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Minutes for May 13, 1963

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

Gov. Mitchell

Minutes of the Board of Governors of the Federal Reserve System on Monday, May 13, 1963. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary
Mr. Fauver, Assistant to the Board
Mr. Hackley, General Counsel
Mr. Solomon, Director, Division of Examinations
Mr. Shay, Assistant General Counsel
Mr. Conkling, Assistant Director, Division of Bank Operations
Mr. Leavitt, Assistant Director, Division of Examinations
Mrs. Semia, Technical Assistant, Office of the Secretary
Mr. Doyle, Attorney, Legal Division

Circulated or distributed items. The following items, copies of which are attached to these minutes under the respective item numbers indicated, were approved unanimously:

	<u>Item No.</u>
Letter to Manufacturers Hanover International Banking Corporation, New York, New York, granting permission to purchase shares of South East Asia Development Corporation Limited, Kuala Lumpur, Malaya.	1
Letter to Rocky Ford Investment Corporation, Kansas City, Missouri, granting a determination exempting it from all holding company affiliate requirements except those contained in section 23A of the Federal Reserve Act.	2
Letter to the Federal Deposit Insurance Corporation regarding the application of Sidell State Bank, Sidell, Illinois, for continuation of deposit insurance after withdrawal from membership in the Federal Reserve System.	3

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Item No.

- Letter to Harvard Trust Company, Cambridge, Massachusetts, approving the establishment of a branch at Main and Portland Streets. 4
- Letter to Valley Bank and Trust Company, Springfield, Massachusetts, approving the establishment of a branch at 1237 Sumner Avenue. 5
- Letter to The North Fork Bank and Trust Company, Mattituck, New York, approving the operation on a year-round basis of a branch in Jamesport, Town of Riverhead. 6
- Letter to Girard Trust Corn Exchange Bank, Philadelphia, Pennsylvania, approving the establishment of a branch in Villanova. 7
- Letter to Fidelity-Philadelphia Trust Company, Philadelphia, Pennsylvania, approving (1) the establishment of a branch in Rosemont, and (2) an investment in bank premises. 8
- Letter to Fidelity-Philadelphia Trust Company, Philadelphia, Pennsylvania, approving (1) the establishment of a branch in Feasterville, and (2) an investment in bank premises. 9
- Letter to Clearfield Trust Company, Clearfield, Pennsylvania, approving the establishment of a seasonal branch at the Clearfield County Fairgrounds. 10
- Letter to Old Kent Bank and Trust Company, Grand Rapids, Michigan, approving the establishment of a branch on Lake Michigan Drive. 11
- Letter to Farmers and Merchants Bank of Central California, Lodi, California, approving the establishment of a branch in Elk Grove. 12
- Letter to East Des Moines National Bank, Des Moines, Iowa, granting its request for permission to maintain reduced reserves. 13

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Mr. Conkling then withdrew from the meeting.

Exemption from section 23A limitations (Item No. 14). There had been distributed a memorandum dated May 10, 1963, from the Legal Division attaching a proposed reply to a request from the Bureau of the Budget for the Board's views on a draft bill prepared by the Treasury Department that would exempt from the limitations of section 23A of the Federal Reserve Act extensions of credit by a member bank to any subsidiary of the bank's Edge Act or agreement corporation.

Section 23A limits extensions of credit by a member bank to an affiliate of the bank to 10 per cent of the bank's capital and surplus for any one affiliate and 20 per cent for all affiliates. Subject to certain exceptions, the statute also requires an extension of credit by a member bank to an affiliate to be secured by collateral of at least 120 per cent of the amount of the credit, or 110 per cent of the amount of credit if the collateral comprises certain kinds of obligations. Under clauses (3) and (4) of the third paragraph of section 23A, that section is inapplicable to extensions of credit by a member bank to an affiliate that is either an Edge Act corporation or an agreement corporation, or to a subsidiary of either kind of affiliate "all the stock of which (except qualifying shares of directors in an amount not to exceed 10 per centum) is owned by such affiliate." The draft bill would delete this quoted language from the law so that section 23A would be inapplicable to extensions of credit by a member bank to any subsidiary of the bank's Edge Act or agreement

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corporation, even though the subsidiary was not wholly-owned by the Edge Act or agreement corporation. In a letter of August 13, 1962, reporting to the House Committee on Banking and Currency on a similar bill, the Board stated that it would not object to enactment of the bill but also noted that the Committee might wish to defer action awaiting completion of the Board's revision of Regulation K, Corporations Doing Foreign Banking or Other Foreign Financing under the Federal Reserve Act.

The ostensible objective of the proposed legislation was to exempt from the security requirements of section 23A those foreign banks that were controlled by a member bank through an Edge Act or agreement corporation, in order to permit continuance of the normal correspondent relationship usually in existence prior to the acquisition of stock interest in the foreign bank. That objective was clearly set forth in a draft of letter to the President of the Senate that was received with the Budget Bureau's request. The practical effect of the Treasury's draft bill, however, would be to exempt both banking and nonbanking subsidiaries of Edge Act or agreement corporations not only from the security requirements of section 23A but also from the amount limitations of that section. The Legal Division perceived no convincing justification for either of those bonuses, and no need therefor had been suggested in correspondence that had been received from banks advocating the amendment. The Board might, therefore, feel that the scope of such an amendment should be confined to the exemption of foreign bank affiliates from the security requirements only.

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In continuing, the memorandum noted that the Treasury's bill, as drafted, would create a problem of statutory construction for the Board. The chief advocate of the legislation was The Chase Manhattan Bank, whose Edge Act affiliate, Chase Manhattan Overseas Banking Corporation, owned 51 per cent of a Brazilian bank (Banco Lar) through a wholly-owned Brazilian holding company, and owned directly 49.9 per cent of a Venezuelan bank (Banco Mercantil). If the Treasury's draft bill was enacted, the pertinent language of section 23A would exempt from the provisions of that section "any affiliate . . . organized under section 25(a) of this Act, as amended, or a subsidiary of such affiliate" and similar language would apply to agreement corporations. There would be some legal question whether either Banco Lar or Banco Mercantil would be a subsidiary of Chase Manhattan Overseas Banking Corporation as that term would appear in section 23A as amended by the draft bill. Although as a matter of statutory construction Banco Lar might be so regarded, there would be considerably more doubt with respect to Banco Mercantil. It seemed, therefore, that the Treasury bill would not only create problems of statutory interpretation for the Board to resolve, but that it might not even result in exemption for both of the foreign banks that the bill's drafters obviously had foremost in mind.

For the reasons outlined, the draft of letter to the Budget Bureau, attached to the memorandum, although stating that the Board favored the objective of the Treasury bill, suggested for consideration an alternative wording that would accomplish the essential objective of

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the bill (that is, exemption of foreign bank affiliates from the security requirements of section 23A), and would avoid the statutory interpretation problem. Another alternative course of action, not mentioned in the draft letter, that would accomplish the objective sought by the Treasury's draft bill, would be an amendment adding to section 25 of the Federal Reserve Act a new paragraph under which national banks (and thus also State member banks under section 9 of the Act) would be authorized to apply to the Board for permission to acquire and hold directly controlling stock interests in foreign banks. The memorandum, after suggesting the text of such an amendment to section 25, stated that the need for such an amendment had been urged in the report of the Advisory Committee on Banking to the Comptroller of the Currency in 1962 and in letters of April 12 and 26, 1963, to Chairman Martin from First National City Bank of New York. If such an amendment were adopted, foreign banks so acquired would be exempted from section 23A by its present terms.

The impact of such an amendment would, of course, be broader than the aforementioned amendments to section 23A in that member banks, with the permission of the Board, would be permitted to hold directly the stock of foreign banking subsidiaries and to incorporate under foreign law presently existing foreign branches when so required by the laws of a foreign country. It would not prevent the use of foreign subsidiaries in lieu of branches even where branches are permitted by foreign law, but

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as a practical matter it was believed that member banks would continue to use the branch method of operation abroad, where possible, for reasons of efficiency and tax advantage.

At the Board's request, Mr. Shay commented on the Legal Division's memorandum. Among other things, he pointed out that if the suggested amendment to section 25 were enacted, a member bank would be able to establish an agreement corporation, a foreign branch, or a foreign subsidiary. The more direct approach involved in the amendment of section 25 was admittedly more controversial. In any event, the Legal Division did not recommend that the Board merely acquiesce in the Treasury's proposal.

Governor Mills remarked that although he was uneasy about the proposals, he could not find any serious reason to object even to going as far as the amendment to section 25 that had been suggested. He surmised that the large banks that were the proponents of the proposed legislation would find their experience under such a liberalization not to be as happy as they had anticipated. The suggested privileges, if granted, would dilute the importance of the independent operation of an Edge Act corporation. However, as a practical matter, such a liberalization of the law might pave the way for adoption of Regulation M, Foreign Branches of National Banks. The availability of the privilege of investing directly in foreign subsidiaries under the authority of the paragraph proposed to be added to section 25 might enable the Board better to counter the contentions of certain large banks that the investment privileges

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allowed under the proposed revision of Regulation M were too restrictive. In his view, the investment authority sought by those banks went far beyond prudence and reason. Accordingly, he favored the inclusion of the paragraph suggesting the amendment of section 25 as an alternative.

Governor Robertson stated that it would be his preference to offer the possibility of amending section 25 not as an alternative but as a companion suggestion.

Other members of the Board having indicated concurrence with Governor Robertson's suggestion, the letter was approved unanimously, with the understanding that it would be revised to reflect the views expressed at this meeting. A copy of the letter in the form in which it was sent to the Bureau of the Budget is attached as Item No. 14.

The meeting then adjourned.

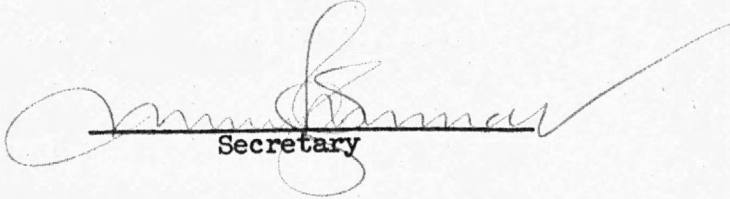
Secretary's Notes: On May 10, 1963, Governor Shepardson approved on behalf of the Board a memorandum from the Division of Administrative Services recommending an increase in the basic annual salary of Nelson S. Dyson, Photographer (Offset), Division of Administrative Services, from \$6,781 to \$6,968, effective May 12, 1963.

Governor Shepardson today approved on behalf of the Board the following items:

Memorandum from Mr. Young, Adviser to the Board and Director, Division of International Finance, dated May 13, 1963, requesting that his previous authorization to travel to Paris, France, to attend a meeting on April 29-30, 1963, of Working Party 3 of the Economic Policy Committee of the Organization for Economic Cooperation and Development be expanded to include a two-day stopover in London, England, on April 26-27 for consultation with British Bank and Treasury officials.

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Letter to the Federal Reserve Bank of Philadelphia (attached Item No. 15) approving the designation of Hugh Barrie and Jack P. Besse as special examiners.


Secretary

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

Item No. 1
5/13/63



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 13, 1963

Manufacturers Hanover International
Banking Corporation,
44 Wall Street,
New York 15, New York.

Gentlemen:

In accordance with the request contained in your letter of April 8, 1963, transmitted through the Federal Reserve Bank of New York, and on the basis of the information furnished, the Board of Governors grants consent for Manufacturers Hanover International Banking Corporation ("MHIBC") to purchase and hold 3,000 shares, par value Malayan \$10 each, of South East Asia Development Corporation Limited ("SADCL"), Kuala Lumpur, Federation of Malaya, at a cost of approximately US\$10,000 (equivalent), provided such stock is acquired within one year from the date of this letter.

The Board's consent is granted upon condition that MHIBC shall dispose of its holding of stock of SADCL, as promptly as practicable, in the event that SADCL should at any time (1) engage in issuing, underwriting, selling or distributing securities in the United States; (2) engage in the general business of buying or selling goods, wares, merchandise, or commodities in the United States or transact any business in the United States except such as is incidental to its international or foreign business; or (3) otherwise conduct its operations in a manner which, in the judgment of the Board of Governors, causes the continued holding of its stock by MHIBC to be inappropriate under the provisions of Section 25(a) of the Federal Reserve Act or regulations thereunder.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

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



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 13, 1963

Mr. H. Lee Sturgeon, Treasurer,
Rocky Ford Investment Corporation,
1010 Insurance Exchange Building,
Kansas City, Missouri.

Dear Mr. Sturgeon:

This refers to the request contained in your letter of April 15, 1963, submitted to the Federal Reserve Bank of Kansas City, for a determination by the Board of Governors of the Federal Reserve System as to the status of Rocky Ford Investment Corporation as a holding company affiliate.

From the information presented, the Board understands that Rocky Ford Investment Corporation transacts a general investment business, and is presently operating a general life insurance agency; that such Corporation is a holding company affiliate by reason of the fact that it owns 405 of the 500 outstanding shares of stock of The Rocky Ford National Bank, Rocky Ford, Colorado; and that such Corporation does not, directly or indirectly, own or control any stock of, or manage or control, any other banking institution.

In view of these facts, the Board has determined that Rocky Ford Investment 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 (12 U.S.C. 221a); and, accordingly, the 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 Rocky Ford Investment 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.

Mr. H. Lee Sturgeon

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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.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 3
5/13/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



May 13, 1963

Honorable Erle Cocke, Sr., Chairman,
Federal Deposit Insurance Corporation,
Washington 25, D. C.

Dear Mr. Cocke:

Reference is made to your letter of May 2, 1963, concerning the application of Sidell State Bank, Sidell, Illinois, for continuance of deposit insurance after withdrawal from membership in the Federal Reserve System.

No corrective programs which the Board of Governors believes should be incorporated as conditions to the continuance of deposit insurance have been urged upon or agreed to by the bank.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

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

Item No. 4
5/13/63



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 13, 1963

Board of Directors,
Harvard Trust Company,
Cambridge, Massachusetts.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Harvard Trust Company, Cambridge, Massachusetts, of a branch at Main and Portland Streets (575 Technology Square), Cambridge, Massachusetts, provided the branch is established within 18 months from the date of this letter.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

(The letter to the Reserve Bank stated that the Board also had approved a six-month extension of the period allowed to establish the branch; and that if an extension should be requested, the procedure prescribed in the Board's letter of November 9, 1962 (S-1846), should be followed.)

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

Item No. 5
5/13/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 13, 1963

Board of Directors,
Valley Bank and Trust Company,
Springfield, Massachusetts.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Valley Bank and Trust Company, Springfield, Massachusetts, of a branch at 1237 Sumner Avenue, Springfield, Massachusetts, provided the branch is established within one year from the date of this letter.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

(The letter to the Reserve Bank stated that the Board also had approved a six-month extension of the period allowed to establish the branch; and that if an extension should be requested, the procedure prescribed in the Board's letter of November 9, 1962 (S-1846), should be followed.)

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Item No. 6
5/13/63

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

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



May 13, 1963

Board of Directors,
The North Fork Bank and Trust Company,
Mattituck, New York.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the operation on a year-round basis of the seasonal branch on the south side of Route No. 25, about 350 feet east of the intersection of Washington Avenue, unincorporated area of Jamesport, Town of Riverhead, Suffolk County, New York, by the North Fork Bank and Trust Company.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

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Item No. 7
5/13/63

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

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



May 13, 1963

Board of Directors,
Girard Trust Corn Exchange Bank,
Philadelphia, Pennsylvania.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Girard Trust Corn Exchange Bank, Philadelphia, Pennsylvania, of a branch at 771 East Lancaster Avenue, Villanova, Radnor Township, Delaware County, Pennsylvania, provided the branch is established within one year from the date of this letter.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

(The letter to the Reserve Bank stated that the Board also had approved a six-month extension of the period allowed to establish the branch; and that if an extension should be requested, the procedure prescribed in the Board's letter of November 9, 1962 (S-1846), should be followed.)

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Item No. 8
5/13/63

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

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



May 13, 1963

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

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch at 1055 East Lancaster Avenue, Rosemont, Radnor Township, Delaware County, Pennsylvania, by Fidelity-Philadelphia Trust Company, provided the branch is established within one year from the date of this letter.

The Board of Governors also approves, pursuant to Section 24A of the Federal Reserve Act, an additional investment of \$222,000 in bank premises incident to the establishment of the branch approved in this letter.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

(The letter to the Reserve Bank stated that the Board also had approved a six-month extension of the period allowed to establish the branch; and that if an extension should be requested, the procedure prescribed in the Board's letter of November 9, 1962 (S-1846), should be followed.)

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

Item No. 9
5/13/63



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 13, 1963

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

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch at 38-44 East Street Road, Feasterville, Lower Southampton Township, Bucks County, Pennsylvania, by Fidelity-Philadelphia Trust Company, provided the branch is established within one year from the date of this letter.

The Board of Governors also approves, pursuant to Section 24A of the Federal Reserve Act, an additional investment of \$205,000 in bank premises incident to the establishment of the branch approved in this letter.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

(The letter to the Reserve Bank stated that the Board also had approved a six-month extension of the period allowed to establish the branch; and that if an extension should be requested, the procedure prescribed in the Board's letter of November 9, 1962 (S-1846), should be followed.)

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

Item No. 10
5/13/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



May 13, 1963

Board of Directors,
Clearfield Trust Company,
Clearfield, Pennsylvania.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch at the Clearfield County Fairgrounds, Clearfield, Pennsylvania, to be operated during the period July 28 through August 3, 1963.

It is understood that the bank wishes to operate an office at this location each succeeding year in which the Clearfield County Fair is open to the public. Consequently, the Board of Governors approves the establishment and operation of a new branch at this location each succeeding year during the time that the Clearfield County Fair is open to the public. This approval for each succeeding year is subject to cancellation by the Board of Governors upon reasonable notice to the bank prior to the beginning of such period of any year.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

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

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



May 13, 1963

Board of Directors,
Old Kent Bank and Trust Company,
Grand Rapids, Michigan.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Old Kent Bank and Trust Company of an in-town branch on Lake Michigan Drive in the vicinity of the intersection of Lake Michigan Drive with Covell and Bridge Streets, Grand Rapids, Michigan, provided the branch is established within one year from the date of this letter.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

(The letter to the Reserve Bank stated that the Board also had approved a six-month extension of the period allowed to establish the branch; and that if an extension should be requested, the procedure prescribed in the Board's letter of November 9, 1962 (S-1846), should be followed.)

Item No. 12
5/13/63

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

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 13, 1963



Board of Directors,
Farmers and Merchants Bank of
Central California,
Lodi, California.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch by Farmers and Merchants Bank of Central California in the downtown business district of Elk Grove, California, provided the branch is established within one year from the date of this letter.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

(The letter to the Reserve Bank stated that the Board also had approved a six-month extension of the period allowed to establish the branch; and that if an extension should be requested, the procedure prescribed in the Board's letter of November 9, 1962 (S-1846), should be followed.)

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

Item No. 13
5/13/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



May 13, 1963

Board of Directors,
East Des Moines National Bank,
Des Moines, Iowa.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Chicago, the Board of Governors, acting under the provisions of Section 19 of the Federal Reserve Act, grants permission to the East Des Moines National Bank to maintain the same reserves against deposits as are required to be maintained by nonreserve city banks, effective as of the date it opens for business.

Your attention is called to the fact that such permission is subject to revocation by the Board of Governors.


Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

Item No. 14
5/13/63BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON 25, D. C.ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 13, 1963.



Mr. Phillip S. Hughes, Assistant Director
for Legislative Reference,
Executive Office of the President,
Bureau of the Budget,
Washington 25, D. C.

Attention: Mr. Joseph Walka

Dear Mr. Hughes:

Your memorandum of April 15, 1963, requested the Board's views regarding a draft bill to amend section 23A of the Federal Reserve Act "by striking from both clause (3) and clause (4) of the first sentence of the third paragraph thereof the phrase ', all the stock of which (except qualifying shares of directors in an amount not to exceed 10 per centum) is owned by such affiliate'". The effect of this bill would be to exempt from the provisions of section 23A all "subsidiaries" of so-called Edge Act and Agreement corporations affiliated with member banks.

Although the Board favors the draft bill's objective as set forth in the draft of letter to the President of the Senate that accompanied your memorandum, it would seem advisable to limit the scope of such an exemption to the security requirements of section 23A as applied to the foreign bank affiliates of a member bank. It should also be noted that the draft bill would create ambiguity as to the meaning of "subsidiary" as used in the affected clauses of that section.

In order to obviate this problem of statutory construction and to accomplish more precisely the draft bill's stated objective, the Board suggests for consideration an alternative amendment to section 23A as follows:

"Be it enacted by the Senate and the House of Representatives of the United States of America in Congress assembled, That section 23A of the Federal Reserve Act, as amended (12 U.S.C. 371c), is further amended by adding the following new sentence at the end of the second paragraph thereof: 'The limitations contained

Mr. Phillip S. Hughes

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in the first sentence of this paragraph shall not apply to any affiliate that is organized under the laws of a foreign country or a dependency or insular possession of the United States and principally engaged in banking'."

The objective of the draft bill that accompanied your memorandum of April 15 could also be achieved in the broader context of an amendment to section 25 of the Federal Reserve Act which would authorize national banks (and thus State member banks under section 9 of the Act) to apply to the Board for permission to acquire and hold directly controlling stock interests in foreign banks. Such an amendment would not only result in exemption of such foreign banks from section 23A (under clause (3) of the third paragraph thereof), but would also permit accommodation of the foreign operations of member banks to the laws of those countries which preclude establishment of direct branches by banks located abroad. In this connection the Board would favor enactment of an amendment to section 25 along the following lines:

"Be it enacted by the Senate and the House of Representatives of the United States of America in Congress assembled, that section 25 of the Federal Reserve Act, as amended (12 U.S.C. 601), is further amended by adding the following new paragraph after the third paragraph thereof:

'Third. To purchase and hold, directly or indirectly, the controlling interest in one or more banks or corporations chartered or incorporated under the laws of a foreign state or of a dependency or insular possession of the United States and principally engaged in the business of banking in such state, dependency, or insular possession, but not so engaged, directly or indirectly, in the United States, except to such extent as the Board of Governors of the Federal Reserve System may deem to be incidental to the international banking operations of such bank or corporation: Provided, that the aggregate amount so invested shall not exceed ten per centum of the association's paid-in capital stock and surplus.'"

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 15
5/13/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



May 13, 1963

Mr. Joseph R. Campbell, Vice President,
Federal Reserve Bank of Philadelphia,
Philadelphia 1, Pennsylvania.

Dear Mr. Campbell:

In accordance with the request contained in your letter of May 8, 1963, the Board approves the designation of Hugh Barrie and Jack P. Besse as special examiners for the Federal Reserve Bank of Philadelphia.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.