or unfavorably, the view was stated that it would seem well to leave the decision to the directors of the respective Reserve Banks.

At the conclusion of the discussion, it was agreed to advise the Minneapolis Bank informally that the Board would have no strong view as to whether a Reserve Bank should provide a meeting place for State bank supervisors and their associates, or as to whether a luncheon should be included

1/11/61

-4-

in the arrangements, provided any such luncheon was given on Reserve Bank premises and the group was a relatively small one. It was also agreed that the Minneapolis Bank should be advised of the Board's view that the decision on whether to accede to requests of the National Association of Supervisors of State Banks, where the arrangements would be along the lines indicated, should rest with the directors of the individual Reserve Banks.

On the question whether a communication should be sent to all of the Federal Reserve Banks advising them of the Board's views, it was the consensus that this would not be necessary, but that there would be no objection to the Minneapolis Bank's indicating the substance of the Board's views to any other Reserve Bank if the occasion should arise. It was suggested that the fact that this question had arisen, and the substance of the Board's views expressed in reply, might be mentioned as a matter of information at the next joint meeting of the Board of Governors and the Conference of Presidents of the Federal Reserve Banks.

Mr. Solomon, Chief, Capital Markets Section, Division of Research and Statistics, joined the meeting during the foregoing discussion.

North Shore Bank of Miami Beach (Items 1 through 3). On January 5, 1961, the Board authorized the Federal Reserve Bank of Atlanta to make available for review by the United States Attorney in Miami, Florida, open sections of examination reports of the North Shore Bank, Miami Beach,

1/11/61

-5-

Florida, for the period June 11, 1947, to May 9, 1960, inclusive. The authorization was given with the understanding that the examination reports would be maintained in the custody of an examiner for the Federal Deposit Insurance Corporation during the period of their use by the United States Attorney in connection with a renewed investigation of directors and officers of the bank. Subsequently, as contemplated by the Board's action of January 5, a formal written request for such an arrangement was received from the Department of Justice under date of January 6, 1961. A memorandum from the Division of Examinations dated January 10, 1961, which had been distributed to the Board, indicated that following the Board's action on this matter the Federal Reserve Bank of Atlanta had been informed by telephone of the Board's decision. As a result of a suggestion made by the Reserve Bank in the course of the telephone conversation, the staff had drafted an additional paragraph for inclusion in the letter to the Department of Justice in reply to its letter of January 6. In substance, the new paragraph would offer to help the Department of Justice by explaining any information in the reports affecting bank affiliates or affiliate relationships which might offer possible leads in the investigation. The purpose of the memorandum was to inform the Board that upon reconsideration of the proposed additional paragraph the staff believed it should not be incorporated in the reply

1/11/61

-6-

to Justice, since it would seem to suggest a more active participation by the Federal Reserve in the investigation and prosecution of this case than had previously been contemplated. Therefore, it was the recommendation of the Division of Examinations that arrangements be made in accordance with the terms of the original authorization of the Board, and that letters reflecting that authorization be transmitted.

After a brief discussion, agreement was expressed with the recommendation of the Division of Examinations. Copies of the letters subsequently transmitted to the Department of Justice, the Federal Deposit Insurance Corporation, and the Federal Reserve Bank of Atlanta are attached as Items 1 through 3.

Messrs. Benner and Walter Young then withdrew from the meeting.

Report on residential construction. Pursuant to the understanding at the meeting on January 5, 1961, there had been distributed under date of January 10, 1961, a revised draft of the final section of a report on residential construction prepared for submission to the Subcommittee on Housing of the Senate Committee on Banking and Currency.

In discussion certain suggestions were made, principally for the purpose of clarifying statements in the report. It being indicated that the proposed changes were agreeable to the Board, the report was approved unanimously for transmittal to Senator Sparkman, Chairman of the Subcommittee.

1/11/61

-7-

Messrs. Thomas, Young, Noyes, and Solomon withdrew from the meeting at this point.

Review of Devonshire Financial Service Corporation decision. There had been circulated under date of December 20, 1960, a memorandum from the Legal Division recommending that re-examination of the applicability of section 4(c)(1) of the Bank Holding Company Act to "service" subsidiaries be postponed until the Board was confronted with an actual situation which required a decision.

The memorandum noted that on September 8, 1959, the Board considered the status under the Bank Holding Company Act of First Bancredit Corporation, a subsidiary of First Bank Stock Corporation, Minneapolis, Minnesota, engaged in obtaining and servicing consumer paper for banks in the First Bank Stock system. The Board decided not to express to First Bank Stock Corporation any explicit opinion as to the legal question involved; namely, whether First Bank Stock could retain the stock of First Bancredit under section 4(c)(1) of the Holding Company Act. Instead, the Board advised First Bank Stock that the "arrangement on a permanent basis would be undesirable in view of the extensive geographical coverage represented by offices of Bancredit". The Board interposed no objection to Bancredit continuing its operations "for not more than one year...with the understanding that within that time bona fide measures would be taken to provide for divestment by First Bank Stock Corporation of its ownership and control of Bancredit stock."

1/11/61

-8-

The purpose of the Legal Division's memorandum of December 20 was to apprise the Board of the present status of the aforementioned matter in the light of the suggestion at the September 8, 1959, meeting that there be a review of the Board's decision of April 7, 1958, permitting The National Shawmut Bank of Boston, a bank holding company, to retain the shares of Devonshire Financial Service Corporation, a subsidiary that was engaged in activities similar to those of First Banccredit Corporation. Since First Bank Stock had sold its stock of First Banccredit Corporation several months ago to independent interests, there was no longer any conflict between Board positions with respect to existing nonbank interests of the two holding company systems involved. The Legal Division continued to believe, as it did in April 1958, that although the matter was not free from doubt "the exemption in section 4(c)(1) of the Act is applicable to the shares in Devonshire Financial Service Corporation". Further, it now believed that Shawmut's retention of the shares of Devonshire was clearly permissible under section 4(c)(4) of the Act, since those shares were acquired in 1927 and section 4(c)(4) permits the retention of shares of a nonbanking corporation "lawfully acquired and owned prior to the date of enactment of this Act by a bank which is a bank holding company...". It was the conclusion of the Legal Division, based upon the foregoing, that at present no bank holding company presented a section 4(c)(1) problem with respect to a corporation of the kind involved in the

1/11/61

-9-

Devonshire and First Bancredit cases, since Bancredit had been disposed of by First Bank Stock and Shawmut's ownership of Devonshire stock apparently was permissible under section 4(c)(4) of the Act. Therefore, the Division believed that if and when such a case should arise, the Board could re-examine the problem and conclude that section 4(c)(1) was or was not applicable without discriminating against any holding company with respect to present holdings or overruling any prior determination that currently governed an existing situation.

Following comments by Mr. Hexter based on the memorandum that had been circulated to the Board, Governor Mills stated his recollection of the circumstances under which the Devonshire case was presented to and ruled upon by the Board. He then commented on the Bancredit case and pointed out the apparent inconsistency of the two decisions of the Board from the standpoint of the similarity of the activities of the subsidiary "service" corporations. With reference to the applicability of the provisions of section 4(c)(4) of the Bank Holding Company Act to the Devonshire case, an additional factor that had now been developed in Mr. Hexter's memorandum, he noted that the Board had taken the position in a recommendation to the Congress that the exemption provided by that subsection should be eliminated from the statute. In his opinion, that was an appropriate recommendation. The subsection appeared to have been included in the Act in order to accommodate one particular situation,

1/11/61

-10-

and he was troubled by the seeming conflict between that provision and the intent and purpose of the Bank Holding Company Act to require the divestment of nonbanking interests by bank holding companies. In making that exemption, it did not appear that the Congress had in mind its applicability to a situation involving an investment by a bank that was a bank holding company in a "service" subsidiary. Therefore, the question was whether the Board had authority to interpret the provisions of the Act so as to require divestment by National Shawmut Bank of its stock in Devonshire Financial Service Corporation, on the ground that the retention of the shares was in conflict with the intent and purpose of the statute. He did not think that the Board could make such a determination, and on that basis he was reconciled to an interpretation of the Act that would give National Shawmut the benefit of the exemption.

Mr. Hexter then commented that although, as pointed out, the Board had recommended repeal of the exemption, nevertheless the exemption was still provided for in the law. Further, its language seemed so flat that the Legal Division concluded that it encompassed the retention of shares of Devonshire by National Shawmut. As indicated in his memorandum, the only remaining holding company having a "service" subsidiary was National Shawmut, and in that case the Board had held that the investment was permissible. Therefore, the question was whether the Board desired to reopen the Devonshire case. The Legal Division would recommend against doing so.

1/11/61

Chairman Martin inquired whether any member of the Board would favor reopening the Devonshire case, and no comments to such effect were heard. Accordingly, it was indicated that the Board accepted the recommendation contained in the memorandum from the Legal Division.

At this point all of the members of the staff except Mr. Sherman and Mr. Johnson withdrew from the meeting.

Officer salaries at New York Reserve Bank. Governor Balderston stated that yesterday Mr. Treiber, First Vice President of the Federal Reserve Bank of New York, called on him for the purpose of discussing the salary proposals of the Bank for its officers for the calendar year 1961. Mr. Treiber brought with him a letter dated January 9, 1961, submitting a revised salary range schedule for officers, prepared subsequent to the meeting with the Board on December 2, 1960, of Chairman Reed, Deputy Chairman Hill, and Director Alexander of the New York Bank. In Governor Balderston's opinion, the new salary ranges represented an improvement over those submitted with Mr. Hayes' letter of November 10, 1960, in that the new structure would retain the present maximum for the top grade, while otherwise bringing the minimum and maximum salaries for the several grades up somewhat so that they were suitably related to each other and to the ranges for the non-officer staff.

Governor Balderston went on to say that when it came to applying these new ranges, he found himself in disagreement with Mr. Treiber. Mr. Treiber had indicated that the Bank might omit a few salary increases

1/11/61

-12-

that had been proposed in its letter of November 10, but those omissions would not in Governor Balderston's opinion correct the situation. Governor Balderston said that he expressed the personal view to Mr. Treiber that the salary proposals of the New York Bank were out of line with those that had been submitted for the Federal Reserve Banks generally in that the Bank was proposing increases this year for 80 per cent of its officers, whereas the Reserve Banks generally were proposing increases for less than 60 per cent of their officers. In addition, the amounts of the increases proposed by New York were substantially larger than for the Reserve Banks generally. This combination, applied to a salary level already high in relation to the System, would result in salary treatment for officers of the Federal Reserve Bank of New York that would put it further out of line with the rest of the System. Governor Balderston said that he made this point strongly to Mr. Treiber, adding that the Board had a responsibility to maintain a certain degree of consistency throughout the System; if one Bank was lagging in its salary policy it was the duty of the Board to point out that fact to the Bank, and similarly, if a Bank was ahead of the other Reserve Banks the Board would not be justified in failing to apprise that Bank accordingly. Governor Balderston said that at the conclusion of the discussion with Mr. Treiber, he found that they were faced with a dilemma. Mr. Treiber sought some indication of what changes the Board would like to have made

1/11/61

-13-

in individual salaries, while he (Governor Balderston) carefully avoided any indication as to what individual changes should be made, reiterating the views he had expressed earlier that the proportion of increases and the average amount of increases at the New York Bank were substantially higher than were being made in the System generally. At the conclusion of their discussion, Mr. Treiber inquired as to whether he and Mr. Hayes might discuss the matter further with the Board, in response to which Governor Balderston said that he had told Mr. Treiber he would present this request to the Board and let him know.

Chairman Martin commented that the Board would, of course, be glad to have Messrs. Hayes and Treiber discuss the problem further if they cared to do so. He recalled that Governor Balderston had not been able to attend the meeting on the afternoon of December 2 with Messrs. Reed, Hill, and Alexander of the New York Bank's Board of Directors. He thought, however, that these directors might have gotten the impression that the Board would be satisfied if increases were given to a smaller proportion of the officer staff in the future but with the amounts of individual increases larger.

Governor Shepardson said that this view had been expressed by Chairman Reed at the December 2 meeting and no exception to the general statement was taken by the members of the Board so far as he could recall.

1/11/61

Governor Balderston said that he and Mr. Treiber had discussed this point somewhat, in response to which he (Governor Balderston) had noted that the salary increases proposed by the New York Bank in its letter of November 10 were large both in terms of the number of officers and the amounts, and were on top of an already higher salary structure. Governor Balderston then referred to another comment that Mr. Treiber had made to the effect that, the Board having approved a salary administration plan for officers in 1953, it had delegated to the boards of directors of the respective Federal Reserve Banks the responsibility for applying those salary schedules, and so long as the Bank did not exceed the ranges he could not understand why the Board should object. Governor Balderston said that he disagreed with Mr. Treiber on this comment, pointing out to him that the Board had, to be sure, approved the salary administration plan for officers and the ranges to be used by a Reserve Bank, but that it also had reserved the right to approve the application of those ranges to individuals. While the Board did not pretend to judge the performance of each individual officer, it had made clear at the time the salary administration plan was adopted in 1953 that its responsibility extended to a review of the way in which the plan was applied to individuals by the Reserve Banks. When Mr. Treiber referred to the compa ratio, stating that so long as the Bank did not bring its compa ratio above 100 he could see no basis for

1/11/61

-15-

questioning its proposals, Governor Balderston said he responded that the compa ratio was only one test of the application of the salary schedule.

Governor King commented that, to adopt the position suggested by Mr. Treiber would amount, in his opinion, to abdicating the Board's responsibility for salary administration at the Federal Reserve Banks, and Governor Mills stated that the Board had asserted this responsibility on several occasions that he could recall. Governor Mills added the suggestion that it would be desirable if it could be understood that the Board had received a report from Governor Balderston and that it concurred in the views that he had expressed to Mr. Treiber regarding the administration of the officer salary plan, and there was general concurrence with this comment.

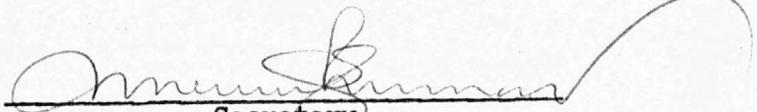
After a general discussion of Governor Balderston's report, Chairman Martin suggested that arrangements be made for Messrs. Hayes and Treiber to meet with the Board on the date on which the next meeting of the Open Market Committee would be held (January 24, 1961), and at his suggestion it was understood that Governor Balderston would communicate with Mr. Treiber with a view to arranging for such a meeting.

The meeting then adjourned.

1/11/61

-16-

Secretary's Note: On January 10, 1961, Governor Shepardson approved on behalf of the Board a letter to the Director of the Graduate School, United States Department of Agriculture, confirming arrangements made by the Board's Division of Personnel Administration for the School to provide a thirty-hour reading improvement course for members of the Board's staff, with the understanding that the course would be conducted two mornings a week beginning January 10, 1961, and that the fee of \$52 per person would cover all costs.



Secretary

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

Item No. 1
1/11/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 11, 1961



Mr. Malcolm Richard Wilkey,
Assistant Attorney General,
Criminal Division,
United States Department of Justice,
Washington 25, D. C.

Attention: Mr. Nathaniel E. Kossack,
Chief, Fraud Section.

Re: U. S. v. Baron deHirsch Meyer
(MRW:NEK:fea 29-18-243)

Gentlemen:

This will acknowledge your letter of January 6, 1961, requesting that reports of examination of the North Shore Bank, Miami Beach, Florida, as of June 11, 1947, to May 9, 1960, inclusive, be made available for examination by Mr. Oliver Dibble and staff of the United States District Attorney's office in Miami, Florida, in connection with the above investigation. Your letter suggests that Mr. Thomas E. Lindsey, FDIC examiner assisting Mr. Dibble, could maintain custody of these reports for the Federal Reserve Bank in accordance with the previous understanding concerning the release of these reports.

The Board has asked the Federal Deposit Insurance Corporation in a letter dated January 11, 1961, (copy enclosed), to authorize Mr. Lindsey to accept custody of the North Shore Bank reports under instructions similar to those applying to FDIC reports in his possession and noted in the above-mentioned letter to the FDIC. The Board understands that all North Shore Bank reports would be returned to Mr. J. E. Denmark, Vice President, Federal Reserve Bank of Atlanta, within 30 days after their receipt by Mr. Lindsey.

It is the Board's understanding that the information made available will be used for the exclusive consideration of the United States Attorney for the purpose of developing leads in connection with the alleged violations, and that he will not use the information for any further purpose, such as evidence in any proceeding

Mr. Malcolm Richard Wilkey - 2

and will make no reference to the source of the information. The Board has authorized the transmittal of the regular reports of examination of North Shore Bank, but not the supplemental reports (so-called "confidential" sections).

As soon as the approval to these arrangements by the FDIC is received, if that be its decision, the Board will notify Mr. Denmark to forward the requested reports to Mr. Lindsey.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

Enclosure

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

Item No. 2
1/11/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 11, 1961



Federal Deposit Insurance Corporation,
Washington 25, D. C.

Re: U. S. v. Baron deHirsch Meyer, et al

Gentlemen:

The Board has received a request from Mr. Nathaniel E. Kossack, Chief, Fraud Section, United States Department of Justice, that examination reports of the North Shore Bank, Miami Beach, Florida, from and including June 11, 1947, to May 9, 1960, be made available for examination by Mr. Oliver Dibble and staff of the United States Attorney's office in Miami in connection with the above case.

Mr. Kossack has suggested that custody of these reports be maintained by Mr. Thomas E. Lindsey, examiner for the Federal Deposit Insurance Corporation, who is assisting the staff of the United States Attorney in the preparation of this case. A copy of Mr. Kossack's letter dated January 6, 1961, is enclosed, as well as a copy of the Board's reply dated January 11, 1961.

Mr. Kossack first discussed his request with Mr. Solomon of the Board's staff on January 4, and subsequently Mr. Solomon telephoned Mr. Greensides about the possibility of making such arrangements.

The Board understands that Mr. Lindsey has in his possession FDIC reports of examination of the Industrial Savings Bank, and the custody and use of these reports is covered by a letter written by Mr. Coburn dated November 4, 1960, a copy of which the Board received from Mr. Greensides. In his instructions to Mr. Lindsey, Mr. Coburn states "...these reports -- all of them -- are to remain continuously in your custody and technically in your possession. This does not mean that you have to hold on to the pages of each report during every hour of the day, nor does it mean that you may not put them in your briefcase and leave them in the District Attorney's office overnight, but it does mean that they must remain under your control at all times."

Such instructions respecting the custody and use of your reports would be quite satisfactory to the Board respecting the handling of the North Shore Bank reports. These reports could be mailed to Mr. Lindsey by Mr. J. E. Denmark, Vice President, Federal Reserve Bank of Atlanta.

Federal Deposit Insurance Corporation - 2

The regular or open sections only would be transmitted, and the arrangement with Mr. Kossack would be that these be returned to Mr. Denmark within 30 days after their receipt by Mr. Lindsey. A copy of the Board's letter to the Federal Reserve Bank of Atlanta dated January 11, 1961, is enclosed.

The Board has advised Mr. Kossack, as noted in the copy of the letter to Mr. Wilkey, that the information made available in these reports of examination will be used for the exclusive consideration of the United States Attorney for the purpose of developing leads in connection with the alleged violations, and that he will not use the information for any further purpose such as evidence in any proceeding and will make no reference to the source of the information.

The Board would greatly appreciate it if the FDIC would authorize Mr. Lindsey to undertake the above request pursuant to the conditions noted.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

Enclosures-3

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

Item No. 3
1/11/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 11, 1961.



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

Re: U. S. v. Baron de Hirsch Meyer, et al

Dear Mr. Bryan:

As Mr. Denmark was informed by Mr. Solomon by telephone, the United States Department of Justice has requested that reports of examination from June 11, 1947, to May 9, 1960, inclusive, of the North Shore Bank, Miami Beach, Florida, be made available for review by Mr. Oliver Dibble and staff of the United States Attorney's office in Miami, Florida. In his letter of January 6, 1961 (copy enclosed), Mr. Nathaniel E. Kossack, Chief, Fraud Section, Department of Justice, suggests that these reports be maintained in the custody of Mr. Thomas E. Lindsey, examiner for the Federal Deposit Insurance Corporation, who is assisting in the preparation of the investigation.

The Board has approved this request subject to certain conditions noted henceforth, and has written to the FDIC requesting its permission for Mr. Lindsey to act as a custodian of the reports according to the custodial instructions set forth in the Board's letter to the FDIC dated January 11, 1961. These instructions were copied verbatim from a letter of instructions to Mr. Lindsey from Mr. Coburn, General Counsel of FDIC, dated November 4, 1960, respecting the custodianship of FDIC reports. Copies of both letters are enclosed.

You will note that the Board has approved sending only the copies of the regular reports of examination--open sections--and not the supplemental reports (confidential sections). The Board also has requested that the reports be returned within 30 days after their receipt by Mr. Lindsey.

You will also note the Board's statements in its letter to Mr. Kossack respecting the maintenance of the confidentiality of the reports. If the decision of the FDIC is favorable to employing the

Mr. Malcolm Bryan

-2-

services of Mr. Lindsey as custodian, it would be appreciated if you could forward promptly the requested reports to him in care of the United States Attorney, Miami, Florida, by registered mail, return receipt requested. You will be notified promptly by wire of the decision of the FDIC.

It would be satisfactory for you to write a letter to Mr. Lindsey accompanying the examination reports expressing the conditions of his custody of the reports as noted in the letter to the FDIC enclosed herewith, and noting the time when they are to be returned to you.

Your cooperation in this matter is greatly appreciated.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

Enclosures-4