

Minutes for October 19, 1964

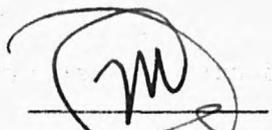
To: Members of the Board
From: Office of the Secretary

Attached is a copy of the minutes of the Board of Governors of the Federal Reserve System on the above date.

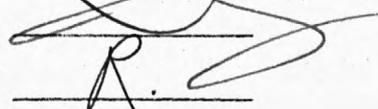
It is not proposed to include a statement with respect to any of the entries in this set of minutes in the record of policy actions required to be maintained pursuant to section 10 of the Federal Reserve Act.

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.

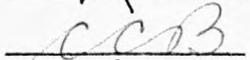
Chm. Martin



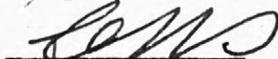
Gov. Mills



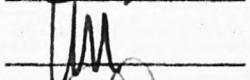
Gov. Robertson



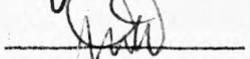
Gov. Balderston



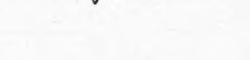
Gov. Shepardson



Gov. Mitchell



Gov. Daane



Minutes of the Board of Governors of the Federal Reserve System

on Monday, October 19, 1964. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
 Mr. Balderston, Vice Chairman
 Mr. Mills
 Mr. Robertson
 Mr. Shepardson
 Mr. Mitchell
 Mr. Daane
 Mr. Sherman, Secretary
 Mr. Broida, Assistant Secretary
 Mr. Bakke, Assistant Secretary
 Mr. Young, Adviser to the Board and Director,
 Division of International Finance
 Mr. Noyes, Adviser to the Board
 Mr. Molony, Assistant to the Board
 Mr. Fauver, Assistant to the Board
 Mr. Solomon, Director, Division of Examinations

Messrs. Brill, Holland, Koch, Garfield, Partee,
 Dembitz, Altmann, Axilrod, Eckert, Fisher,
 Gehman, Keir, Manookian, Osborne, Weiner,
 and Wernick of the Division of Research and
 Statistics

Messrs. Furth, Hersey, Sammons, Irvine, Katz,
 Reynolds, Wood, Dahl, Gekker, Hayes, and
 Maroni of the Division of International
 Finance

Economic review. The Division of International Finance summarized selected international financial developments, following which the Division of Research and Statistics reviewed domestic business and financial developments.

All members of the staff except Messrs. Sherman, Bakke, and Solomon then withdrew and the following entered the room:

Mr. Hackley, General Counsel
 Mr. Johnson, Director, Division of Personnel Administration
 Mr. O'Connell, Assistant General Counsel
 Mr. Daniels, Assistant Director, Division of Bank Operations
 Mr. Collier, Assistant to the Director, Division of Bank Operations
 Mr. Lyon, Review Examiner, Division of Examinations

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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>
Letter to Schroder Trust Company, New York, New York, granting its request for permission to maintain reduced reserves.	1
Letter to The Alamo National Bank of San Antonio, San Antonio, Texas, denying its request for permission to maintain reduced reserves.	2
Letter to the Federal Reserve Bank of Dallas approving the payment of salary to Fredric W. Reed as Vice President in charge of the El Paso Branch at the rate proposed by the Bank's Board of Directors.	3

With respect to Item No. 3, Mr. Johnson observed that the salary proposed by the Dallas Reserve Bank for the Vice President-designate at the El Paso Branch was quite low in relation to the salaries received by other Branch Vice Presidents, and was below the minimum salary for his group. He suggested that while the Board might wish to approve the salary proposed for Mr. Reed by the Reserve Bank, it might also be desirable that the matter be considered at a meeting of the Board's Committee on Organization, Compensation, and Building Plans that was scheduled to convene later in the day, with a view to discussing with President Irons the level of compensation for an individual occupying the position in question.

After brief discussion, it was understood that a review of the salary level should be made by the Committee and that the matter should then be discussed with President Irons.

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Messrs. Johnson, Daniels, and Collier then withdrew from the meeting.

Question under Bank Holding Company Act raised by Navajo Bancorporation, Inc. Mr. O'Connell reported, for the information of the Board, that he had received a call from counsel for Navajo Bancorporation, Inc., Phoenix, Arizona, a holding company affiliate by virtue of its control of First Navajo National Bank, Holbrook, Arizona, stating that Navajo Bancorporation desired to acquire, through foreclosure, a majority of the shares of Valley State Bank, Lamar, Colorado, held as collateral for a loan.

According to Mr. O'Connell, Navajo Bancorporation had lent \$100,000 to Lamar Investors, Ltd., Lamar, Colorado, which controlled Valley State Bank and Brighton National Bank, Brighton, Colorado, secured by a second lien on stock of Lamar Investors and Valley State Bank, the primary lien holder being Central Bank and Trust Company, Denver, Colorado, which had previously lent Lamar Investors \$237,000 on the collateral of the stock in question. Central Trust had called its loan to Lamar Investors, which the latter had been unable to repay. In order to avoid foreclosure on the stock held by Central Trust as collateral for the loan, which action would have extinguished Navajo Bancorporation's subordinated interest in the same stock, Navajo Bancorporation paid off Lamar Investors' note and took an assignment of the stock in question from Central Trust.

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Subsequently, due to certain questionable transactions between Valley State Bank and Brighton National Bank, wherein the former had made a \$400,000 interbank deposit with the latter that Brighton National was unable to return when called for by Valley State, the Banking Board for the State of Colorado had ordered a hearing at which Valley State was ordered to show cause why it should not be placed in receivership because of inadequate capital.

In connection with the foregoing action, the State Banking Board had approached Navajo Bancorporation, undoubtedly because of its substantial interest in the solvency of Valley State, to take over operation of the bank temporarily until its affairs could be straightened out; collaterally, Navajo Bancorporation proposed to foreclose on the stock of Valley State that it held as collateral for advances to or on behalf of the bank.

Mr. O'Connell stated that he had called attention of counsel for Navajo to the fact that by acquiring the stock of Valley State through foreclosure Navajo Bancorporation would become a bank holding company, and that before this could be done legally the Board's approval would have to be obtained pursuant to the requirement of section 3(a) of the Bank Holding Company Act. He added, however, that in this case the Board could not grant its approval in any event because the acquisition would be across State lines, in conflict with the prohibition contained in section 3(d) of the Bank Holding Company Act.

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Counsel for Navajo Bancorporation had then discussed with Mr. O'Connell possible alternative methods of accomplishing the desired objective, following which Mr. O'Connell had suggested that the matter be pursued with the staff of the Federal Reserve Bank of San Francisco.

Mr. O'Connell stated, in response to a question from Chairman Martin, that there was nothing before the Board for action at the moment, although a "section 301" determination for Navajo was being processed by the staff. The Board would, of course, be kept informed of developments.

The meeting then adjourned.

Secretary's Note: Governor Shepardson today approved on behalf of the Board a memorandum from the Division of Research and Statistics recommending acceptance of the resignation of Barbara A. Bosworth, Statistical Clerk in that Division, effective as of the close of business October 23, 1964.

A handwritten signature in cursive script, appearing to read 'James B. ...', is written over a horizontal line. Below the line, the word 'Secretary' is printed in a serif font.

Secretary

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 1
10/19/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 19, 1964

Board of Directors,
Schroder Trust Company,
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 Schroder Trust Company to maintain the same reserves against deposits as are required to be maintained by nonreserve city banks, effective with the first biweekly reserve computation period beginning after the date of this letter.

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.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 2
10/19/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 19, 1964

Board of Directors,
The Alamo National Bank of San Antonio,
San Antonio, Texas.

Gentlemen:

This refers to the application from your bank, submitted through the Federal Reserve Bank of Dallas, for permission to maintain the same reserves against deposits as are required to be maintained by nonreserve city banks.

In the light of the volume of your bank's total demand deposits, its interbank demand deposits, its activity in the Federal funds market and frequency of borrowing at the Federal Reserve Bank, and its competitive position with other banks, the Board feels that the character of your bank's business is more nearly like that of the other reserve city banks in San Antonio than that of San Antonio banks to which the Board has granted permission to maintain reduced reserves. Accordingly, the Board believes that it would not be justified in granting your application for reduced reserves.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.





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

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Item No. 3
10/19/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 19, 1964

CONFIDENTIAL (FR)

Mr. Watrous H. Irons, President,
Federal Reserve Bank of Dallas,
Dallas, Texas 75222.

Dear Mr. Irons:

As requested in your letter of October 9, 1964, the Board of Governors approves the payment of salary to Mr. Fredric W. Reed as Vice President of the Federal Reserve Bank of Dallas, in charge of the El Paso Branch, at the rate of \$13,500 per annum, effective November 1, 1964.

The Board has noted the reassignment of Vice President Roy E. Bohne, from the El Paso Branch to the Head Office with no change in title or salary, also effective November 1.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.