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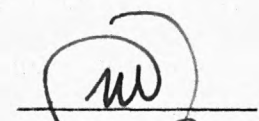
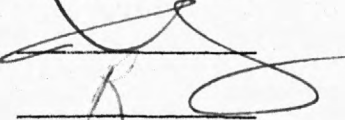
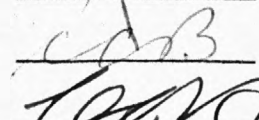

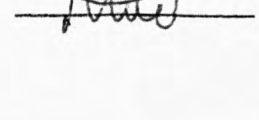


Minutes for October 21, 1964.

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 Wednesday, October 21, 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. Daane

Mr. Sherman, Secretary  
Mr. Bakke, Assistant Secretary  
Mr. Hackley, General Counsel  
Mr. Farrell, Director, Division of Bank  
Operations  
Mr. Shay, Assistant General Counsel  
Mr. Daniels, Assistant Director, Division of  
Bank Operations  
Mr. Leavitt, Assistant Director, Division of  
Examinations  
Mr. McClintock, Supervisory Review Examiner, Division  
of Examinations  
Mr. Egertson, Supervisory Review Examiner, Division  
of Examinations

Discount rates. The establishment without change by the Federal Reserve Bank of Minneapolis on October 17, 1964, of the rates on discounts and advances in its existing schedule was approved unanimously, with the understanding that appropriate advice would be sent to that Bank.

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

Item No.

Letter to Lincoln National Bank of Chelsea, Chelsea, Massachusetts, granting its request for permission to continue to maintain reduced reserves.

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Item No.

2

Letter to Morgan Guaranty Trust Company of New York, New York, New York, granting permission to establish a branch in Frankfurt, West Germany.

Revocation of permission to maintain reduced reserves (Item No. 3).

There had been circulated a memorandum from the Division of Bank Operations dated October 8, 1964, submitting for Board consideration a draft of letter to The National Bank of Commerce of Dallas, Dallas, Texas, revoking the permission previously granted that institution to maintain reduced reserves against deposits. This action had been recommended by the Federal Reserve Bank of Dallas, which reported that officials of the bank in question were agreeable to the proposed revocation.

Concern was expressed by certain members of the Board that acquiescence on the part of the bank to the revocation might have been occasioned by an overly zealous presentation of the case for such action by the Dallas Reserve Bank. However, further discussion developed the sentiment that the grounds for revocation seemed clear, since the bank in question was in active competition with the large city banks in downtown Dallas and its interbank deposits had doubled since the permission to carry reduced reserves had been granted. In this connection, Governor Mills observed that he perceived some virtue in requiring banks to maintain a degree of liquidity consistent with the nature of the banking activity in which they were engaged.

It was the consensus that the facts indicated the propriety of taking the action proposed by the Dallas Reserve Bank, and that nothing

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in the record before the Board suggested the member bank's acquiescence therein was the result of anything but recognition of the merits of the proposal. Accordingly, revocation of the permission previously granted to The National Bank of Commerce of Dallas to carry reduced reserves against deposits was approved unanimously. A copy of the letter advising the bank of this action is attached to these minutes as Item No. 3.

Mr. Daniels then withdrew from the meeting and Messrs. Molony, Assistant to the Board, and O'Connell, Assistant General Counsel, entered the room.

Report on competitive factors (Hyattsville-La Plata, Maryland).

There had been distributed a draft of report to the Federal Deposit Insurance Corporation on the competitive factors involved in the proposed merger of The Southern Maryland National Bank of La Plata, La Plata, Maryland, into Suburban Trust Company, Hyattsville, Maryland.

The report was approved unanimously for transmittal to the Corporation. The conclusion read as follows:

There is virtually no competition between Suburban Trust Company, Hyattsville, and The Southern Maryland National Bank of La Plata.

While the proposed merger would not have serious adverse effects on other banks, it would extend Suburban Trust's operations into another county and constitute a further step in Maryland toward the grouping of commercial banks into large aggregations and a consequent decline of locally headquartered banking outlets.

Exchange of information regarding change in control of bank management (Item No. 4). There had been distributed a memorandum from

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the Division of Examinations dated October 15, 1964, to which was attached a draft of letter to the Comptroller of the Currency regarding procedures to be followed in exchanging information on changes in control of bank management reported pursuant to the requirements of the recently-enacted Public Law 88-593.

Discussion of the subject between staff personnel of the Board and the Federal Deposit Insurance Corporation had resulted in a decision to recommend to their respective agencies that such information be exchanged at the district level and reported to the Washington offices by the Reserve Bank Vice President in charge of Examinations and the Corporation's Supervising Examiner for the district involved. Representatives of the Office of the Comptroller of the Currency had declined to participate in the staff discussions of the subject, but the Comptroller was notified by the Board of the decision resulting therefrom by letter dated September 25, 1964.

In a reply dated October 1, 1964, the Chief Counsel of the Office of the Comptroller of the Currency had stated that:

Pursuant to the provisions of the bill P. L. 88-593, we shall be glad to make available to the Corporation and to the Federal Reserve Board in Washington copies of the reports as they are received. Rather than adopt the procedure suggested in your letter, we would prefer to leave it up to the Washington offices to make whatever further distribution within their respective agencies as they see fit.

The above-quoted passage left unclear the question whether it was desired that the Board provide information directly to the Office of the

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Comptroller of the Currency or whether the information should continue to be furnished to his Regional Comptrollers, and the draft letter before the Board sought clarification of his wishes in this regard.

Although there was some difference of opinion expressed as to whether it would be preferable to transmit all reports directly to the Office of the Comptroller of the Currency or to submit all such information only to the Regional Comptrollers for such further distribution as they saw fit, it was the consensus that the Comptroller's preference should govern and that the draft letter was appropriate to elicit this information. Accordingly, transmittal of the letter to the Comptroller was approved unanimously; a copy is attached to these minutes as Item No. 4.

Messrs. Shay, Egertson, and McClintock then withdrew from the meeting.

Further developments regarding Navajo Bancorporation, Inc. Supplementing the remarks he had made at the Board meeting of October 19, 1964, regarding the desire of Navajo Bancorporation, Inc., Phoenix, Arizona, to acquire, through foreclosure on collateral for a loan, the stock of Valley State Bank, Lamar, Colorado, Mr. O'Connell reported that the acquisition had been consummated, notwithstanding his advice to counsel for Navajo Bancorporation the previous weekend that such action would be illegal. In this connection, he noted that apart from the failure of Navajo Bancorporation to secure the Board's prior approval, as required by section 3(a) of the Bank Holding Company Act, the acquisition was across

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State lines, contrary to the restriction imposed by section 3(d) of the Act.

According to a member of the Federal Deposit Insurance Corporation staff who had informed Mr. O'Connell of the acquisition, the show-cause hearing held by the Colorado State Banking Board on October 19, referred to in Mr. O'Connell's remarks to the Board of Governors on that date, had resulted in a finding that Navajo Bancorporation's acquisition of control of the bank had rendered its prospects sufficiently favorable to remove the necessity for placing the bank in receivership. Incident to the acquisition in question, Navajo Bancorporation had given the State Banking Board assurances that \$175 thousand in new capital would be put into the bank, \$125 thousand immediately and \$50 thousand within the near future; that new management would be provided for the bank by Navajo Bancorporation; and that at some unspecified future date an effort would be made to return ownership of the bank to local investors in Lamar, and in the event investors not residents of Lamar should participate in the divestment sale, prior approval of the State Banking Board would be secured.

In discussion, it was the view of the Board that since Navajo Bancorporation's acquisition of Valley State Bank constituted a violation of sections 3(a) and 3(d) of the Bank Holding Company Act, notwithstanding the purpose involved, the Board had an obligation to call the matter to the attention of the Department of Justice. It was understood that Mr. O'Connell would secure from counsel for Navajo Bancorporation all available

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facts bearing on the transaction in question for submission to that Department.

Foreign travel by Mr. Sigel (Item No. 5). Pursuant to the recommendation in a memorandum from Mr. Young (Adviser to the Board and Director, Division of International Finance) dated October 20, 1964, Mr. Sigel, Assistant to the Director, Division of Research and Statistics, was authorized to travel to Paris, France, and to London, England, during the period November 6-15, 1964, to attend a meeting of Working Party 2 of the Organization for Economic Cooperation and Development and to confer with staff members of the Bank of England, respectively. It was understood that Mr. Sigel would receive per diem in accordance with the Standardized Government Travel Regulations. A copy of Mr. Young's memorandum is attached to these minutes as Item No. 5.

The meeting then adjourned.

Secretary's Notes: Governor Shepardson approved on behalf of the Board on October 20, 1964, the following items:

Letter to the Bureau of the Budget (attached Item No. 6) forwarding certain schedules for calendar years 1963, 1964, and 1965, for use in making a presentation on a memorandum basis of data on the financial operations of the Board of Governors in a separate section of the 1966 Federal budget document.

Letter to the Federal Reserve Bank of Kansas City (attached Item No. 7) approving the appointment of Edwin Andrew Knipp as assistant examiner.

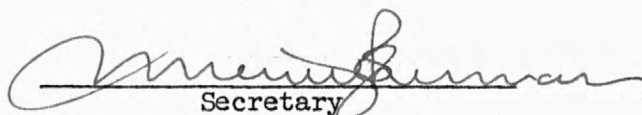
Memorandum from the Division of Personnel Administration recommending the appointment of Patricia Ann Schoen as Stenographer in the Division, with basic annual salary at the rate of \$4,630, effective the date of entrance upon duty.



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Governor Shepardson today approved on behalf of the Board the recommendations contained in a memorandum from the Division of Research and Statistics (1) that Mary C. Wing, Technical Editor (Economics) in that Division, be granted an extension of leave without pay for the period October 1 through October 21, 1964; and (2) that Miss Wing be placed on a half-time pay basis (i.e., \$5,303) for the period October 22 through December 31, 1964, in order that she might work at home on Board business, it being understood that no precedent was being set.



Secretary

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

3608

Item No. 1  
10/21/64



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

October 21, 1964.

Board of Directors,  
The Lincoln National Bank of Chelsea,  
Chelsea, Massachusetts.

Gentlemen:

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

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  
10/21/64

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

October 21, 1964.

Morgan Guaranty Trust Company of New York,  
23 Wall Street,  
New York 15, New York.

Gentlemen:

The Board of Governors of the Federal Reserve System grants its permission to Morgan Guaranty Trust Company of New York, pursuant to the provisions of Sections 9 and 25 of the Federal Reserve Act, to establish a branch in Frankfurt am Main, Federal Republic of Germany, to be located at Bockenheimer Landstrasse 8, Frankfurt am Main, and to operate and maintain such branch subject to the provisions of such Sections.

Unless the branch is actually established and opened for business on or before November 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. The Board should also be promptly informed of any future change in location of the branch in Frankfurt am Main.

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

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Item No. 3  
10/21/64

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

October 21, 1964.

Board of Directors,  
The National Bank of Commerce of Dallas,  
Dallas, Texas.

Gentlemen:

This refers to the Board's letter dated February 19, 1964, granting permission to The National Bank of Commerce of Dallas to maintain the same reserves against deposits as are required to be maintained by nonreserve city banks. At that time your attention was directed to the fact that the permission was subject to revocation by the Board of Governors.

In view of the increase in interbank deposits of The National Bank of Commerce of Dallas, its deposit structure, its increased activity in the Federal funds market and borrowings from the Federal Reserve Bank, its large volume of debits against deposit accounts and high rate of deposit turnover, and its competitive position with other downtown banks in the city, the Board feels it is no longer justified in permitting your bank to continue to maintain the reserves of a nonreserve city bank.

In the circumstances, and pursuant to the provisions of Section 19 of the Federal Reserve Act, the Board revokes the permission heretofore granted The National Bank of Commerce of Dallas to maintain the same reserves against deposits as are required to be maintained by nonreserve city banks, effective with the reserve computation period beginning January 7, 1965.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 4  
10/21/64

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

October 21, 1964.

The Honorable James J. Saxon,  
Comptroller of the Currency,  
Washington, D. C.

Dear Mr. Saxon:

In Mr. Bloom's letter of October 1, 1964, he stated that your office would prefer a different procedure for exchanging information about changes in control of management from that suggested in the Board's letter of September 25, 1964. The Board will appreciate obtaining copies of your reports which it notes you will be glad to make available as they are received.

The Board, however, is not certain if you wish to receive reports submitted to it, and, if you do, what procedure you would prefer be adopted in submitting reports to you. If you do wish to receive reports submitted to the Federal Reserve System, is it your desire that reports be submitted directly to the appropriate Regional Comptroller of the Currency or to your Washington Office?

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

Office Correspondence

Date October 20, 1964

To Board of Governors

Subject: Travel by Mr. Sigel to

From Ralph A. Young

Paris and London.

It is recommended that Mr. Stanley J. Sigel, Assistant to the Director, Division of Research and Statistics, be authorized to travel to Paris, France, to attend the November 8-10 meeting of Working Party No. 2 of the Organization for Economic Cooperation and Development. Mr. Sigel has extensive familiarity with the work of Working Party 2 both as a member of the staff of the OECD and as a member of the U. S. Delegation to recent meetings of the Working Party.

It is also recommended that Mr. Sigel be authorized to visit the offices of the Bank of England in London for conversations with his counterparts on the staff of the Bank, November 12-14.

Mr. Sigel's total travel time would cover November 6-15.

It is further recommended that his transportation expenses be paid by the Board and that he receive per diem in lieu of subsistence in accordance with Standardized Government Travel Regulations.

R. A. Young

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 6  
10/21/64

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

October 21, 1964.

The Honorable Kermit Gordon  
Director  
Bureau of the Budget  
Washington, D. C. 20503

Dear Mr. Gordon:

We are forwarding herewith the following schedules for 1963, 1964 and 1965, for use in making a presentation on a memorandum basis of data on the financial operations of the Board of Governors in a separate section of the 1966 Federal budget document.

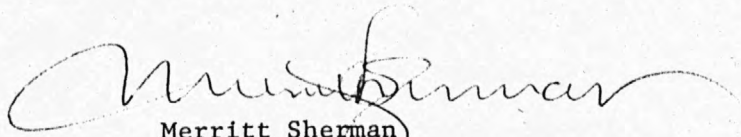
1. Salaries and Expenses by object classification
2. Program and Financing
3. Personnel Summary
4. Revenue, Expense and Retained Earnings'
5. Balance Sheet (also includes 1962)

There is also enclosed a brief summary statement of the basic legislation under which the Board operates, its program, and its financing.

It should be noted that 1964 and 1965 data have been taken from preliminary budgets submitted by our operating divisions. These budgets will be reviewed by the Board and should any significant changes result from this review, revised tables will be submitted.

Members of the Board's staff have worked with representatives of the Bureau in developing the above statements, and it is understood that they contain the type of data desired.

Very truly yours,

  
Merritt Sherman  
Secretary

Enclosures

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 7  
10/21/64

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

October 20, 1964.

Mr. George D. Royer, Jr., Vice President,  
Federal Reserve Bank of Kansas City,  
Kansas City, Missouri. 64106

Dear Mr. Royer:

In accordance with the request contained in your letter of October 14, 1964, the Board approves the appointment of Edwin Andrew Knipp as an assistant examiner for the Federal Reserve Bank of Kansas City. Please advise the salary rate and effective date of the appointment.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,  
Assistant Secretary.

