

Minutes for July 21, 1964.

To: Members of the Board

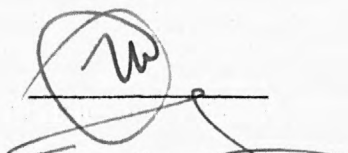
From: Office of the Secretary

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.

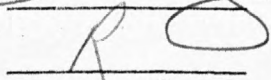
Should you have any question with regard to the minutes, it will be appreciated if you will advise the Secretary's Office. Otherwise, please initial below. If you were present at the meeting, your initials will indicate approval of the minutes. If you were not present, your initials will indicate only that you have seen the minutes.

Chm. Martin

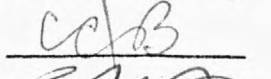


Gov. Mills

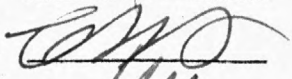
Gov. Robertson



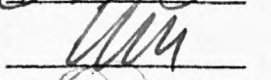
Gov. Balderston



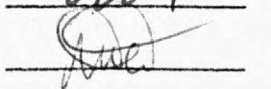
Gov. Shepardson



Gov. Mitchell



Gov. Daane



Minutes of the Board of Governors of the Federal Reserve System
on Tuesday, July 21, 1964. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Balderston, Vice Chairman
Mr. Robertson
Mr. Shepardson
Mr. Mitchell

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Molony, Assistant to the Board
Mr. Fauver, Assistant to the Board
Mr. Hackley, General Counsel
Mr. Farrell, Director, Division of Bank
Operations
Mr. Johnson, Director, Division of Personnel
Administration
Mr. Shay, Assistant General Counsel
Mr. Kiley, Assistant Director, Division of
Bank Operations
Mr. Goodman, Assistant Director, Division of
Examinations
Mr. Leavitt, Assistant Director, Division of
Examinations
Mr. Spencer, General Assistant, Office of the
Secretary
Miss Hart, Senior Attorney, Legal Division
Mr. Young, Senior Attorney, Legal Division
Mr. Egertson, Supervisory Review Examiner,
Division of Examinations
Mr. McClintock, Supervisory Review Examiner,
Division of Examinations

Discount rates. The establishment without change by the Federal Reserve Banks of New York, Philadelphia, Chicago, and San Francisco on July 16, by the Federal Reserve Bank of Kansas City on July 17, and by the Federal Reserve Banks of Boston and Atlanta on July 20, 1964, of the rates on discounts and advances in their existing schedules was approved unanimously, with the understanding that appropriate advice would be sent to those Banks.

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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>
Letters to B. M. C. Durfee Trust Company, Fall River, Massachusetts, approving the establishment of branches (1) on South Main Street, and (2) near President Avenue and North Main Street.	1-2
Letter to Bank of America National Trust and Savings Association, San Francisco, California, granting permission to establish a branch in Vienna, Austria.	3
Letter to Fidelity-Philadelphia Trust Company, Philadelphia, Pennsylvania, approving an extension of time to relocate a branch from the Lafayette Building to the Rohm and Haas Building at Sixth and Randstead Streets.	4
Letter to the Federal Reserve Bank of St. Louis regarding certain violations of section 6 of the Bank Holding Company Act of 1956 by General Bancshares Corporation, St. Louis, Missouri.	5
Letter to the Federal Reserve Bank of New York interposing no objection to a leave of absence without pay for Assistant Vice President Frank W. Schiff for a period of one year beginning on or about September 1, 1964, to enable him to serve as a senior member of the staff of the Council of Economic Advisers.	6
Letter to the Chairman of the Conference of Presidents of the Federal Reserve Banks regarding coin services to the public and to persons in the employ of the Reserve Banks. (The letter, as approved, reflects certain changes in the draft that had been distributed prior to today's meeting.)	7

Messrs. Johnson, Goodman, and Egertson then withdrew from the meeting.

Application of State and Savings Bank (Items 8 and 9). Pursuant to the decision at the meeting on July 9, 1964, there had been distributed

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drafts of an order and a statement reflecting the Board's approval of the application of State and Savings Bank, Monticello, Indiana, to merge with The Monon Bank, Monon, Indiana.

Governor Robertson described certain suggested changes in the statement, and following discussion it was understood that the changes would be made. The issuance of the order and statement was then authorized. Copies of the order and statement, in the form issued, are attached hereto as Items 8 and 9.

Messrs. Molony, Fauver, Shay, Young, and McClintock, and Miss Hart then withdrew from the meeting, and Mr. Daniels, Assistant Director, Division of Bank Operations, entered the room.

Site for Denver Branch building. At the Board meeting on July 10, 1964, consideration was given to a request by the Federal Reserve Bank of Kansas City for authority to purchase at a cost of approximately \$2,291,000 a site for a new Denver Branch building. Following that discussion, a decision on the matter was deferred pending a report by Chairman Martin and Governor Shepardson, both of whom were planning to attend the Reserve Bank directors' meeting in Denver on July 17.

Governor Shepardson, who had just returned from Denver, reported at today's meeting that he and Chairman Martin were in complete accord with the recommendation of the Reserve Bank as to the proposed building site for the new Denver Branch building. He went on to point out that at the Board meeting on July 10 question was raised about a possible

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conflict of interest because Park City Corporation, which was offering the property to the Reserve Bank with the statement that no profit would be involved on the transaction, was controlled by officers of a Denver member bank, including a member of the Denver Branch Board of Directors. Governor Shepardson stated that the Reserve Bank was alert to this situation and had the same concern as the Board of Governors. At the instigation of the seller, and for its own information, an outside accounting firm had been asked to go over the records and to submit a report, which report had also been submitted to the Reserve Bank directors. The directors had discussed having the Bank's auditors also examine the records, but had decided that it would be preferable to hire an accounting firm for such purpose. In discussion with President Clay, Chairman Martin and Governor Shepardson agreed that in the interest of having complete documentation of the record in every respect, the Board should send one of its examiners to Denver. Upon his return to Washington, Governor Shepardson had discussed this point with Mr. Smith, Assistant Director of the Division of Examinations, who was to ascertain today whether someone from the field examining staff would be available for this assignment; if not, Mr. Smith would himself go to Denver. It was important that the matter be handled promptly, because an option held by Park City Corporation on part of the property would soon expire.

Governor Shepardson said that he now recommended, with the concurrence of Chairman Martin, that the proposed property acquisition

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be approved. This would be subject, of course, to receipt of the report from the Board examiner.

In discussion that followed, Governor Shepardson responded to questions with regard to the location of the site of the proposed Denver Branch building, and he also reviewed other aspects of the proposal for the information of Governor Mitchell, who was not present at the meeting on July 10.

Governor Robertson then suggested that it might be preferable for the Board to defer action on the property acquisition until the examiner's report was received.

At the conclusion of further discussion there was general agreement with Governor Robertson's suggestion, and it was understood that the matter would be considered further by the Board when the examiner's report was available.

The meeting then adjourned.

Secretary's Notes: Attached as Items 10, 11, and 12, respectively, are copies of letters that were sent on July 16, 1964, with the approval of Chairman Martin and Governors Balderston, Robertson, and Shepardson, to the Bureau of the Budget (copy to Department of Justice), the Presidents of the Federal Reserve Banks, and the Chairman of the Conference of Presidents of the Federal Reserve Banks concerning the question of the relationship between Title VI of the Civil Rights Act of 1964 and activities of the Federal Reserve Banks.

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On July 16, 1964, Governor Shepardson approved on behalf of the Board memoranda recommending the following actions relating to the Board's staff:

Appointments

Mildred W. Harris as Charwoman, Division of Administrative Services, with basic annual salary at the rate of \$3,305, effective the date of entrance upon duty.

Virginia M. Spivey as Secretary, Office of the Secretary, with basic annual salary at the rate of \$5,010, effective the date of entrance upon duty.

Advance of sick leave

Winnie L. Tull, Supervisor, Cafeteria, Division of Administrative Services, for a period of not more than 26 business days beginning on July 16, 1964 (6-1/2 hours) and extending through August 21, 1964 (1-1/2 hours).

On July 16, 1964, Governor Shepardson also noted on behalf of the Board a memorandum from the Division of Administrative Services advising that William F. Becker, Captain, Guard Force, had made application for retirement effective at the close of business August 31, 1964.

Acting in the absence of Governor Shepardson, Governor Robertson approved on behalf of the Board on July 17, 1964, the following items:

Letter to the Federal Reserve Bank of New York (attached Item No. 13) approving the reappointment of Lawrence E. Quackenbush as examiner.

Letter to the Federal Reserve Bank of New York (attached Item No. 14) approving the reappointment of Joseph F. Realini as assistant examiner.

Letter to the Federal Reserve Bank of Cleveland (attached Item No. 15) approving the appointment of James Ermer as assistant examiner.

Memoranda recommending increases in the basic annual salaries of the following persons on the Board's staff, effective July 19, 1964:

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Erling T. Thoresen, Economist, Division of Research and Statistics, from \$8,970 to \$9,980 per annum.

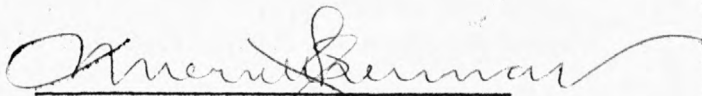
Daviette H. Stansbury, Digital Computer Programmer, Division of Data Processing, from \$3,745 to \$4,205 per annum (half-time basis).

Acting in the absence of Governor Shepardson, Governor Robertson approved on behalf of the Board on July 20, 1964, a memorandum from the Division of Administrative Services recommending the appointment of Betty Howard as Charwoman in that Division, with basic annual salary at the rate of \$3,305, effective the date of entrance upon duty.

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

Letter to the Federal Reserve Bank of San Francisco (attached Item No. 16) approving the designation of nine persons as special assistant examiners.

Memorandum from the Office of the Secretary recommending the transfer of Mary Patricia Morris from the position of Clerk-Stenographer in the Division of Personnel Administration to the position of Secretary in the Office of the Secretary, with an increase in basic annual salary from \$4,635 to \$4,690, effective August 2, 1964.


Secretary

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

Item No. 1
7/21/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 21, 1964.

Board of Directors,
B.M.C. Durfee Trust Company,
Fall River, Massachusetts.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by B.M.C. Durfee Trust Company, Fall River, Massachusetts, of a branch in the 200 block of South Main Street, Fall River, Massachusetts, provided the branch is established within six 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, D. C. 20551

Item No. 2
7/21/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 21, 1964

Board of Directors,
B.M.C. Durfee Trust Company,
Fall River, Massachusetts.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by B.M.C. Durfee Trust Company, Fall River, Massachusetts, of a branch in the vicinity of the intersection of President Avenue and North Main Street, Fall River, 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.)



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Item No. 3
7/21/64

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 21, 1964.



Bank of America National Trust
and Savings Association,
300 Montgomery Street,
San Francisco, California.

Gentlemen:

The Board of Governors of the Federal Reserve System grants its permission to Bank of America National Trust and Savings Association, San Francisco, California, pursuant to the provisions of Section 25 of the Federal Reserve Act, to establish a branch in the City of Vienna, Austria, and to operate and maintain such branch subject to the provisions of such Section and of Regulation M.

Unless the branch is actually established and opened for business on or before August 1, 1965, all rights granted hereby shall be deemed to have been abandoned and the authority hereby granted will automatically terminate on that date.

Please inform the Board of Governors, through the Federal Reserve Bank of San Francisco, when the branch is opened for business, furnishing information as to the exact location of the branch. The Board should also be promptly informed of any future change in location of the branch within the City of Vienna.

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, D. C. 20551

Item No. 4
7/21/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 21, 1964.



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

Gentlemen:

The Board of Governors of the Federal Reserve System extends to July 16, 1965, the time in which Fidelity-Philadelphia Trust Company, Philadelphia, Pennsylvania, may relocate a branch from the Lafayette Building at the northeast corner of Fifth and Chestnut Streets, Philadelphia, to the Rohm and Haas Building at the northwest corner of Sixth and Ranstead Streets, Philadelphia. As stated in the Board's letter of July 16, 1963, approving the relocation of the branch, operations at the bank's existing office located in the Lafayette Building are to be discontinued simultaneously with the opening of the office in the Rohm and Haas Building.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Item No. 5
7/21/64

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



July 21, 1964.

Mr. O. O. Wyrick, Vice President,
Federal Reserve Bank of St. Louis,
St. Louis, Missouri. 63166

Dear Mr. Wyrick:

This refers to your letters of April 6, May 6, and June 8, 1964, and attachments, in connection with certain violations of section 6 of the Bank Holding Company Act of 1956 by General Bancshares Corporation ("Bancshares"), which were discussed in the Board's letter to you of February 25, 1964. The bulk of the enclosures consist of copies of letters and intra-system memoranda of Bancshares bearing dates between May 10, 1956 and March 12, 1963, tending to substantiate the assurances, both written and oral, which officers of Bancshares have given your Bank and the Board's staff, that the holding company has sought from the beginning to comply with the Board's interpretations as to participations "at the outset" between its subsidiary banks, and that the violations which have occurred have been due to inadvertence and clerical errors.

The balance of the enclosures relate to procedures which Bancshares has adopted under which future participations will take place only where Bank of St. Louis is the originating or participating bank, and will have to be initialed by one of three senior officers at that bank, and by one of a limited number of designated senior officers at the partner bank in each case. In addition, there are copies of check lists to be filled out in the case of each participation.

Assuming, as seems to be the case, that the past violations described in the Board's letter of February 25, 1964, were due chiefly to the large volume of participations which the Bancshares system attempted to handle with clerical help that was necessarily inexperienced, and possibly at times unable to give the requisite detailed attention to each transaction, the proposed changes in procedures would appear to offer reasonable assurance of effective corrective

Mr. Wyrick

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action, particularly since the absolute number of intra-system participations will be reduced, and experienced personnel will pass on each case. The fact or not of effective changes, of course, will remain to be ascertained in future examinations of the banks concerned.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Item No. 6
7/21/64

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 21, 1964.

Mr. Thomas M. Timlen, Jr., Secretary,
Federal Reserve Bank of New York,
New York, New York. 10045

Dear Mr. Timlen:

Reference is made to your letter of June 23, 1964, regarding a proposed leave of absence for Assistant Vice President Frank W. Schiff, for a period of one year beginning on or about September 1, 1964 to enable him to serve as a senior member of the staff of the Council of Economic Advisers.

The Board of Governors interposes no objection to the leave granted Mr. Schiff while serving in the office of the Council, for the period approved by your Directors.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 7
7/21/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 21, 1964.



Mr. Alfred Hayes, Chairman,
Conference of Presidents,
c/o Federal Reserve Bank of New York,
New York, New York. 10045.

Dear Mr. Hayes:

This refers to the action of the June 15, 1964, Conference of Presidents approving a policy under which (1) coin services for the public would be restricted to exchanges for uncurrent coin, and (2) coin services for persons in the employ of the Reserve Banks would be restricted to exchanges in amounts not to exceed one dollar. This action followed reconsideration of the matter as requested in the Board's letter of May 21, 1964.

While the Board would not object to the adoption of the policy approved during the recent Conference, it would likewise not object to a less restrictive policy permitting employees to obtain reasonable amounts of coin for legitimate purposes. As indicated in its letter of May 21, 1964, the Board's main concern about furnishing coin to Federal Reserve Bank employees is that it would be inappropriate to allow coin to be obtained in this manner to satisfy numismatic interests. With this understanding, the Board is disposed to leave the manner of limiting coin service for employees to the discretion of the individual Reserve Banks.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

UNITED STATES OF AMERICA

Item No. 8

7/21/64

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

WASHINGTON, D. C.

 In the Matter of the Application of

STATE AND SAVINGS BANK

for approval of merger with
 The Monon Bank

ORDER APPROVING MERGER OF BANKS

There has come before the Board of Governors, pursuant to the Bank Merger Act of 1960 (12 U.S.C. 1828(c)), an application by State and Savings Bank, Monticello, Indiana, a State member bank of the Federal Reserve System, for the Board's prior approval of the merger of that bank and The Monon Bank, Monon, Indiana, under the charter and title of State and Savings Bank. As an incident to the merger, the office of The Monon Bank would become a branch of State and Savings Bank. Notice of the proposed merger, in form approved by the Board, has been published pursuant to said Act.

Upon consideration of all relevant material in the light of the factors set forth in said Act, including reports furnished by the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the Department of Justice on the competitive factors involved in the proposed transaction,

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IT IS HEREBY ORDERED, for the reasons set forth in the Board's Statement of this date, that said application be and hereby is approved, provided that said merger shall not be consummated

- (a) within seven calendar days after the date of this Order, or
- (b) later than three months after said date.

Dated at Washington, D. C., this 21st day of July, 1964.

By order of the Board of Governors.

Voting for this action: Chairman Martin, and
Governors Balderston, Mills, Robertson,
Shepardson, and Daane.

Absent and not voting: Governor Mitchell.

(signed) Merritt Sherman

Merritt Sherman,
Secretary.

(SEAL)

Item No. 9
7/21/64

BOARD OF GOVERNORS

OF THE

FEDERAL RESERVE SYSTEM

APPLICATION BY STATE AND SAVINGS BANK
FOR APPROVAL OF MERGER WITH
THE MONON BANKSTATEMENT

State and Savings Bank, Monticello, Indiana ("State Bank"), with deposits of \$8.1 million*, has applied, pursuant to the Bank Merger Act of 1960 (12 U.S.C. 1828(c)), for the Board's prior approval of the merger of that bank with The Monon Bank, Monon, Indiana ("Monon Bank"), with deposits of \$2.7 million*. As an incident to the merger, the sole office of Monon Bank would be operated as a branch of State Bank.

Under the Act, the Board is required to consider, as to each of the banks involved, (1) its financial history and condition, (2) the adequacy of its capital structure, (3) its future earnings prospects, (4) the general character of its management, (5) whether its corporate powers are consistent with the purposes of 12 U.S.C., Ch. 16 (the Federal Deposit Insurance Act), (6) the convenience and needs of the community to be served, and (7) the effect of the transaction on competition (including any tendency toward monopoly). The Board may not approve the transaction unless, after considering all these factors, it finds the transaction to be in the public interest.

* As of December 31, 1963.

Banking factors. - The financial history and condition, capital structure, and earnings, as well as future earnings prospects, of each of the subject banks, are satisfactory. While both banks are capably managed, Monon Bank in the near future may find it necessary to take steps to assure competent management succession.

If the merger is consummated, the resulting bank, which would be under the competent management of State Bank, would have a sound asset condition, adequate capital structure, and favorable earnings prospects.

There is no indication that the corporate powers of the banks are or would be inconsistent with the purposes of 12 U.S.C., Ch. 16.

Convenience and needs of the communities. - Monticello, with a population of about 4,000, is the seat of White County, with a population of approximately 19,700. The County economy is basically agricultural, consisting primarily of cash grain farming and cattle and hog feeding operations of increasing size. Some light industry, located principally in Monticello, provides employment for a sizable number of people. Additional income is derived from summer vacationers who are attracted to the lakes located close to Monticello.

Monon, with a population of about 1,400, is located about 14 miles northwest of Monticello. Its economy is supported largely by agriculture of the same general type as is found in the Monticello area. Industrial activity contributes only in a minor way to the economy of the Monon area.

The lending limit of State Bank is \$35,000, which, while now generally adequate, frequently is too small to meet the credit requirements of local business and manufacturing enterprises in the Monticello area. The prospect for new industrial activity in this area is promising, indicating more employment opportunities in the immediate future and a consequent growth in population, which has been slow in the past ten years. An increase in the banking resources available in Monticello should stimulate this economic expansion.

Monon Bank, with a lending limit of only \$15,000, is not now in a position to meet adequately the credit needs of many farm operations, a situation that can only be accentuated by the persistent trend toward larger farming units. The proposed merger, if consummated, would provide the farmers in the Monon area with a convenient source of adequate credit to meet these expanding needs. At the same time, a somewhat broader range of banking services would be more readily accessible to all residents of the Monon area.

Competition. - Both State Bank and Monon Bank serve predominantly agricultural communities. Such slight competition as may exist between the two banks is confined primarily to the outside limits of their service areas**. This competition, of course, would be eliminated if the merger is consummated.

** The areas from which each bank obtains 75 per cent or more of its deposits of individuals, partnerships, and corporations ("IPC deposits").

While it is difficult to determine precisely the relevant market area that might be affected by the proposed merger, it seems evident that some competition now exists among nine banks, seven located in White County, one in Francesville in Pulaski County, and one in Delphi in Carroll County. Of the total IPC deposits of this group, State Bank presently holds 21 per cent, surpassed only slightly by the bank in Delphi that holds 22 per cent. Consummation of the proposed merger would increase State Bank's total IPC deposits to 28 per cent. Any importance that might be attached to these percentage figures, however, is considerably lessened by the fact that a building and loan association, the largest financial institution in White County, with share accounts of almost \$10 million, is a major competitor in Monticello and White County for real estate loans. The increased concentration that would result if the proposed merger were to be effectuated should not produce any competitive consequence of significant importance to the other seven remaining banks.

Summary and conclusion. - While the proposal will result in the elimination of the slight competition that exists between the two institutions and increase somewhat the concentration of banking resources in the communities served, these results are more than offset by the positive benefits that would inure to those communities.

Accordingly, the Board finds the proposed merger to be in the public interest.

July 21, 1964.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 10
7/21/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 16, 1964.

Bureau of the Budget,
Washington, D. C. 20503

Gentlemen:

Last week the Chairman of the Board of Governors received a mimeographed document headed "Department of Justice," dated July 3, 1964, and entitled "Guide for Issuance of Regulations Under Title VI of the Civil Rights Act of 1964." The document referred to the provision, in section 602 of that Act, that no regulations adopted pursuant to that section "shall become effective unless and until approved by the President." It further stated that each "agency administering any program or activity subject to Title VI shall submit its proposed regulations to the Bureau of the Budget..., for review," not later than July 16, 1964. The document also requested each such agency "to submit a statement listing every program or activity involving direct or indirect financial assistance which it has determined to be outside the scope of Title VI, together with the reasons for that determination."

The Board of Governors of the Federal Reserve System is not a "Federal...agency which is empowered to extend Federal financial assistance to any program or activity" within the purview of Title VI. However, under section 11(j) of the Federal Reserve Act (12 U.S.C. 248) and other provisions of that Act, the Board of Governors exercises general supervision over the Federal Reserve Banks and exercises other authority with respect to them. The Reserve Banks, unlike the Board of Governors, do make loans and otherwise extend credit, principally to commercial banks that are members of the Federal Reserve System.

A number of questions appear to arise with respect to the relationship between Title VI of the Civil Rights Act and the activities of the Reserve Banks. For example, in view of the unique status of the Reserve Banks and their special relationship to the Federal Government, the question arises whether a Reserve Bank is a "Federal agency" within the purview of section 602 of the Act. Another area of inquiry relates to the extent, if any, to which the Reserve Banks are "empowered to extend Federal financial assistance to any program or activity, by way of grant, loan," and so on, within the meaning of that section. In view of the

Bureau of the Budget

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objectives of the Federal Reserve Act, which governs the credit-extending activities of the Reserve Banks, complicated questions arise as to the appropriate provisions of any regulations that might be adopted by the Reserve Banks, having in mind the provision of section 602 that such regulations "shall be consistent with achievement of the objectives of the statute in this case, the Federal Reserve Act authorizing the financial assistance in connection with which the action is taken." It appears also that the last question cannot be determined without considering the effect on "achievement of the objectives" of the Federal Reserve Act if the Reserve Banks should seek to compel compliance with such regulations "by the termination of or refusal to grant or to continue assistance" in case of failure to comply, as contemplated by the third sentence of section 602.

The preceding paragraph indicates some of the problems that arise in this connection, from the viewpoint of the Federal Reserve System. The subject is being brought to the attention of each of the Federal Reserve Banks, and you may be assured that prompt attention will be given to the interpretation and application of Title VI of the Civil Rights Act of 1964 insofar as it is applicable to the Federal Reserve System. If the System ascertains that "rules, regulations, or orders of general applicability" on this matter are required to be issued, they will be submitted for approval by the President in accordance with the requirements of Title VI and the direction and request contained in the communication of July 3, 1964, referred to above.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Item No. 11
7/21/64

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 16, 1964.



Dear Sir:

Enclosed are copies of (1) the Civil Rights Act of 1964, (2) a "Guide for Issuance of Regulations Under Title VI of the Civil Rights Act of 1964", (3) a memorandum of July 15, 1964 by the Legal Division of the Board, and (4) a Board letter of today's date to the Bureau of the Budget (with copy to the Office of Legal Counsel, Department of Justice).

All of these documents bear upon the question of the relationship to the Federal Reserve Banks of Title VI of the Civil Rights Act, which is entitled "Nondiscrimination in Federally Assisted Programs". If Title VI is applicable to any operations of the Reserve Banks, the statute requires the Reserve Banks to effectuate the provisions of section 601 through issuance of appropriate rules, regulations, or orders of general applicability. Although limitations of time have not permitted thorough exploration of the subject, some of the legal and administrative problems are mentioned and discussed in the enclosed documents.

In the opinion of the Board of Governors, the Federal Reserve Banks should act promptly (1) to determine to what extent, if any, Title VI is applicable to their operations, and (2) to take whatever action is appropriate in the public interest under the Civil Rights Act of 1964, the Federal Reserve Act, and any other pertinent statutes, regulations, and executive orders.

It appears to the Board that, in view of the nature of the subject, any regulations that are issued by the Reserve Banks in this connection should be uniform, in the absence of affirmative reasons for divergence. Accordingly, the Board is suggesting to the Chairman of the Conference of Presidents of the Federal Reserve Banks that the Conference may wish to take action, through a committee or otherwise, to coordinate and expedite the efforts of the Reserve Banks in this area.

Very truly yours,

Merritt Sherman,
Secretary.

Enclosure.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS.

2536

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Item No. 12
7/21/64

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 16, 1964.

Mr. Alfred Hayes, Chairman,
Conference of Presidents of the
Federal Reserve Banks,
c/o Federal Reserve Bank of New York,
New York, New York 10045.

Dear Mr. Hayes:

Enclosed is a copy of a self-explanatory letter being addressed by the Board today to the Presidents of all Federal Reserve Banks regarding the relationship of the Federal Reserve Banks to Title VI of the Civil Rights Act. As indicated by this letter, the Board suggests that the Conference of Presidents may wish to take action, through a committee or otherwise, to coordinate and expedite the efforts of the Federal Reserve Banks in this area.

The Board will appreciate being informed of your decision as to whether the Conference is to take steps to review this matter or whether, in the alternative, you feel it preferable for the Board to keep in touch with the individual Federal Reserve Banks regarding their reviews of the portion of the Civil Rights Act referred to.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

Enclosure.

cc: Mr. Timlen, Secretary,
Conference of Presidents.

2537

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

Item No. 13
7/21/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 17, 1964.

Mr. Howard D. Crosse, Vice President,
Federal Reserve Bank of New York,
New York, New York. 10045

Dear Mr. Crosse:


In accordance with the request contained
in Mr. Bilby's letter of July 13, 1964, the Board
approves the reappointment of Lawrence E.
Quackenbush as an examiner for the Federal Reserve
Bank of New York, effective today.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.





BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

Item No. 14
7/21/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 17, 1964.

Mr. Howard D. Crosse, Vice President,
Federal Reserve Bank of New York,
New York, New York. 10045

Dear Mr. Crosse:

In accordance with the request contained
in Mr. Quackenbush's letter of July 13, 1964, the
Board approves the reappointment of Joseph F. Realini
as an assistant examiner for the Federal Reserve
Bank of New York. Please advise the effective date
of the reappointment.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

2539

Item No. 15
7/21/64

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 17, 1964.

Mr. Paul C. Stetzelberger,
Vice President,
Federal Reserve Bank of Cleveland,
Cleveland, Ohio. 44101

Dear Mr. Stetzelberger:

In accordance with the request contained in your letter of July 13, 1964, the Board approves the appointment of James Ermer as an assistant examiner for the Federal Reserve Bank of Cleveland. Please advise the effective date of the appointment.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 16
7/21/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



Mr. E. H. Galvin, Vice President,
Federal Reserve Bank of San Francisco,
San Francisco, California. 94120

July 21, 1964.

Dear Mr. Galvin:

In accordance with the request contained in Mr. Cavan's letter of July 10, 1964, the Board approves the designation of the following employees as special assistant examiners for the Federal Reserve Bank of San Francisco for the purpose of participating in the examinations of State member banks:

G. W. Duke	R. E. Prosser
J. L. Lein	F. E. Frank
F. W. Montenegro	R. G. Torgeson

The Board also approves the designation of the following employees as special assistant examiners for your Bank for the purpose of participating in examinations of State member banks except those listed opposite their names:

W. P. Schneider - Wells Fargo Bank,
San Francisco, California.

D. M. Hale - United California Bank,
Los Angeles, California.

J. W. Kerr - United California Bank,
Los Angeles, California.

Authorizations heretofore given your Bank to designate these individuals as special assistant examiners are hereby canceled and appropriate notations have been made on our records of the names to be deleted from the list of special assistant examiners.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.