Minutes for September 16, 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 Wednesday, September 16, 1964. The Board met in the Board Room at 10:00 a.m.

PRESENT:  Mr. Martin, Chairman
Mr. Balderston, Vice Chairman
Mr. Robertson
Mr. Shepardson
Mr. Sherman, Secretary
Mr. Fauver, Assistant to the Board
Mr. Johnson, Director, Division of Personnel Administration
Mr. Hexter, Assistant General Counsel
Mr. Shay, Assistant General Counsel
Mr. Sammons, Adviser, Division of International Finance
Mr. Daniels, Assistant Director, Division of Bank Operations
Mr. Goodman, Assistant Director, Division of Examinations
Mr. Leavitt, Assistant Director, Division of Examinations
Mrs. Semia, Technical Assistant, Office of the Secretary
Mr. Egertson, Supervisory Review Examiner, Division of Examinations
Mr. McClintock, Supervisory Review Examiner, Division of Examinations

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

<table>
<thead>
<tr>
<th>Item No.</th>
<th>Letter to Union Bank and Trust Company, Kokomo, Indiana, approving the establishment of a branch on East Boulevard.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Letter to Citizens Banking Company, Anderson, Indiana, approving the establishment of a branch at 11th and Main Streets.</td>
</tr>
</tbody>
</table>
Letter to The Oregon Bank, Portland, Oregon, approving the establishment of a branch in Salem, with the understanding that capital and surplus was to be increased by the sale of new common stock for cash prior to the opening of the branch.

Letter to Citizens Trust and Savings Bank, South Haven, Michigan, approving a proposed investment in bank premises.

Letter to Chelsea National Bank, New York, New York, granting its request for permission to maintain reduced reserves.

Letter to Crocker-Citizens National Bank, San Francisco, California, granting permission to organize a corporation under section 25(a) of the Federal Reserve Act, to be known as Crocker-Citizens International Corporation, San Francisco, for the purpose of engaging in international or foreign banking or financial operations, and transmitting a preliminary permit.

Letter to Chase International Investment Corporation, New York, New York, approving an extension of time to acquire shares of Banque Ivoirienne de Developpement Industriel, Abidjan, Ivory Coast.

Letter to the Federal Deposit Insurance Corporation regarding the application of Bank of Menomonie, Menomonie, Wisconsin, for continuation of deposit insurance after withdrawal from membership in the Federal Reserve System.

Letter to the Federal Reserve Bank of New York approving payment to an employee of salary in excess of the established grade maximum.

Messrs. Johnson, Shay, Daniels, Egertson, and McClintock then withdrew.

Application of Mellon Bank International (Item No. 10). On September 15, 1964, the Board discussed information set out in a
distributed memorandum of September 11, 1964, from the Division of Examinations regarding the application of Mellon Bank International, Pittsburgh, Pennsylvania (a corporation organized under section 25(a) of the Federal Reserve Act), for permission to purchase common stock of HI-Koppers Cement Corporation, Makati, Rizal, Philippines. It was brought out that originally it had been planned that the equity in HI-Koppers would be divided equally between Koppers International C. A. (a wholly-owned subsidiary of Koppers Company, Inc.), and House of Investments, Inc. (a Philippine corporation). However, since Philippine law limited holdings by single parties in basic mining enterprises to 15 per cent of the voting stock, it was decided that those two participants would each take 15 per cent of the voting stock, and an additional 15 per cent would be offered to Mellon Bank International. It was expected that with the Bank's support, Koppers International and House of Investments would be able to elect at least six of the nine HI-Koppers directors. It was planned that Koppers International would take all of the non-voting stock.

During discussion questions were raised as to the consistency of the proposed investment with the spirit of Philippine law and with the broad purpose of section 25(a) of the Federal Reserve Act to further the foreign commerce of the United States. Question was raised also regarding the propriety of an Edge corporation entering into what appeared to be purely an equity transaction, whereas section 25(a) contemplated operations
in international finance and commerce. Action on the application was deferred pending the obtaining of additional information bearing upon these questions.

There had now been received a telegram, copies of which were distributed at the meeting, indicating that House of Investments and related companies would take at least 36 per cent of the voting stock of HI-Koppers. That investment, added to the 15 per cent to be taken by Mellon Bank International and 15 per cent by Koppers International, would total 66 per cent, which was enough to elect two-thirds of HI-Koppers nine directors. The telegram stated also that the proposed holding of the non-voting stock conformed with Philippine law, and that the 15 per cent limit on voting stock in mining companies was frequently met by splitting the voting stock among related companies, as House of Investments intended to do, but Koppers International did not intend to follow that plan. The proposed capital structure and articles of incorporation of HI-Koppers had been submitted to the Philippine Securities and Exchange Commission, whose jurisdiction extended to closely-held corporations, and whose approval was expected momentarily. Mellon Bank International would not invest until that approval was given. The telegram added that the project was attractive in helping the balance of payments because most of the financing would come from sources outside the United States, whereas Koppers would receive payments for construction of plant and for assistance in its management, and Mellon Bank International
and Koppers would receive dividends. The project would help the Philippine economy--specifically, the cement industry--by helping to insure availability of cement at a reasonable price for Philippine industrial development. It was believed that substantial opportunity would be offered for export of United States equipment.

Governor Robertson stated that he believed that the question of the Philippine law was not one for the Board but for the Philippine authorities to decide on the basis of all the facts in front of them. The question of propriety of the investment for an Edge corporation, however, was significant because this was the first time this precise situation had been presented since the adoption of the September 1963 revision of Regulation K, Corporations Engaged in Foreign Banking and Financing under the Federal Reserve Act.

Mr. Goodman commented that approval of the capital structure and articles of incorporation of HI-Koppers by the Philippine Securities and Exchange Commission did not necessarily mean that the Commission would know who the shareholders were, since House of Investments was really a closed investment trust. The Commission would know the corporate structure of HI-Koppers. As for the nature of the enterprise, there was a black market for cement in the Philippines, and it was hoped that the productive capacity of HI-Koppers would help to make the price more realistic. However, the investment would hardly mean that Mellon Bank International would be in the cement business. The project might be
said to be developmental and, in his opinion, it was consistent with the spirit of the Edge Act; the Board had given approval to some transactions that were substantially similar.

Governor Robertson observed that the basic question was whether, under Regulation K, the transaction could be said to be designed to further the foreign commerce of the United States. The development of the cement industry of the Philippines was a perfectly worthy purpose, but whether it justified investment by an Edge corporation was a different matter. In his view, approval of the application would set a precedent under Regulation K for an investment that would not further the commerce of the United States.

Chairman Martin said that his general approach to the whole question of trade was that almost any investment abroad that led to exports of equipment or material helped commerce; as he saw it, failure to recognize that fact, in the light of the changes that had occurred in the world in the past 15 to 20 years, would have caused the United States to lose a great many opportunities if it had not been for the work of the Export-Import Bank. He added that he gave little or no weight to the claim that the transaction would help the balance of payments problem; the amount involved was too small.

Governor Robertson stated that, while he would not question a loan for the purpose here sought, if the Board approved an equity
investment in a cement plant, he could not see that a limitation could consistently be placed on any investment by an Edge corporation, and the need for approval of investments might as well be eliminated. Regulation K purported to limit Edge corporation investments unless they met certain conditions, but the limitations in the regulation appeared to mean nothing in the present application.

After further discussion, the application was approved, Governor Robertson dissenting for the reasons he had expressed. A copy of the letter informing Mellon Bank International of the Board's action is attached as Item No. 10.

Messrs. Hexter and Sammons then withdrew.

Check clearing function at Cleveland Reserve Bank. Governor Balderston, referring to the concern the Board had felt about a year ago regarding the check clearing operation at the Federal Reserve Bank of Cleveland, commented that during his visit at the Bank earlier this week he had been shown operating data that reflected a substantial improvement.

Banks owned by business. Governor Robertson asked Mr. Fauver if any information released by the Board might have formed the basis for an article in today's Wall Street Journal regarding acquisition of banks by businesses. Mr. Fauver responded that there did not appear to be any relation between the article and any material recently published by the Board, although there might be some connection with the Board's recommendation to Congress, expressed in the Annual Report for 1963 and earlier,
that the Bank Holding Company Act be extended to cover one-bank holding companies. Governor Robertson commented that the article might point to a growing public recognition of a trend that the Board should watch carefully. A number of banks had been acquired by businesses that sought to use the financial resources of the banks as part of their over-all business. In his view, it would be well for the Board to be alert to problems that might arise from such arrangements, even if the extension of the Bank Holding Company Act that the Board had recommended was not adopted.

The meeting then adjourned.

Secretary's Notes: Governor Shepardson today approved on behalf of the Board the following items:

Letter to the Federal Reserve Bank of Cleveland (attached Item No. 11) approving the appointment of Robert T. Meredith as assistant examiner.

Memorandum from the Division of Research and Statistics dated September 9, 1964, recommending the appointment of Francis R. Pawley as Consultant in that Division, effective to December 31, 1964, on a temporary contractual basis with compensation at the rate of $60 per day for each day worked for the Board and, when in travel status, transportation expenses and per diem to be paid in accordance with the Board's travel regulations.

In accordance with Executive Order No. 11176 and the Treasury regulations issued under that order, a letter was sent today over the signature of Chairman Martin to the Secretary of the Treasury requesting that information returns made by commercial banks under section 6011(d)(2) of the Internal Revenue Code of 1954, as added by section 3(a) of the Interest Equalization Tax Act, be open to inspection at the Treasury Department's offices by four specified members of the Board's staff duly authorized by the Board. A copy of the letter is attached as Item No. 12.
Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Union Bank and Trust Company, Kokomo, Indiana, of a branch at 920 East Boulevard, Kokomo, Indiana, 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.)
September 16, 1964.

Board of Directors,
Citizens Banking Company,
Anderson, Indiana.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Citizens Banking Company, Anderson, Indiana, of a branch at the southeast corner of the intersection of 11th and Main Streets, Anderson, Indiana, 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 Directors,
The Oregon Bank,
Portland, Oregon.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch by The Oregon Bank at the northeast corner of Center and Church Streets, Salem, Oregon, provided the branch is established within one year from the date of this letter.

It is understood that capital and surplus will be increased by at least $500,000 by the sale of new common stock for cash prior to the opening of the branch. The Board of Governors notes that Vice President Galvin of the Federal Reserve Bank of San Francisco emphasized in his letter to you of August 20, 1964, the need for strengthening the bank's capital position over and above the $500,000 proposed increase. An even larger sale of new stock would aid in providing for the present capital needs of your bank and in providing for future growth of your bank on a sound basis. The Board strongly concurs in Vice President Galvin's comments in this regard.

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 Directors,
Citizens Trust and Savings Bank,
South Haven, Michigan.

Gentlemen:

The Board of Governors of the Federal Reserve System approves, under the provisions of Section 24A of the Federal Reserve Act, an investment in bank premises by Citizens Trust and Savings Bank, South Haven, Michigan, of $350,000 for the remodeling of its main office and a branch and the acquisition and improvement of a parking lot.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.
Board of Directors,
Chelsea National Bank,
New York, New York.

Gentlemen:

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

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

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman, Secretary.
Mr. Joseph F. Hogan,
First Vice President,
Crocker-Citizens National Bank,
1 Montgomery Street,
San Francisco, California 94120.

Dear Mr. Hogan:

The Board of Governors has approved the Articles of Association and the Organization Certificate, dated July 8, 1964, and as amended August 31, 1964, of Crocker-Citizens International Corporation, and there is enclosed a preliminary permit authorizing that Corporation to exercise such of the powers conferred by Section 25(a) of the Federal Reserve Act as are incidental and preliminary to its organization.

Except as provided in Section 211.3(a) of Regulation K, the Corporation may not exercise any of the other powers conferred by Section 25(a) until it has received a final permit from the Board authorizing it generally to commence business. Before the Board will issue its final permit to commence business, the president, controller, or secretary, together with at least three of the directors, must certify (1) that each director is a citizen of the United States; (2) that a majority of the shares of capital stock is held and owned by citizens of the United States, by corporations the controlling interest in which is owned by citizens of the United States, chartered under the laws of the United States or of a State of the United States, or by firms or companies the controlling interest in which is owned by citizens of the United States; and (3) that of the authorized capital stock specified in the Articles of Association all shall be subscribed and not less than $2,000,000 shall be issued and fully paid.

Article FOURTH of the Organization Certificate and Article SEVENTH of the Articles of Association provide that the authorized capital stock of the Corporation shall consist of 50,000 shares of $100 par value stock, of which, prior to the commencement of business, all shall be subscribed and not less than $2,000,000
of the $5,000,000 authorized shall be issued and fully paid in. It is understood that all outstanding shares will be fully paid. The Board of Governors hereby consents that the remainder of the capital stock of the Corporation may be paid in upon call from the board of directors of the Corporation, provided that the Board of Governors shall have approved each such increase in paid-in capital not more than 90 days prior to the date on which the increase is paid in.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

Enclosure
IT IS HEREBY CERTIFIED that the Board of Governors of the Federal Reserve System, pursuant to authority vested in it by Section 25(a) of the Federal Reserve Act, as amended, has this day approved the Articles of Association and Organization Certificate, dated July 8, 1964, and as amended August 31, 1964, of CROCKER-CITIZENS INTERNATIONAL CORPORATION duly filed with said Board of Governors, and that CROCKER-CITIZENS INTERNATIONAL CORPORATION is authorized to exercise such of the powers conferred upon it by said Section 25(a) as are incidental and preliminary to its organization pending the issuance by the Board of Governors of the Federal Reserve System of a final permit generally to commence business in accordance with the provisions of said Section 25(a) and the rules and regulations of the Board of Governors of the Federal Reserve System issued pursuant thereto.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

(SEAL)

By (Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.
Chase International Investment Corporation,
1 Chase Manhattan Plaza,

Gentlemen:

Reference is made to your letter of August 27, 1964, transmitted through the Federal Reserve Bank of New York, requesting an extension of six months from September 30, 1964 of the time within which your Corporation may acquire shares of Banque Ivoirienne de Developpement Industriel ("BIDI"), Abidjan, Ivory Coast, at a cost of about CFA Francs 60 million, or approximately US$250,000 (equivalent), under the specific consent granted by the Board of Governors on September 30, 1963.

Your letter of May 6, 1964 reported that, in accordance with the corporate law and practice in the Republic of the Ivory Coast, the par value of each share of the capital stock of BIDI will be CFA Francs 5,000 rather than CFA Francs 1,000 and that your Corporation would acquire 12,500 shares rather than 62,500 as submitted in your original proposal.

It is noted from your letter of August 27, 1964 that it is not contemplated that the proposed investment will be made prior to September 30, 1964, but that negotiations are proceeding and the basic investment as described in your letter of September 18, 1963 has not changed materially.

In accordance with your request, the Board extends to March 31, 1965 the time within which your Corporation may purchase the shares of BIDI.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.
Mr. Timothy J. Reardon, Jr.,
Assistant to the Chairman,
Federal Deposit Insurance Corporation,
Washington, D. C. 20429

Dear Mr. Reardon:

Reference is made to your letter of September 9, 1964, concerning the application of Bank of Menomonie, Menomonie, Wisconsin, for continuance of deposit insurance after withdrawal from membership in the Federal Reserve System.

There have been no 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 such programs that it would be advisable to incorporate as conditions of admitting the bank to membership in the Corporation as a nonmember of the Federal Reserve System.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.
September 16, 1964.

CONFIDENTIAL (FR)

Mr. Walter H. Rozell, Jr., Vice President,
Federal Reserve Bank of New York,
New York, New York. 10045.

Dear Mr. Rozell:

For reasons outlined in your letter of September 4, 1964, the Board of Governors approves the payment of salary in excess of the established grade maximum to Mr. Owen G. Patterson in his position as Semi-Senior Auditor. It is noted that Mr. Patterson will not be eligible for further salary increases unless he is reassigned to a higher grade or the maximum of the grade is raised.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.
Mellon Bank International,
c/o Mellon National Bank and Trust Company,
Mellon Square,
Pittsburgh, Pennsylvania.

Gentlemen:

In accordance with your request dated July 31, 1964, and on the basis of information furnished, the Board of Governors grants consent for your Corporation to purchase and hold 1,200,000 shares, par value Philippine Pesos 1 each, of the voting common stock of HI-Koppers Cement Corporation, Makati, Rizal, Philippines, at a cost of approximately US$300,000, provided such stock is acquired within one year from the date of this letter.

The Board also approves the purchase and holding of shares of HI-Koppers Cement Corporation within the terms of the above consent in excess of 10 per cent of your Corporation's capital and surplus.

Very truly yours,

Karl E. Bakke,
Assistant Secretary.
CONFIDENTIAL (FR)

Mr. Harry W. Huning, Vice President,  
Federal Reserve Bank of Cleveland,  
Cleveland, Ohio. 44101

Dear Mr. Huning:

In accordance with the request contained in your letter of September 14, 1964, the Board approves the appointment of Robert T. Meredith as an assistant examiner for the Federal Reserve Bank of Cleveland. Please advise the effective date of the appointment.

It is noted that Mr. Meredith is indebted to First National Bank in Marietta, Marietta, Ohio. Accordingly, the Board's approval of the appointment of Mr. Meredith is given with the understanding that he will not participate in any examination of that Bank until his indebtedness has been liquidated.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,  
Assistant Secretary.
The Honorable Douglas Dillon,  
Secretary of the Treasury,  
Washington, D. C.

Dear Doug:

In accordance with Executive Order No. 11176 and the Treasury regulations issued under that order, the Board of Governors of the Federal Reserve System hereby requests that information returns made by commercial banks under section 6011(d)(2) of the Internal Revenue Code of 1954, as added by section 3(a) of the Interest Equalization Tax Act, be open to inspection at the Treasury Department's offices (IET Reporting Unit, Office of Balance of Payments), Washington, D. C., by the following members of the Board's staff duly authorized by the Board:

1. Ralph A. Young, Adviser to the Board and Director, Division of International Finance;

2. Frederick R. Dahl, Chief, Special Studies and Operations Section, Division of International Finance;

3. Robert F. Gemmill, Economist, Special Studies and Operations Section, Division of International Finance; and

4. Frederick B. Ruckdeschel, Economist, Special Studies and Operations Section, Division of International Finance.

Procedures have been established within the Board of Governors to assure that inspection of these returns will be limited to the members of the Board's staff named above.

Sincerely yours,

Wm. McC. Martin, Jr.