

Minutes for August 24, 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 proposed to place in the record of policy actions required to be kept under the provisions of section 10 of the Federal Reserve Act an entry covering the items in this set of minutes commencing on the page and dealing with the subjects referred to below:

Page 4 Amendments to Regulation G, Collection of Noncash Items, and Regulation J, Check Clearing and Collection.

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 Monday, August 24, 1964. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Balderston, Vice Chairman
Mr. Mills
Mr. Robertson
Mr. Daane

Mr. Kenyon, Assistant Secretary
Mr. Noyes, Adviser to the Board
Mr. Molony, Assistant to the Board
Mr. Cardon, Legislative Counsel
Mr. Fauver, Assistant to the Board
Mr. Hackley, General Counsel
Mr. Shay, Assistant General Counsel
Mr. Daniels, 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
Mr. Young, Senior Attorney, Legal Division
Mr. McClintock, Supervisory Review Examiner,
Division of Examinations

Discount rates. The establishment without change by the Federal Reserve Banks of New York, Philadelphia, St. Louis, and San Francisco on August 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.

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

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	<u>Item No.</u>
Letter to Lincoln Rochester Trust Company, Rochester, New York, approving the establishment of a branch at 1843 Penfield Road, Town of Penfield.	1
Letter to The Chase Manhattan Bank, New York, New York, approving the establishment of a branch at 620 Eighth Avenue, branch operations now conducted at 625 Eighth Avenue to be discontinued simultaneously with the establishment of this branch.	2
Letter to First National City Bank, New York, New York, approving the establishment of a branch in La Paz, Bolivia.	3
Letter to The Union Commerce Bank, Cleveland, Ohio, approving the establishment of five branches in Cuyahoga County.	4
Letter to Wayne Bank, Wayne, Michigan, approving the establishment of a branch at 4204 Sheldon Road, Canton Township, with the understanding that operations were to be conducted temporarily at 44243 Michigan Avenue.	5
Letter to United California Bank, Los Angeles, California, approving the establishment of a branch in Hanford.	6
Letter to the Federal Reserve Bank of Boston amending the Board's letter of April 15, 1964, which authorized the Bank to waive the assessment of certain penalties incurred by Second National Bank of New Haven, New Haven, Connecticut, because of deficiencies in its required reserves.	7
Letter to the Federal Deposit Insurance Corporation regarding the application of Burns State Bank, Burns, Kansas, for continuation of deposit insurance after withdrawal from membership in the Federal Reserve System.	8
Letter to Marine Midland International Corporation, New York, New York, approving an amendment to the Corporation's Articles of Association and noting without objection that a ninth director of the Corporation was elected at the annual meeting of stockholders on February 19.	9

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Item No.

Telegram to the Federal Reserve Agent at Minneapolis
authorizing the issuance to Bancorporation of Montana,
Great Falls, Montana, of a limited voting permit cover-
ing its stock of Liberty County Bank, Chester, Montana.

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Messrs. Daniels and Goodman then withdrew from the meeting.

Report on competitive factors (Council Bluffs-McClelland, Iowa).

A report to the Federal Deposit Insurance Corporation on the competitive factors involved in the proposed purchase of assets and assumption of liabilities of McClelland Savings Bank, McClelland, Iowa, by Council Bluffs Savings Bank, Council Bluffs, Iowa, was approved unanimously for transmittal to the Corporation. The conclusion read as follows:

The proposed purchase of assets and assumption of liabilities of McClelland Savings Bank by the Council Bluffs Savings Bank would increase slightly the volume of business held by the largest bank in the areas involved and would eliminate the unit bank in McClelland. The latter institution, however, has not been and is unlikely to become an important competitive force and a number of other banking offices are reasonably accessible to the McClelland community. The effect of the proposal on competition would not be adverse.

Report on competitive factors (Tacoma-Spokane, Washington).

There had been distributed a draft of report to the Comptroller of the Currency on the competitive factors involved in the proposed merger of Spokane National Bank, Spokane, Washington, into National Bank of Washington, Tacoma, Washington.

During discussion, agreement was indicated with certain changes in the conclusion suggested by Governors Mills and Robertson. The effect of these suggestions was to bring out that while the proposed merger

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would not have significant effects on competition, it would have the result of replacing a small unit bank with a branch of a bank controlled by a large holding company that had not heretofore been represented in eastern Washington. A change in the body of the report was also agreed upon, for the purpose of adding the comment that when Spokane National was being organized there were reports that the bank was being formed with a view to subsequent sale to some other group.

The report was then approved unanimously for transmittal to the Comptroller in a form containing the following conclusion:

While consummation of the proposed merger of Spokane National Bank and National Bank of Washington, Tacoma, would have no adverse effects on competition, it would eliminate a viable and independent bank and mark the entry of Western Bancorporation into eastern Washington.

Messrs. Shay and McClintock then withdrew from the meeting.

Amendments to Regulations G and J (Items 11 and 12). At its meeting on July 14, 1964, the Board concurred in the action of the Conference of Reserve Bank Presidents on June 15, 1964, in approving certain proposed changes in the cash and noncash collection circulars of the Reserve Banks. The Board also approved for publication in the Federal Register notice of certain proposed amendments to Regulation G, Collection of Noncash Items, and Regulation J, Check Clearing and Collection.

The purposes of the proposed amendments to Regulations G and J were (1) to provide that a Reserve Bank in a Commercial Code State would

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receive the same warranties from sending banks in States in which the Code was not in effect as such Reserve Bank was required by the Code to give to banks to which it forwarded items for payment, and (2) to make it clear that a Reserve Bank sending items to another Reserve Bank sent them subject to the same terms and conditions as those on which the items were sent by member and nonmember clearing banks to Reserve Banks.

There now had been distributed a memorandum dated August 21, 1964, from Mr. Hackley recommending that the Board adopt the amendments in the form proposed earlier, effective September 1, 1964, with one minor technical change.

Mr. Hackley pointed out that the time allowed for comments by the public had now expired. He noted that only one suggestion of a technical nature had been received concerning the proposed amendments and that this change was proposed to be incorporated.

Following discussion, the amendments to Regulations G and J were approved unanimously, effective September 1, 1964. Copies of the amendments, in the form approved, are attached as Items 11 and 12.

Report on enrolled bill S. 3049 (Item No. 13). There had been distributed a memorandum from the Legal Division dated August 21, 1964, with regard to a request from the Bureau of the Budget for a report on enrolled bill S. 3049, cited as the "Housing Act of 1964."

The memorandum pointed out that two provisions contained in S. 3049 had been the subject of previous reports by the Board. One

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such provision would enlarge the investment powers of Federal savings and loan associations in certain relatively minor respects. The Board had taken the position in a report to the Budget Bureau dated July 13, 1964, that if additional powers were granted to such associations, or their existing powers broadened, action should also be taken to strengthen the supervision, safety, and liquidity of the institutions and to provide safeguards against conflicts of interest. Another provision of S. 3049 would amend section 24 of the Federal Reserve Act so as to liberalize in two respects the powers of national banks with respect to conventional home mortgage loans. The Board, in a report of May 17, 1963, to the Budget Bureau expressed the belief that, in view of the then current conditions in the mortgage market, it would be inadvisable to relax the statutory restrictions.

The memorandum noted that most of the provisions of S. 3049 did not appear directly to involve the Board's statutory responsibilities. Question was raised whether any purpose would be served in restating the Board's earlier views on two provisions thereof. There was attached to the memorandum a draft of letter to the Bureau of the Budget indicating that the Board would interpose no objection to approval of the bill by the President.

During discussion, members of the Board expressed the view that the comments made previously to the Budget Bureau on the two aforementioned provisions of the bill had been appropriate and continued to be valid. It was the consensus that the letter to the Bureau should

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reiterate the previously stated reservations. However, the bill having been passed by the Congress, it was suggested that the letter also indicate that in the circumstances the Board saw no reason for the President to withhold his approval of the bill.

Accordingly, unanimous approval was given to a letter to the Bureau of the Budget in the form attached as Item No. 13.

The meeting then adjourned.

Secretary's Notes: Acting in the absence of Governor Shepardson, Governor Robertson approved on behalf of the Board on August 21, 1964, the following items:

Memorandum from the Division of Research and Statistics dated August 19, 1964, recommending that a new budget position of Economist (Grade FR-13) be created in the Consumer Credit and Finances Section, it being understood that a currently vacant position in the National Income Section would be abolished.

Appointments

Davita C. Hays as Secretary, Division of Personnel Administration, with basic annual salary at the rate of \$5,660, effective the date of entrance upon duty.

Russell Hardy Tharp as Programmer (Trainee), Division of Data Processing, with basic annual salary at the rate of \$6,630, effective the date of entrance upon duty.

Acting in the absence of Governor Shepardson, Governor Robertson today approved on behalf of the Board memoranda recommending the following actions relating to the Board's staff:

Appointment

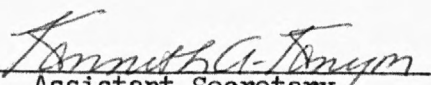
John Leslie Stone as Economist, Division of Research and Statistics, with basic annual salary at the rate of \$13,755, effective the date of entrance upon duty.

8/24/64

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Permission to engage in outside activity

Richard W. Lindholm, Economist, Division of Research and Statistics,
to serve as a member of the Economic Policy Committee of the Chamber of
Commerce of the United States.


Assistant Secretary

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

Item No. 1
8/24/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 24, 1964.



Board of Directors,
Lincoln Rochester Trust
Company,
Rochester, New York.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Lincoln Rochester Trust Company, Rochester, New York, of a branch at 1843 Penfield Road, Town of Penfield (unincorporated area), Monroe County, New York, provided the branch is established within one year from the date of this letter.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
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. 2
8/24/64

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



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 24, 1964.

Board of Directors,
The Chase Manhattan Bank,
New York, New York.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by The Chase Manhattan Bank, New York, New York, of a branch at 620 Eighth Avenue, New York, New York, provided the branch is established within one year from the date of this letter, and provided further that branch operations now conducted in the Port Authority Terminal Building at 625 Eighth Avenue, New York, New York, are discontinued simultaneously with the establishment of the above branch.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
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. 3
8/24/64



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 24, 1964.

First National City Bank,
399 Park Avenue,
New York, New York 10022.

Gentlemen:

The Board of Governors of the Federal Reserve System grants its permission to First National City Bank, New York, New York, pursuant to the provisions of Section 25 of the Federal Reserve Act, to establish a branch in the City of La Paz, Bolivia, 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 September 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 New York, 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 La Paz.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
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
8/24/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 24, 1964.



Board of Directors,
The Union Commerce Bank,
Cleveland, Ohio.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by The Union Commerce Bank, Cleveland, Ohio, of the following branches.

Two branches, one a drive-in facility, in a shopping center to be constructed at the northeast corner of the intersection of Wilson Mills and Richmond Roads, Richmond Heights, Cuyahoga County, Ohio, provided the branches are established within two years from the date of this letter.

Two branches, one a drive-in facility, in the Van Aken Shopping Center, at the corner of Van Aken Boulevard and Farnsleigh Road, Shaker Heights, Cuyahoga County, Ohio, provided the branches are established within eight months from the date of this letter.

A branch at the northwest corner of Pearl and Stumpf Roads, Parma Heights, Cuyahoga County, Ohio, provided the branch is established within one year from the date of this letter.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
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 each 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
8/24/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 24, 1964.



Board of Directors,
Wayne Bank,
Wayne, Michigan.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Wayne Bank, Wayne, Michigan, of a branch at 4204 Sheldon Road, Canton Township, Wayne County, Michigan, provided the branch is established within six months from the date of this letter.

It is understood that temporary operations will be conducted at 44243 Michigan Avenue, Canton Township, Wayne County, Michigan.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
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. 6
8/24/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 24, 1964.



Board of Directors,
United California Bank,
Los Angeles, California.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by United California Bank, Los Angeles, California, of a branch in the business district of Hanford, Kings County, California, provided the branch is established within one year from the date of this letter.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
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. 7
8/24/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 24, 1964.

Mr. Earle O. Latham,
First Vice President,
Federal Reserve Bank of Boston,
Boston, Massachusetts. 02106

Dear Mr. Latham:

This refers to your letter of August 6, 1964, regarding the penalties on deficiencies in required reserves incurred by the Second National Bank of New Haven, New Haven, Connecticut. The Board's letter of April 15, 1964, authorized your Bank to waive the assessment of penalties totaling \$2,952.24 for the periods ended October 30, November 13, and December 25, 1963, and January 8 and January 22, 1964; and it was understood that the penalty of \$409.64, for the period ended October 16, 1963, was to be waived by your Bank under Paragraph E of the Board's instructions (S-1123; F.R.L.S. #6120).

It is noted that, as a result of a review of your accounting records by the staff of the General Auditor of your Bank, certain clerical errors in the computation of the deficiencies and their respective penalties have been discovered. Correction of the errors reduces the penalties in three of the periods, including the one waived by your Bank under Paragraph E. Also, a penalty of \$16.70 for the period ended October 2, 1963, which had been waived by your Bank under Paragraph C of the Board's instructions, is not eligible for such waiver because of the deficiency in the succeeding period. The corrected total of penalties is \$3,159.93, of which \$371.85, for the period ended October 16, 1963, can be waived by your Bank under Paragraph E.

In the circumstances, the Board amends its letter of April 15 and authorizes your Bank to waive the assessment of penalties totaling \$2,788.08 for the reserve computation periods ended October 2, October 30, November 13, and December 25, 1963, and January 8 and January 22, 1964.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.



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

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Item No. 8
8/24/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 24, 1964.

The Honorable Joseph W. Barr,
Chairman,
Federal Deposit Insurance Corporation,
Washington, D. C. 20429

Dear Mr. Barr:

Reference is made to your letter of August 7, 1964, concerning the application of Burns State Bank, Burns, Kansas, for continuance of deposit insurance after withdrawal from membership in the Federal Reserve System.

In the report of examination dated February 10, 1964, the total of classified loans plus 50 per cent of other loans specially mentioned was equal to 48 per cent of the bank's gross capital structure. In accordance with our usual procedure, the bank's board of directors was urged to give special attention to these criticized loans. The latest progress report from the bank dated May 14, 1964, indicates that two of the six specially mentioned loans have been paid in full and two others have been reduced. There has also been a reduction in five of the seven classified loans.

There have been no other corrective programs urged upon the bank, or agreed to by it, which have not been fully consummated, and, in the Board's opinion, there are no programs that it would be advisable to incorporate as conditions of admitting the bank to membership in the Corporation as a non-member of the Federal Reserve System.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.

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

Item No. 9
8/24/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 24, 1964.

Marine Midland International Corporation,
120 Broadway,
New York 5, New York.

Gentlemen:

Reference is made to your letters of July 29 and August 6, 1964, transmitted through the Federal Reserve Bank of New York, requesting approval of an amendment, adopted at the annual meeting of the stockholders of your Corporation on February 19, 1964, to Article FIFTH of the Articles of Association to provide for a board of directors consisting of not less than eight nor more than twelve members.

In accordance with the request, and pursuant to the provisions of Section 211.3(a) of Regulation K, as revised effective September 1, 1963, the Board of Governors approves the amendment to Article FIFTH of your Articles of Association so that the first sentence shall read "The Board of Directors shall consist of not less than eight nor more than twelve members".

The Board has noted, without objection, that a ninth director of your Corporation was elected at the annual meeting of stockholders on February 19.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.



T E L E G R A M
LEASED WIRE SERVICEItem No. 10
8/24/64BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON

August 24, 1964.

BEAN -- MINNEAPOLIS

KECEA

- A. Bancorporation of Montana, Great Falls, Montana.
- B. Liberty County Bank, Chester, Montana.
- C. None.
- D. At any time prior to December 31, 1964, at a special meeting of shareholders of such bank, or any adjournments thereof, to amend the articles of incorporation to effect a change in the corporate name.

(Signed) Karl E. Bakke

BAKKE

Definition of KECEA:

The Board authorizes the issuance of a limited voting permit, under the provisions of section 5144 of the Revised Statutes of the United States, to the holding company affiliate named below after the letter "A", entitling such organization to vote the stock which it owns or controls of the bank(s) named below after the letter "B", subject to the condition(s) stated below after the letter "C". The permit authorized hereunder is limited to the period of time and the purposes stated after the letter "D". Please proceed in accordance with the instructions contained in the Board's letter of March 10, 1947, (8-964).

TITLE 12 - BANKS AND BANKING

Item No. 11
8/24/64

CHAPTER II - FEDERAL RESERVE SYSTEM

SUBCHAPTER A - BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

[Reg. G]

PART 207 - COLLECTION OF NONCASH ITEMS

Terms of Collection

1. Effective September 1, 1964, paragraphs (a) and (b) of § 207.3 are revised to read as follows:

§ 207.3 - Terms of collection.

(a) Agreement of sending bank. Each member and nonmember clearing bank and each Federal Reserve bank which sends noncash items to a Federal Reserve bank for collection shall by such action be deemed:

(1) to authorize the Federal Reserve banks to handle such items subject to the terms and conditions of this part; (2) to warrant its own authority to give the Federal Reserve banks such authority; (3) to agree to indemnify any Federal Reserve bank for any loss or expense sustained (including but not limited to attorneys' fees and expenses of litigation) resulting from the failure of such sending bank to have such authority, or resulting from such Federal Reserve bank's guaranty of prior endorsements, or resulting from any action taken by the Federal Reserve bank within the scope of its authority for the purpose of collecting such noncash items, or resulting from any and all warranties given by the Federal Reserve bank, in respect of such items, under the law of any State applicable to the Federal Reserve bank as a collecting bank; (4) to guarantee all prior endorsements on such items whether or not a specific guaranty is incorporated

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in an endorsement of the sending bank; and (5) to warrant to the Federal Reserve bank, in respect of such items, all such matters and things as the Federal Reserve bank shall warrant in respect thereof under the law of any State applicable to the Federal Reserve bank as a collecting bank; provided, that nothing herein contained shall, or shall be deemed to, constitute a limitation upon the effect of any warranty by such sending bank arising under the law of any State applicable to such sending bank as a collecting bank.

(b) Federal Reserve bank as agent. A Federal Reserve bank will act only as agent of the bank from which it receives such noncash items and will assume no liability except for its own negligence, its guaranty of prior endorsements and its warranties under the law of any State applicable to it as a collecting bank.

2a. The purposes of these amendments are (1) to provide that Federal Reserve Banks, as collecting banks, shall receive the same warranties from sending banks located in jurisdictions in which the Uniform Commercial Code is not in effect as Federal Reserve Banks located in jurisdictions in which the Code is in effect give to banks to which they forward noncash items, and (2) to make it clear that a Federal Reserve Bank which sends items to another Federal Reserve Bank makes the same warranties and agreements as are made by a member or nonmember bank which sends such items to a Federal Reserve Bank.

b. The amendments set forth herein were the subject of a notice of proposed rule making published in the Federal Register (29 F.R. 9725), and were adopted by the Board after consideration of

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all the relevant matter, including the data, views and arguments received from interested persons. The deferred effective date described in section 4(c) of the Administrative Procedure Act was not prescribed in connection with these amendments for the reasons and good cause found as stated in paragraph (e) of § 262.1 of the Board's rules of procedure (Part 262 of this chapter), and specifically because in connection with these amendments such procedure is unnecessary as it would not aid the persons affected and would serve no other useful purpose.

(12 U.S.C. 248(i). Interpret or apply 12 U.S.C. 248(o),360)

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

TITLE 12 - BANKS AND BANKING

Item No. 12
8/24/64

CHAPTER II - FEDERAL RESERVE SYSTEM

SUBCHAPTER A - BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

[Reg. J]

PART 210 - CHECK CLEARING AND COLLECTION

Terms of Collection

1. Effective September 1, 1964, the presently undesignated first paragraph of § 210.5 is designated as paragraph (a), and the present paragraphs (a) through (i) of § 210.5 are redesignated as paragraphs (b) through (j), respectively, and the presently undesignated first paragraph of § 210.5 and the present paragraph (a) of such section are revised to read as follows:

§ 210.5 - Terms of collection.

(a) The Board of Governors of the Federal Reserve System hereby authorizes the Federal Reserve banks to handle such checks subject to the following terms and conditions; and each member and nonmember clearing bank and each Federal Reserve bank which sends checks to a Federal Reserve bank for deposit or collection shall by such action be deemed: (1) to authorize the Federal Reserve banks to handle such checks subject to the following terms and conditions; (2) to warrant its own authority to give the Federal Reserve banks such authority; (3) to agree to indemnify any Federal Reserve bank for any loss or expense sustained (including but not limited to attorneys' fees and expenses of litigation) resulting from the failure of such sending bank to have such authority, or resulting from such Federal Reserve bank's guaranty of prior endorsements, or resulting from any action

taken by the Federal Reserve bank within the scope of its authority for the purpose of collecting such checks, or resulting from any and all warranties by the Federal Reserve bank, in respect of such checks, under the law of any State applicable to the Federal Reserve bank as a collecting bank; (4) to guarantee all prior endorsements on such checks whether or not a specific guaranty is incorporated in an endorsement of the sending bank; and (5) to warrant to the Federal Reserve bank, in respect of such checks, all such matters and things as the Federal Reserve bank shall warrant in respect thereof under the law of any State applicable to the Federal Reserve bank as a collecting bank; provided, that nothing herein contained shall, or shall be deemed to, constitute a limitation upon the effect of any warranty by such sending bank arising under the law of any State applicable to such sending bank as a collecting bank.

(b) A Federal Reserve bank will act only as agent of the bank from which it receives such checks and will assume no liability except for its own negligence, its guaranty of prior endorsements and its warranties under the law of any State applicable to it as a collecting bank.

2a. The purposes of these amendments are (1) to provide that Federal Reserve Banks, as collecting banks, shall receive the same warranties from sending banks located in jurisdictions in which the Uniform Commercial Code is not in effect as Federal Reserve Banks located in jurisdictions in which the Code is in effect give to banks to which they forward checks, and (2) to make it clear that a Federal

Reserve Bank which sends checks to another Federal Reserve Bank makes the same warranties and agreements as are made by a member or nonmember bank which sends checks to a Federal Reserve Bank.

b. The amendments set forth herein were the subject of a notice of proposed rule making published in the Federal Register (29 F.R. 9725), and were adopted by the Board after consideration of all the relevant matter, including the data, views and arguments received from interested persons. The deferred effective date described in section 4(c) of the Administrative Procedure Act was not prescribed in connection with these amendments for the reasons and good cause found as stated in paragraph (e) of § 262.1 of the Board's rules of procedure (Part 262 of this chapter), and specifically because in connection with these amendments such procedure is unnecessary as it would not aid the persons affected and would serve no other useful purpose.

(12 U.S.C. 248(i). Interpret or apply 12 U.S.C. 248(o), 360)

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 13
8/24/64

OFFICE OF THE VICE CHAIRMAN

August 24, 1964.



Mr. Phillip S. Hughes,
Assistant Director for
Legislative Reference,
Bureau of the Budget,
Washington, D. C. 20503

Dear Mr. Hughes:

This is in response to your communication of August 20, 1964, requesting the views of the Board on the enrolled bill, S. 3049, cited as the "Housing Act of 1964".

In previous reports to the Bureau, the Board has expressed reservations about (1) the enlargement of the investment powers of Federal savings and loan associations without strengthening the supervision, safety, and liquidity of these institutions and providing safeguards against conflict of interest and (2) the further relaxation of real estate loan restrictions on national banks. Notwithstanding these views, the bill having been enacted by the Congress, the Board sees no reason for the President to withhold his approval.

Sincerely yours,

(Signed) C. C. Balderston

C. Canby Balderston,
Vice Chairman.