Minutes for August 14, 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. Mills
Gov. Robertson
Gov. Balderston
Gov. Shepardson
Gov. King
Minutes of the Board of Governors of the Federal Reserve System on Monday, August 14, 1961. The Board met in the Board Room at 10:00 a.m.

PRESENT:  Mr. Martin, Chairman
           Mr. Balderston, Vice Chairman
           Mr. Mills
           Mr. King

           Mr. Kenyon, Assistant Secretary
           Mr. Molony, Assistant to the Board
           Mr. Hackley, General Counsel
           Mr. Solomon, Director, Division of Examinations
           Mr. O'Connell, Assistant General Counsel
           Mr. Hostrup, Assistant Director, Division of Examinations
           Mr. Goodman, Assistant Director, Division of Examinations
           Mrs. Semia, Technical Assistant, Office of the Secretary
           Mr. Potter, Assistant Counsel
           Mr. A. N. Thompson, Supervisory Review Examiner, Division of Examinations
           Mr. R. N. Thompson, Review Examiner, Division of Examinations

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:

Item No.

Letter to The Meadow Brook National Bank, New York, New York, authorizing it to accept drafts or bills of exchange drawn for the purpose of furnishing dollar exchange.  

Letter to The Union Savings & Trust Company, Warren, Ohio, approving an extension of time to establish a branch in Howland Township.
Letter to The Vienna Trust Company, Vienna, Virginia, approving an extension of time to establish a branch at Maple Avenue and Berry Street.

Letter to Citizens Fidelity Bank and Trust Company, Louisville, Kentucky, approving the establishment of a branch at Floyd and Gray Streets.

Letter to the Federal Reserve Bank of Boston approving a revision of the employees' salary structure.

Mr. Goodman then withdrew from the meeting.

A memorandum from the Division of Examinations and the Legal Division dated August 10, 1961, which had been distributed, presented the following matters:

Merger and holding company applications--information regarding compensation arrangements (Item No. 6). The Board's letter to the Federal Reserve Banks dated June 9, 1961, requested that reports of examination of State member banks contain full information about all forms of compensation paid to directors, officers, and employees of banks. In addition, the letter requested that such information be included in holding company applications and in merger applications as to which the Board's approval was sought. Further study of the matter, resulting in part from questions raised by one of the Reserve Banks, indicated the advisability of amplifying and clarifying the latter request, and a draft of letter to the Presidents of all Federal Reserve Banks was attached to the memorandum.
There being no objection, the letter was approved unanimously. A copy is attached as Item No. 6.

Bank holding company applications--proposed salary and pension arrangements. At the meeting of the Board on February 23, 1961, during consideration of the application of First Virginia Corporation, Arlington, Virginia, for prior approval of the acquisition of shares of the Falls Church Bank, Falls Church, Virginia, it was noted that the holding company had entered into an agreement with the two principal officers of the bank providing for their continued employment, their lifetime retention as consultants in the event of retirement or disability, and the payment of stipulated monthly amounts to their widows. The proposed arrangement represented an extra consideration offered to the two officers over and above the offer made to the other shareholders of the bank and was, in effect, an inducement to the officers to work toward consummation of the acquisition. Further, these arrangements did not appear to have been disclosed to the other shareholders of the bank. While the application was subsequently approved, the Board requested the staff to study the question whether bank holding companies should be notified that in the future the Board would require, in connection with applications of this kind, evidence of full disclosure to all shareholders.

The recommendations of the staff, as set out in the August 10 memorandum from the Division of Examinations and the Legal Division, were that (a) it would not be necessary or advisable at this time to
require that future applications give evidence of full disclosure to all shareholders of all such agreements, and (b) that future applicants should, however, be required to include in their applications information regarding such agreements, including information as to whether and in what manner the agreements had been disclosed to all shareholders of the bank to be acquired.

The first recommendation was based on the fact that the Board had no way of ascertaining what a wide variety of provisions might be involved or what a range of significance or importance such provisions might have. The second recommendation, it was pointed out, would be implemented by the letter to the Reserve Bank Presidents submitted in connection with the first question dealt with in the August 10 memorandum and approved by the Board. If in any particular case the information obtained in an application showed the existence of a significant or important agreement that had not been disclosed to all shareholders of the bank, consideration could be given to the question whether full disclosure should be required before action was taken on the application.

There was general agreement with the recommendations of the Legal Division and the Division of Examinations.

Nonvoting stock in bank holding companies. The third subject discussed in the August 10 memorandum also had arisen during consideration of the First Virginia-Falls Church application, at which time the staff had been requested to study what consideration should be given by the Board, in acting upon a holding company application, to the fact that a company’s
capitalization included nonvoting stock, and whether the Board should apprise bank holding companies of its concern with respect to such stock. It was noted in the memorandum that even without nonvoting stock, the holding company device made it possible for a small "inner circle" of active management to control a large volume of banking resources with a relatively small investment. Nonvoting stock extended that capacity and might also enable the "inner circle" to perpetuate its control. However, as in the case of pension arrangements or similar inducements, the matter involved a wide range of possible situations, and there could be some situations in which the issuance of nonvoting stock would be preferable to other financing methods. On the other hand, it was possible to have a situation in which the Board would be justified in refusing to approve an application because the use of nonvoting stock was involved.

In summary, it seemed to the two Divisions that the existence of nonvoting stock was merely one of the facts of a given case, to be considered along with other facts. It further appeared that the use of nonvoting stock would probably be most relevant to consideration of the third statutory factor--character of management, and unsatisfactory holding company management could in itself be a basis for denial of an application. In view of the wide range of possible circumstances and considerations, the two Divisions felt that it would be inadvisable to take a general position adverse to the issuance of nonvoting stock by
bank holding companies, and that it would be preferable to handle the matter on a case-by-case basis.

In discussion, consideration was given to questions raised by Governor Balderston relating to the feasibility of going further in the direction of discouraging the use of nonvoting stock by bank holding companies. The comments on this point were to the effect that a flat prohibition against the use of such stock would appear to be outside the scope of the Board's authority. Although it might be indicated to holding companies that the Board frowned upon the use of nonvoting stock as a matter of policy, on the other hand there could be cases where, in the circumstances involved, the use of such stock would appear preferable to some other type of financing. Whether the use of nonvoting stock was a factor bearing upon the competency of management would seem to depend on the facts of the particular case; thus, it seemed doubtful whether the Board would want to take a flat position that the issuance of nonvoting stock would in all cases be regarded as an adverse consideration. It was pointed out that the coverage of the Bank Holding Company Act is limited to certain aspects of holding company operations, being different in that respect from some other statutes. Therefore, unless the issuance of nonvoting stock should assume such proportions as to bear upon one of the factors required by the statute to be considered in connection with holding company applications, it would seem rather difficult to take a strong general position adverse to the use of such stock.
After further discussion along these lines, it was agreed that the recommendations of the Division of Examinations and the Legal Division reflected a position that was as far as the Board should go at the present time in regard to the use of nonvoting stock by bank holding companies.

Mr. Molony then left the meeting.

Application of First Virginia Corporation. Two memoranda from the Division of Examinations dated July 24, 1961, had been distributed regarding the application of First Virginia Corporation, Arlington, Virginia, for prior approval of the acquisition of 4,000 or more of the 5,000 voting shares of Richmond Bank and Trust Company, Richmond, Virginia. Both the Federal Reserve Bank of Richmond and the Division of Examinations recommended approval of the application.

Also submitted was a memorandum from the Legal Division dated August 4, 1961, which expressed the opinion that approval of the application would constitute a reasonable exercise of the Board's discretion under the law and would be sustained in the event of judicial review.

While it could not be said that action denying the application would be subject to successful attack, it was felt that such action might be difficult to support because of its apparent inconsistency with previous decisions of the Board.

A memorandum from Mr. Hackley dated August 4, 1961, which likewise had been distributed, informed the Board of a conversation he and Mr. O'Connell had had on July 13 with Mr. Robert R. MacMillan, an attorney
of Norfolk, Virginia, who stated that he represented the Southern Bank of
Norfolk, a nonmember insured bank. Mr. MacMillan said that the bank
recently had received a written offer from First Virginia Corporation
to purchase stock of the bank, but that the bank had not responded to
the offer. In connection with the present application to acquire stock
of Richmond Bank and Trust Company, First Virginia stated on July 3, 1961,
that it "does not now have any plans, written or oral, to acquire shares
of another bank at this time." Mr. MacMillan, it was noted, did not indicate
the date of First Virginia's offer to acquire stock of the Norfolk bank;
conceivably, that date could have been later than July 3. However, even if
the offer occurred after July 3, First Virginia's statement that it had no
plans to acquire shares of another bank might be considered misleading if
such an offer actually was made within 10 days after that date.

Mr. MacMillan also related that stock of the Norfolk bank had always
been held mostly by persons residing in the Norfolk trade area. However,
about 8 or 9 months ago the bank's transfer agent noted that the number of
stockholders in northern Virginia had increased to between 30 and 40, and
that the stock thus acquired had been purchased through a broker in Lynchburg,
Virginia. A considerable block of stock was now held by persons who, according
to Mr. MacMillan, were known to be related to First Virginia Corporation
interests. The aggregate of the stock recently acquired by persons in
northern Virginia totaled about 8,000 shares out of the bank's outstanding
total of 100,000 shares.
Mr. MacMillan had emphasized that he was making no charges that First Virginia had indirectly acquired more than 5 per cent of the bank's stock without the Board's prior approval. He conceded that he did not have sufficient evidence on which such a charge could be based, and stated that the sole purpose of his visit was to inquire whether there was any procedure under which he might request the Board to investigate the situation. Messrs. Hackley and O'Connell had indicated to Mr. MacMillan that he was free, of course, to write a letter to the Board setting forth the facts and requesting that an investigation be made. However, no such letter had subsequently been received.

In opening the discussion, Mr. Solomon remarked that about the only negative elements in regard to First Virginia's application were the issuance of nonvoting stock, a subject that the Board had just finished discussing, and the fact that First Virginia seemed rather expansion-minded. It appeared that the entry of the holding company into Richmond would be conducive to increased competition in that area, and only a relatively small unit bank was being acquired. In the opinion of the Division of Examinations, it would be fairly difficult to justify denial of the application.

Governor Mills expressed concurrence with the view that on balance the application should be approved. However, he felt a growing uneasiness with respect to this bank holding company, its use of nonvoting stock, and the injection of debt into its financial structure, which did not seem
particularly strong. Further, the apparent possibility of an expansion into the Norfolk area had not been disclosed by the applicant.

Governor King stated that he would vote for approval of the application, after which Governor Balderston asked for further comment on the apparent inconsistency between First Virginia's statement on July 3 that it had no plans for acquiring any other bank and the information given Mr. Hackley by Mr. MacMillan on July 13 to the effect that First Virginia had recently made a written offer to purchase stock of the Southern Bank of Norfolk.

During discussion of this point, it was noted that there could be circumstances that would provide a satisfactory explanation of this seeming inconsistency. For example, the offer Mr. MacMillan mentioned might have been made some time prior to July 3, and in the absence of a favorable reply First Virginia might have considered the offer no longer outstanding. In any event, no written statement had been submitted by Mr. MacMillan, and it would seem inappropriate to question First Virginia about the matter since Mr. MacMillan had indicated that his remarks were being made in confidence.

At the conclusion of the discussion, the application was approved unanimously and the staff was requested to draft an order and statement for the Board's consideration.

Messrs. A. N. Thompson and R. N. Thompson then left the meeting.

Proposal to amend Regulation Y (Item No. 7). At its meeting on August 4, 1961, the Board considered a request by Mr. J. H. Colman, President
of the Association of Registered Bank Holding Companies, that the Board amend Regulation Y, Bank Holding Companies, in such manner as to permit litigation to test the correctness of the Board's definition of "discount", as used in section 6(a)(4) of the Bank Holding Company Act. The Board expressed the view that the matter should preferably be dealt with by legislation, but authorized the Legal Division to explore the problem with the Department of Justice to determine its reaction to a procedure such as suggested by Mr. Colman.

In a memorandum dated August 11, 1961, which had been distributed, Mr. Hexter, Assistant General Counsel, reported that the proposal had been discussed with Mr. George S. Leonard, First Assistant in the Civil Division of the Department of Justice, since in the event of litigation the Board would be represented by the local United States Attorney, under the direction of the Civil Division. Mr. Leonard expressed the view that it would be inappropriate for the Board to incorporate its interpretation of "discount" in Regulation Y simply to permit a court test of the correctness of the definition. If the Board did so amend the Regulation and a holding company brought suit in the manner proposed, Mr. Leonard indicated that the Department of Justice probably would take the position that the Federal courts had no jurisdiction over such a suit and on this ground would oppose the rendition of any decision on the merits.

The memorandum also stated that on August 7 Mr. Colman and other holding company representatives conferred with representatives of the
Board on a number of holding company questions, including the "discount" problem. The visitors were informed of the Board's view that such a matter should preferably be approached through legislation, as recommended by the Board to the Congress on several occasions since 1958, and also of the attitude of the Department of Justice. It appeared to representatives of the Legal Division at the meeting that Mr. Colman had probably anticipated an unfavorable response.

A draft of letter to Mr. Colman was attached to the memorandum.

After discussion, during which Mr. Hackley reported an indication by telephone that the Association of Registered Bank Holding Companies planned to discuss the matter at its annual meeting in October, particularly whether a legislative approach would be favored, and then to communicate with the Board, the letter to Mr. Colman was approved unanimously. A copy is attached as Item No. 7.

Oral presentation by State Bank of Albany. Reference was made to the fact that tomorrow at 10:00 a.m. there would be an oral presentation to the Board by the State Bank of Albany, Albany, New York, concerning its proposed merger with The Fort Plain National Bank, Fort Plain, New York.

Secretary's Note: A stenographic transcript of the oral presentation has been placed in the Board's files.

The meeting then adjourned.
Secretary's Note: In the absence of Governor Shepardson, Governor Balderston today approved on behalf of the Board the following items:

Letter to the Federal Reserve Bank of New York (attached Item No. 8) approving the appointment of Robert W. Burke and William Obolsky as assistant examiners.

Letter to the Federal Reserve Bank of Chicago (attached Item No. 9) approving the appointment of Robert F. Riley as an assistant examiner.

Memoranda from appropriate individuals concerned recommending the following actions relating to the Board's staff:

**Appointment**

Sandra K. Anderson as Statistical Clerk in the Division of Research and Statistics, with basic annual salary at the rate of $4,040, effective the date of entrance upon duty.

**Salary increases, effective August 20, 1961**

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<th>Name and title</th>
<th>Division</th>
<th>Basic annual salary</th>
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<td>From</td>
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<tr>
<td>Lee E. Sawyer, Clearing Assistant</td>
<td>Office of the Secretary</td>
<td>$4,675</td>
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<tr>
<td>Juanita Carpenter, Secretary</td>
<td>Research and Statistics</td>
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<tr>
<td>Mary H. B. Hillard, Statistical Assistant</td>
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<td>Peggy Hastings Reaves, Clerk</td>
<td>International Finance</td>
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<tr>
<td>Frank C. Guth, Jr., Review Examiner</td>
<td>Examinations</td>
<td>11,155</td>
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<tr>
<td>Ann C. Tompros, Secretary</td>
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<tr>
<td>Gena E. Gander, Employee Relations Technician</td>
<td>Personnel Administration</td>
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Salary increases, effective August 20, 1961 (continued)

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<td>John Kakalec, Assistant to the Controller</td>
<td>Office of the Controller</td>
<td>$10,635 $10,895</td>
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<tr>
<td>James J. Cava, Operator, Tabulating Equipment</td>
<td>Administrative Services</td>
<td>3,500 3,760</td>
</tr>
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Assistant Secretary
The Meadow Brook National Bank,  
New York, New York.

Gentlemen:

The Board of Governors of the Federal Reserve System authorizes your Bank, pursuant to the provisions of Section 13 of the Federal Reserve Act, to accept drafts or bills of exchange drawn for the purpose of furnishing dollar exchange as required by the usages of trade in such countries, dependencies, or insular possessions of the United States as may have been designated by the Board of Governors, subject to the provisions of the Federal Reserve Act and the Board's Regulation C issued pursuant thereto. Section 13 of the Federal Reserve Act provides that no member bank shall accept such drafts or bills in an amount exceeding at any one time the aggregate of one-half of its paid-up and unimpaired capital and surplus.

The right is reserved to terminate this authorization upon 90 days' notice to your Bank as provided in the Regulation.

Enclosed is a list of the countries with respect to which the Board of Governors has found that the usages of trade require the furnishing of dollar exchange. The Board of Governors may at any time, after 90 days' published notice, remove from such list the name of any country, dependency, or insular possession contained therein.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,  
Assistant Secretary.

Enclosure.
Board of Directors,
The Union Savings & Trust Company,
Warren, Ohio.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Cleveland, the Board of Governors has approved an extension until February 24, 1962, of the time within which The Union Savings & Trust Company may establish a branch at 132 Niles-Cortland Road, Howland Township, Ohio. The establishment of this branch was authorized in a letter dated February 24, 1961.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.
Board of Directors,
The Vienna Trust Company,
Vienna, Virginia.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Richmond, the Board of Governors of the Federal Reserve System extends to February 8, 1962, the time within which The Vienna Trust Company, Vienna, Virginia, may establish a branch at the intersection of Maple Avenue and Berry Street, Vienna, Virginia, under the authority granted in the Board's letter dated August 30, 1960.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.
Board of Directors,
Citizens Fidelity Bank and Trust Company,
Louisville, Kentucky.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of St. Louis, the Board of Governors of the Federal Reserve System approves the establishment by Citizens Fidelity Bank and Trust Company, Louisville, Kentucky, of a branch in the Medical Towers Building on the northwest corner of Floyd and Gray Streets, Louisville, Kentucky, provided the branch is established within twelve months from the date of this letter.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.
The Board approves the payment of salaries to the employees, other than officers, within the limits specified for the grades in which the positions of the respective employees are classified. It is understood that all employees whose salaries are below the minimum of their grades as a result of this structure increase will be brought within the appropriate ranges by November 1, 1961.
It is understood that provision has been made in the 1961 budget for the increased salary costs resulting from this salary structure revision.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.
Dear Sir:

This refers to the Board's letter of June 9, 1961 (S-1796), which requested that reports of examination of State member banks contain full information about all forms of compensation paid to directors, officers, and employees of the banks. In addition, the third paragraph of the letter requested the inclusion of such information in holding company applications and in merger applications as to which the Board's approval is sought. Further study of the matter indicates the advisability of amplifying and clarifying the latter request. Accordingly, this letter supersedes the third paragraph of the Board's letter of June 9, which is herewith restated as follows:

Such financial arrangements, whether currently operative or not effective until some future time, should be described in a supplement to the required listing of the annual salaries of the proposed directors and principal executive officers of the Resulting Bank in applications for approval of mergers (see page 7 of the merger application form, FR 70). In such applications, it is of especial importance that information be furnished with respect to arrangements of the types described that represent "consideration, monetary or otherwise, .... paid, given, or offered to any shareholder, director, or officer of either of the participating banks as compensation or inducement for assistance in consummating the proposed transaction" (see second item on page 3 of form FR 70). It is requested also that applications on form FR 70 contain information as to whether, and in what manner, the shareholders of the participating banks have been informed with respect to such arrangements.

The forms for applications pursuant to section 3 of the Bank Holding Company Act (F.R. Y-2 and F.R. Y-1) do not require submission of information regarding existing salaries and other remuneration of individual officers and directors of the bank or banks to be acquired, and it is not intended at this time to supplement these application forms by requesting detailed information regarding existing individual remuneration. However, it will be noted that Forms F.R. Y-2 (item (6) of Exhibit C) and F.R. Y-1 (item (7) of Exhibit D) require submission of a description of the offer made to the present shareholders of the bank or banks to be acquired, accompanied by a copy of any written offer, agreement, or contract and of
any prospectus pertaining to the proposed transaction. Companies filing applications on Forms F.R. Y-2 or F.R. Y-1 should supplement the specified portions of their applications with information regarding any consideration, monetary or otherwise, that has been paid, given, or offered to any shareholder, director, or officer of the bank as special compensation or inducement for assistance in consummating the proposed transaction, including any formal or informal agreement relating to payment, after consummation of the proposed acquisition, of compensation in any form, such as salary, bonus, or retirement allowance. Information should be furnished also as to whether, and in what manner, any such special compensation, inducement, or agreement has been disclosed to all shareholders of the bank or banks involved.

Very truly yours,

Kenneth A. Kenyon,
Assistant Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS
Mr. Joseph H. Colman, President,
Association of Registered Bank Holding Companies,
Post Office Box 522,
Minneapolis 40, Minnesota.

Dear Mr. Colman:

Your letter to the Board of Governors dated December 9, 1960, referred to the Board's interpretation of the term "discount", in section 6(a)(4) of the Bank Holding Company Act of 1956, as including the purchase of third-party paper, with or without recourse, by a banking subsidiary of a bank holding company from such holding company or another subsidiary thereof. In order to obtain judicial review of this interpretation, you requested that the Board amend section 222.5(b) of Federal Reserve Regulation Y, relating to applications for determinations under section 4(c)(6) of the Act, so as to embody said interpretation therein.

At the meeting on August 7 attended by you, other representatives of the Association, and representatives of the Board of Governors, your request was discussed at some length. As indicated at that time, the Board has concluded that the appropriate procedure for dealing with this problem is legislative amendment rather than the incorporation in Regulation Y of a provision designed solely to provide the occasion for litigation. As you know, the Board has emphasized, in its Annual Reports to Congress, the desirability of legislative action with respect to this particular matter.

Your proposal was discussed informally with the Department of Justice, since that Department would represent the Board in litigation of the kind you proposed. A Department of Justice representative indicated that the Department would regard the proposed amendment of Regulation Y as inappropriate and that, in the event of such litigation, the Department of Justice probably would take the position that the situation did not present a controversy of which the Federal courts could take cognizance, and on this ground would oppose this method of seeking a judicial determination of the question.

For these and other reasons mentioned at the recent meeting, the Board has decided that it would not be justified in amending Regulation Y in the manner you suggested.

Very truly yours,

(Signed) Kenneth A. Kenyon
Kenneth A. Kenyon,
Assistant Secretary.
CONFIDENTIAL (FR)

Mr. Howard D. Crosse, Vice President,
Federal Reserve Bank of New York,
New York 45, New York.

Dear Mr. Crosse:

In accordance with the request contained in your letter of August 7, 1961, the Board approves the appointment of Robert W. Burke and William Obolsky as assistant examiners for the Federal Reserve Bank of New York. Please advise the effective dates of the appointments.

It is noted that Mr. Obolsky is indebted to National Community Bank, Rutherford, New Jersey, in the amount of $400. Accordingly, the Board's approval of Mr. Obolsky's appointment is given with the understanding that he will not participate in any examination of that bank until his indebtedness has been liquidated.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.
CONFIDENTIAL (FR)

Mr. Hugh J. Helmer, Vice President,
Federal Reserve Bank of Chicago,
Chicago 90, Illinois.

Dear Mr. Helmer:

In accordance with the request contained in your letter of August 8, 1961, the Board approves the appointment of Robert F. Riley as an assistant examiner for the Federal Reserve Bank of Chicago. Please advise the effective date of the appointment.

It is noted that Mr. Riley's father is a vice president of Manufacturers National Bank of Detroit, Detroit, Michigan. Accordingly, the Board's approval of the appointment of Mr. Riley is given with the understanding that he will not participate in any examination of Manufacturers National Bank of Detroit as long as his father is an officer of that bank.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.