MINUTES OF THE MEETING OF THE EXECUTIVE COMMITTEE OF THE FEDERAL ADVISORY COUNCIL

October 31, 1956

On October 31, 1956, at 10:35 A.M., a special meeting of the Executive Committee of the Federal Advisory Council was convened in the Board Room of The Riggs National Bank, Washington, D. C.

Present: Mr. Robert V. Fleming, President; Messrs. William D. Ireland, Adrian M. Massie and Homer J. Livingston, Directors; also Mr. William J. Korsvik, Acting Secretary.

The President of the Federal Advisory Council, in response to a request from the Board of Governors, called a special meeting of the Executive Committee to consider a memorandum which the Board had submitted to Senator Robertson. This memorandum from the Board was in response to Senator Robertson's request for suggestions regarding possible changes in the Federal Reserve Act and other related statutes to be considered by the Senate Banking and Currency Committee.

In addition to the Executive Committee, all members of the Council were invited to attend, and if unable to attend, were asked to submit their comments in writing to the President of the Council.

After extended discussion, during which the Board's memorandum was reviewed page by page, the Executive Committee, acting for the Council, decided to submit its views to the Board of Governors on certain of the recommendations contained in the Board's memorandum. These were incorporated in a letter which the President of the Council sent to Chairman Martin, a copy of which follows on pages 29, 30, 31 and 32 of these minutes.

The meeting adjourned at 4:25 P.M.

WILLIAM J. KORSVIK
Acting Secretary

The following letter was sent by Mr. Robert V. Fleming, President of the Federal Advisory Council to Mr. William McC. Martin, Jr., Chairman, Board of Governors of the Federal Reserve System, Washington, D. C.

November 5, 1956

Mr. William McC. Martin, Jr., Chairman
Board of Governors of the Federal Reserve System
Washington 25, D. C.

Dear Chairman Martin:

In response to Mr. Carpenter's letter of October 1, and as noted in my reply of October 10, the Executive Committee of the Federal Advisory Council met on October 31, this being the earliest possible date in view of the convention of the American Bankers Association in Los Angeles the week ending October 27.

In addition to the Executive Committee, all members of the Federal Advisory Council were invited to attend the meeting. If they were unable to attend, they were asked to submit their comments in writing to me. In this manner, all members were given the opportunity to express their views.

At the meeting, the Executive Committee of the Council reviewed, page by page, the memorandum which the Board submitted to Senator Robertson in response to his request for suggestions regarding possible changes in the Federal Reserve Act and other related statutes to be considered by the Senate Banking and Currency Committee.

The views of the Federal Advisory Council on certain of the recommendations contained in the Board's memorandum are submitted for consideration:

(Numbering of recommendations and pages follows the numbering and pagination used in the document issued by the Senate Banking and Currency Committee entitled, "Study of Banking Laws" dated October 12, 1956.)

Recommendation 51, Page 72

Residence of Federal Reserve Bank Directors

The Board's recommendation in general has merit, but the Council believes the suggested requirement that every Federal Reserve director be a resident of the district of the Federal Reserve bank for which he is appointed is too restrictive. Such a requirement might work a hardship in some situations, especially in the Second District. The Council is of the opinion that the situs within the district of an individual's principal place of business, rather than his residence, ought to be controlling.

Recommendation 52, Page 74

Time Limit on Terms of Reserve Bank Directors and Federal Advisory Council Members

The Council is of the opinion that the terms of service of Federal Reserve bank directors and members of the Federal Advisory Council should be determined by each Federal Reserve bank in order to preserve and promote the autonomy of each bank. The present system, which places a high value on experience, has worked well in the past.

Recommendation 54, Page 77

Payment of Reserve Bank Earnings to the Treasury

Of the two alternatives presented, the Council supports the Board's recommendation for an amendment requiring the Federal Reserve banks to pay 90 per cent of their net earnings, after expenses, dividends and such reserves for contingencies as may be necessary, to the United States as a franchise tax, after accumulation in the case of each bank of a surplus equal to subscribed capital.

Recommendation 56, Page 80

Taxation of Federal Reserve Bank Stock

The Council is opposed to the Board's recommendation to tax the dividends on pre-1942 Federal Reserve bank stock on the following grounds:

a. The recommendation relates to a question of taxation which is a revenue measure and appears to be outside the jurisdiction of the Senate Banking and Currency Committee.

b. Operation of Sec. 6 of the Public Debt Act of 1942 does not and was not intended to depend on whether the exemption removed was founded on contract or on statute. Operation of the provision turned simply on the question of whether the issuer was the United States or one of its agencies or instrumentalities. No sound reason appears why withdrawal of the exemption on pre-1942 Federal Reserve bank stock should as a matter of policy turn on the question of whether the exemption was founded on contract or on statute.

c. The exemption was founded on contract, at least by implication, inasmuch as membership in the System was offered and stock purchased by a bank on the basis of the provisions of the Federal Reserve Act at the time membership was taken, including the exemption provision.

d. The Board's recommendation will not affirmatively benefit any bank, and would result in substantial additional taxation to many banks.

e. While the Joint Committee on the Economic Report did recommend in 1952 that the present exemption be revoked, in the intervening years none of the committees of the House or Senate has taken action to implement this recommendation.

f. There is no known indication that banks admitted to membership after the effective date of the 1942 amendment to the Public Debt Act object to the exemption on pre-1942 Federal Reserve bank stock.

g. The differentiation in one member bank resulting from the fact that it holds pre-1942 and post-1942 stock poses no problem for the member bank.

h. Since 90 per cent of the Reserve Bank earnings are taxed into the revenue stream, no reason appears why member banks should not be entitled to the "dividends received credit" provided for in Section 243 of the Internal Revenue Code of 1954.

Recommendation 58, Page 82

Reports from Member Banks

The Council supports the Board's recommendation for simplifying and reducing the number of forms required of member banks, as this could be helpful to the smaller banks. The Council, however, is opposed to the publication of earnings and dividend reports as this is a confidential matter between the supervisory authorities and the individual banks. In addition, because of the difference in accounting procedures the earnings reports are often not comparable. The suggestion of requiring reports on a sample basis has given the Council some concern. In the Council's judgment, it is important that the Board continue the collection and publication of statistical information on a uniform basis so that the data are historically comparable.

Recommendation 60, Page 84

Stock Acquisitions in Connection with Absorptions

On the assumption that the Board's recommendation refers to *all* the stock of a member bank which is being purchased by another member bank, with the Board's permission, the Council would favor the Board's recommendation. If the Board's proposal is favorably considered, Section 5136 of the National Bank Act should be amended appropriately.

Recommendation 66, Page 90

Simple Majority for All Board Actions

The Council is in favor of this recommendation of the Board with the following exception, viz., that the law specifically require the affirmative vote of four members of the Board to change reserve requirements.

Recommendation 69, Page 94

Revocation of Trust Powers of National Banks

If the authority to issue permits to national banks to exercise trust powers is to be continued to be vested in the Board of Governors of the Federal Reserve System, the recommended amendment authorizing the Board on complaint of the Comptroller of the Currency to revoke these powers would fortify the position of the administering authority.

Recommendation 77, Page 106

Payment of Interest on Deposits

The Council approves the Board's recommendation to eliminate from the present statutory language the words "directly or indirectly by any device whatsoever" and to make it clear that the term interest shall include only cash payments made or credits given by a bank for the account or benefit of a depositor. The absorption of exchange charges seems wrong in principle, and its practice by non-member banks puts member banks at a competitive disadvantage. The Council shares the Board's hope that an equitable solution can be found for this troublesome problem.

Recommendation 79, Page 108

Reserve Against Public Deposits

The Council is in favor of the Board's recommendation with the following exception, viz., that the Board be empowered to suspend reserves against public deposits in time of war or emergency.

Recommendation 81, Page 109

Loans to Officers of Member Banks

The Council approves the Board's recommendation to increase to $5,000. the present $2,500. exemption from the prohibition on loans by member banks to officers. The Council also suggests an additional amendment which would eliminate the present statutory requirement of approval by a majority of the board of directors with respect to a loan which is exempt. The Council would favor that the borrowing officer simply advise his Board of Directors of the exempt loan in a manner similar to that now governing a loan by any member bank to an officer of another bank.

Recommendation 83, Page 111

Powers of Foreign Branches of National Banks

This recommendation, in the form of a proposed amendment to Section 25 was discussed by the Council at its joint meeting with the Board on February 21, 1956, and the Council at that time offered a number of suggestions. Subsequently, the Board proposed legislation to the Congress embodying the changes suggested by the Council. The Council, therefore, would support the Board's recommendation.

With respect to the other recommendations of the Board, the Council has no suggestions for changes or revisions.

The Council appreciates the opportunity of commenting on these recommendations and trusts that the Board will find them helpful.

Yours very sincerely,

ROBERT V. FLEMING

President

NOTE: This transcript of the Secretary's notes is not to be regarded as complete or necessarily entirely accurate. The transcript is for the sole use of the members of the Federal Advisory Council. The concise official minutes for the entire year are printed and distributed later.

W. J. K.

The Secretary's notes of the meeting of the Executive Committee of the Federal Advisory Council on October 31, 1956 at 1035 a.m. in the Board Room of The Riggs National Bank, Washington, D.C. The following members of the Executive Committee were present: President Fleming, Directors Ireland, Massie and Livingston. Vice President Denton was unable to attend because of a meeting of the Board of Directors of Westinghouse Electric Corporation.

President Fleming reports that Messrs. Livingston and King met with him in Los Angeles during the ABA Convention and considered the Board's memorandum submitted to Senator Robertson. Mr. James J. Saxon, an officer of The First National Bank of Chicago acted as Secretary for this informal meeting.

Fleming states that at this session the group considered the Board's memorandum page by page and concluded that the Council might wish to offer comments on thirteen specific items noted in a memorandum prepared by Mr. Saxon and distributed at this point to the members of the Executive Committee present.

Fleming's suggestion that the Committee begin by considering the thirteen items noted in the memorandum was approved. Before proceeding, however, Fleming states that all members of the Council were invited to attend this meeting of the Executive Committee, and if they were unable to attend, they were asked to send any comments they might have to him in time to be considered at this session. President Fleming then read the replies he had received from Messrs. Mitchell, Baird and Matkin.

Fleming reads the comments prepared by Saxon following the informal Los Angeles meeting on recommendation 51, page 72. Residence of Federal Reserve Bank Directors. (Numbering of recommendations and pages follow the numbering and pagination used in the document issued by the Senate Banking and Currency Committee entitled "Study of Banking Laws" dated October 12, 1956, copies of which were previously mailed to members of the Council.)

It was agreed that the Board's recommendation is meritorious. The Committee considered a suggestion of Mr. King for a uniform two-year prior residence requirement for eligibility for appointment of any Federal Reserve Bank Director of any class. The effect of this suggestion would be to extend the residence limitation of the present law respecting the appointment of Class C Directors to Class A and B Directors. Messrs.Fleming and Livingston thought this suggestion too restrictive. Considered also is the problem which could arise under the Federal Reserve Board recommendation where a director resides outside the Federal Reserve District but has his place of business within that district. It was agreed to put both of these suggestions to the Council for its consideration.

Massie states that the Board's recommendation is too restrictive. He states that there are individuals working in New York whose residence in the suburbs are in another district. Massie suggests that the location of the director's principal place of business ought to be controlling.

Fleming agrees and suggests that the Council reply by stating that the situs within the district of an individual's place of business rather than his residence ought to be controlling.

Fleming then reads the comments on Recommendation 52, Page 74. Time Limit on Terms of Reserve Bank Directors and Federal Advisory Council Members.

> It was agreed that this recommendation is wrongly conceived and should be opposed on the ground that the terms of service of Reserve Bank Directors and members of the Advisory Council should be left to the determination of each Federal Reserve district in order to promote the autonomy of each such district.

Massie states that the Council should emphasize the principle of local autonomy.

Fleming states that each of these suggestions will be included in the Council's reply, namely, that the terms of service should be determined by each Federal Reserve bank in order to preserve and promote the autonomy of each bank, and that the Council has observed that the present system, which values experience, has worked well in the past.

Fleming reads the comments on Recommendation 53, Page 75. Federal Reserve Agents.

> It was agreed to go along with the members' recommendation to eliminate the requirement of "tested banking experience" with respect to the eligibility for appointment of the Chairman of the Board of Directors of a Federal Reserve Bank and of the Federal Reserve Agent, but also to explore the feasibility of the substitution of a more appropriate test, such as "broad business experience", in lieu of the present statutory test of "tested banking experience".

After some discussion the Executive Committee decided not to include this item in the Council's reply, but rather to go along with the Board's recommendations.

Fleming then reads the comments on Recommendation 54, Page 77. Payment of Reserve Bank Earnings to Treasury.

> It was agreed to support the Board's recommendation for specific statutory direction for payment by the Reserve banks to the Treasury, and to implement this recommendation specifically by a franchise tax of 90% of net earnings after expenses, dividends, and necessary contingency reserves.

After discussing this matter, it was agreed that the Council should support the Board's recommendation for an amendment requiring the Federal Reserve banks to pay 90 per cent of their net earnings, after expenses, dividends and such reserves or contingencies as may be necessary, to the United States as a franchise tax.

Fleming then comments on Recommendation 56, Page 80. Taxation of Federal Reserve Bank Stock, based on the discussion he, Livingston and King had in Los Angeles.

> It was agreed to oppose the Board's recommendation to subject to tax dividends on pre-1942 Federal Reserve bank stock, on the following grounds:

(a) Operation of Sec. 6 of the Public Debt Act of 1942 does not and was not intended to depend on whether the exemption removed was founded on contract or on statute. Operation of the provision turned simply on the question whether the issuer was the United States or one of its agencies or instrumentalities. No sound reason appears why withdrawal of the exemption on Pre-1942 Fed stock should as a matter of policy turn on the question whether the exemption was founded on contract or on statute.

(b) The exemption was founded on contract, at least by implication, inasmuch as membership in the system was offered and stock purchased by a bank on the basis of the provisions of the Federal Reserve Act at the time membership was taken, including the exemption provision.

(c) The Board's recommendation will not affirmatively benefit any bank, and would result in substantial additional taxation to many banks.

(d) While the Joint Committee on the Economic Report did recommend in 1952 that the present exemption be revoked, in the intervening years none of the committees of the House or Senate has taken action to implement this recommendation.

(e) The Board's recommendation relates to a question of taxation which would appear to be outside the jurisdiction of the Senate Banking & Currency Committee in its study of the banking laws and which, therefore, should more appropriately be left to other committees of Congress.

(f) There is no known indication that banks admitted to membership after the effective date of the 1942 amendment to the Public Debt Act object to the exemption on pre-1942 Fed stock.

(g) The differentiation in one member bank resulting from the fact that it holds pre-1942 and post-1942 stock poses no problem for the member bank.

(h) It may be questioned whether the differentiations relied on by the Board has deterred banks from joining the System or otherwise been harmful to the System.

After some discussion it was decided to frame the Council's reply along the above lines, but to emphasize that the recommendation is a revenue measure and outside the jurisdiction of the Senate Banking and Currency Committee.

<u>Livingston</u> suggested that the Council also note that since 90 per cent of the reserve bank earnings are to be taxed into the revenue stream, no reason appears why member banks should not be entitled to a dividends received credit.

<u>Fleming</u> reads the following comments on Recommendation 58, Page 82. <u>Reports from Member Banks.</u>

It was agreed to support the Board's recommendation for flexibility of reporting requirements for member banks. It was agreed to oppose the Board's recommendation for authority to require publication of reports of earnings and dividends.

Massie says he is concerned about the Board's suggestion that they collect data on a sample basis. He believes it would be a serious loss if the statistical series published by the Federal Reserve since 1914 were to be discontinued or changed.

Livingston is sympathetic to Massie's objection.

Fleming agrees and suggests that the Council reply that it favors the Board's recommendation for simplifying required reports as this could be helpful to the smaller banks. The Council, however, is opposed to the publication of earnings and dividend reports as these are confidential matters. In addition, the Council would favor the collection and publication of statistical information on a uniform basis.

Fleming comments as follows on Recommendation 60, Page 84. Stock Acquisitions in Connection with Absorptions. (These comments as noted earlier are based on the discussions President Fleming had with Messrs. King and Livingston in Los Angeles during the ABA Convention.)

> It was agreed to support the Board's recommendation to allow a member bank to purchase and temporarily hold stock of another member bank in connection with absorption of such other bank, provided that the period of holding not exceed 90 days. The reason for suggesting the specific time limitation was that 90 days would provide ample time to effectuate the transaction and at the same time avoid possible abuse which could arise from authorizing a holding period in excess of 90 days.

Massie questions if 90 days would be enough.

Fleming agrees that the same question has risen in his mind.

Livingston mentions that Ned Brown opposes the whole recommendation as it may give someone a chance to speculate in bank stocks.

Massie acknowledges that this is a risk.

Livingston suggests that the Council's reply indicate the Council would approve the recommendation if it refers to all the stock of a member bank.

Fleming agrees to include this stipulation in his letter to Chairman Martin.

Fleming reads the following comment on Recommendation 66, Page 90. Simple Majority for All Board Actions.

> It was agreed to support this recommendation of the Board with the following exception, viz.,that the law specifically require a majority of four members of the Board with respect to any change in reserve requirements.

The Council approved these comments with the added suggestion that the Council's reply specifically state that the affirmative vote of four members of the Board of Governors be required to change the reserve requirements of member banks.

Fleming comments on Recommendation 69, Page 94. Revocation of Trust Powers of National Banks.

It was agreed as follows with respect to this recommendation: If the present method of issuing permits to national banks to exercise trust powers is to be continued, the recommended amendment authorizing the Board on complaint of the Comptroller of the Currency to revoke these powers would fortify the position of the administering authority.

Massie suggests that the forfeiture of trust powers would be extremely difficult to administer and that a much better approach would be to effect changes in the management of the bank if these were in order, rather than to revoke the trust powers of the institution.

After some extended discussion, it was agreed that the Council's reply should state that if the authority to issue permits to national banks to exercise trust powers is to be continued to be vested in the Board of Governors, the recommended amendment would fortify the position of the administering authority.

Fleming then reads the following comments on Recommendation 77, Page 106. Payment of Interest on Deposits.

It was agreed to support the Board's recommendation to eliminate from the present statutory language the words "directly or indirectly by any device whatsoever" to make it clear that term interest shall include only cash payments made or credits given by a bank for the account or benefit of a depositor. It was also agreed to support the Board's recommendation for an amendment with respect to absorption of exchange charges, but to put this question to the full Council.

Massie suggests that the Council urge that a distinction be made between interest paid on deposits and the absorption of exchange charges.

Livingston states that he believes the absorption of exchange charges is wrong in principle and its practice puts member banks at a competitive disadvantage. He suggests that the Council state that they share the Board's hope that this troublesome problem will be solved.

Fleming then comments on Recommendation 79, Page 108. Reserve Against Public Deposits.

It was agreed to support the Board's recommendation with the following exception, viz., that the Board be empowered to suspend reserves against public deposits in time of war or emergency.

All members of the Executive Committee present agreed substantially with the comments read by President Fleming.

Fleming then reads the comments on Recommendation 81, Page 109. Loans to Officers of Member Banks.

It was agreed to support the Board's recommendation to increase to $5,000 the present $2,500 exemption from the prohibition on loans by member banks to officers. It was also agreed that the Council should suggest an additional amendment which would eliminate the present statutory requirement of approval by a majority of the Board of Directors with respect to an exempt loan and which would provide that any exempt loan be handled as a loan by any member bank to an officer.

The members of the Executive Committee agreed that the Council's reply should be framed along these lines.

Fleming then read the following comment on Recommendation 83, Page 111. Powers of Foreign Branches of National Banks.

> It was agreed to support the Board's recommendation if the burden of the recommendation - as reflected in legislation proposed to the Congress by the Board in May of this year - is substantially in accord with the draft of such legislation finally approved by the Federal Advisory Council earlier this year.

The members of the Executive Committee agreed with the suggestions contained in Fleming's comment.

The Executive Committee agreed to accept the suggestion of President Fleming and Messrs. King and Livingston based on their discussions in Los Angeles that the Council would confine their comments to the above recommendations.

The meeting adjourned at 4:25 P.M.

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There was then drafted a letter addressed to Chairman Martin to be signed by President Fleming incorporating these views of the Council on certain recommendations contained in the Board's memorandum to Senator Robertson. This letter was subsequently approved by President Fleming and Messrs. Ireland, Massie and Livingston. The text of the letter follows below:

FEDERAL ADVISORY COUNCIL
(FEDERAL RESERVE SYSTEM)

OFFICERS
ROBERT V. FLEMING, PRESIDENT
FRANK R. DENTON, VICE-PRESIDENT
WILLIAM D. IRELAND, DIRECTOR
ADRIAN M. MASSIE, DIRECTOR
HOMER J. LIVINGSTON, DIRECTOR
WILLIAM J. KORSVIK, ACTING SECRETARY

OFFICE OF THE PRESIDENT
c/o THE RIGGS NATIONAL BANK OF WASHINGTON
1503 PENNSYLVANIA AVENUE, N. W.
WASHINGTON 13, D. C.

OFFICE OF THE SECRETARY
c/o THE FIRST NATIONAL BANK OF CHICAGO
P. O. BOX A
CHICAGO 90, ILLINOIS

MEMBERS—1956
WILLIAM D. IRELAND, DISTRICT NO 1
ADRIAN M. MASSIE, DISTRICT NO. 2
WILLIAM R. K. MITCHELL, DISTRICT NO.
FRANK R. DENTON, DISTRICT NO. 4
ROBERT V. FLEMING, DISTRICT NO. 5
COMER J. KIMBALL, DISTRICT NO. 6
HOMER J. LIVINGSTON, DISTRICT NO. 7
LEE P. MILLER, DISTRICT NO. 8
JULIAN B. BAIRD, DISTRICT NO. 9
R. CROSBY KEMPER, DISTRICT NO. 10
GEORGE G. MATKIN, DISTRICT NO. 11
FRANK L. KING, DISTRICT NO. 12

November 5, 1956

Mr. William McC. Martin, Jr., Chairman
Board of Governors of the Federal Reserve System
Washington 25, D.C.

Dear Chairman Martin:

In response to Mr. Carpenter's letter of October 1, and as noted in my reply of October 10, the Executive Committee of the Federal Advisory Council met on October 31, this being the earliest possible date in view of the convention of the American Bankers Association in Los Angeles the week ending October 27.

In addition to the Executive Committee, all members of the Federal Advisory Council were invited to attend the meeting. If they were unable to attend, they were asked to submit their comments in writing to me. In this manner, all members were given the opportunity to express their views.

At the meeting, the Executive Committee of the Council reviewed, page by page, the memorandum which the Board submitted to Senator Robertson in response to his request for suggestions regarding possible changes in the Federal Reserve Act and other related statutes to be considered by the Senate Banking and Currency Committee.

The views of the Federal Advisory Council on certain of the recommendations contained in the Board's memorandum are submitted for consideration:

(Numbering of recommendations and pages follows the numbering and pagination used in the document issued by the Senate Banking and Currency Committee entitled, "Study of Banking Laws" dated October 12, 1956.)

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a. The recommendation relates to a question of taxation which is a revenue measure and appears to be outside the jurisdiction of the Senate Banking and Currency Committee.

b. Operation of Sec. 6 of the Public Debt Act of 1942 does not and was not intended to depend on whether the exemption removed was founded on contract or on statute. Operation of the provision turned simply on the question of whether the issuer was the United States or one of its agencies or instrumentalities. No sound reason appears why withdrawal of the exemption on pre-1942 Federal Reserve bank stock should as a matter of policy turn on the question of whether the exemption was founded on contract or on statute.

c. The exemption was founded on contract, at least by implication, inasmuch as membership in the System was offered and stock purchased by a bank on the basis of the provisions of the Federal Reserve Act at the time membership was taken, including the exemption provision.

d. The Board's recommendation will not affirmatively benefit any bank, and would result in substantial additional taxation to many banks.

e. While the Joint Committee on the Economic Report did recommend in 1952 that the present exemption be revoked, in the intervening years none of the committees of the House or Senate has taken action to implement this recommendation.

f. There is no known indication that banks admitted to membership after the effective date of the 1942 amendment to the Public Debt Act object to the exemption on pre-1942 Federal Reserve bank stock.

g. The differentiation in one member bank resulting from the fact that it holds pre-1942 and post-1942 stock poses no problem for the member bank.

h. Since 90 per cent of the Reserve Bank earnings are taxed into the revenue stream, no reason appears why member banks should not be entitled to the "dividends received credit" provided for in Section 243 of the Internal Revenue Code of 1954.

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The Council is in favor of the Board's recommendation with the following exception, viz., that the Board be empowered to suspend reserves against public deposits in time of war or emergency.

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The Council approves the Board's recommendation to increase to $5,000. the present $2,500. exemption from the prohibition on loans by member banks to officers. The Council also suggests an additional amendment which would eliminate the present statutory requirement of approval by a majority of the board of directors with respect to a loan which is exempt. The Council would favor that the borrowing officer simply advise his Board of Directors of the exempt loan in a manner similar to that now governing a loan by any member bank to an officer of another bank.

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Powers of Foreign Branches of National Banks

This recommendation, in the form of a proposed amendment to Section 25 was discussed by the Council at its joint meeting with the Board on February 21, 1956, and the Council at that time offered a number of suggestions. Subsequently, the Board proposed legislation to the Congress embodying the changes suggested by the Council. The Council, therefore, would support the Board's recommendation.

* * * * * *

With respect to the other recommendations of the Board, the Council has no suggestions for changes or revisions.

The Council appreciates the opportunity of commenting on these recommendations and trusts that the Board will find them helpful.

Yours very sincerely,

President