

Minutes for October 23, 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

W

Gov. Mills

[Signature]

Gov. Robertson

[Signature]

Gov. Balderston

CCB

Gov. Shepardson

[Signature]

Gov. Mitchell

[Signature]

Gov. Daane

[Signature]

Minutes of the Board of Governors of the Federal Reserve System
on Friday, October 23, 1964. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary
Mr. Bakke, Assistant Secretary
Mr. Noyes, Adviser to the Board
Mr. Molony, Assistant to the Board
Mr. Cardon, Legislative Counsel
Mr. Brill, Director, Division of Research
and Statistics
Mr. Holland, Associate Director, Division of
Research and Statistics
Mr. Koch, Associate Director, Division of
Research and Statistics
Mr. Furth, Adviser, Division of International
Finance
Mr. Hersey, Adviser, Division of International
Finance
Mr. Katz, Associate Adviser, Division of
International Finance
Mr. Axilrod, Chief, Government Finance Section,
Division of Research and Statistics
Mr. Bernard, Economist, Division of Research
and Statistics
Mr. Baker, Economist, Division of International
Finance

Money market review. There were distributed tables on recent interest rate developments, money market perspective for the period January-October 21, 1964, and perspective on bank reserve utilization for the period September 1963-October 21, 1964.

Mr. Bernard presented a report on developments in the Government securities market, following which Mr. Holland discussed bank reserves, bank credit, and the money supply. Mr. Baker then reviewed developments in the foreign exchange market.

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Following the foregoing reports, all members of the staff except Messrs. Sherman, Bakke, and Molony withdrew from the meeting and the following entered the room:

Mr. Hackley, General Counsel
Mr. Johnson, Director, Division of Personnel Administration
Mr. O'Connell, Assistant General Counsel
Mr. Shay, Assistant General Counsel
Mr. Hooff, Assistant General Counsel
Mr. Goodman, Assistant Director, Division of Examinations
Mr. Leavitt, Assistant Director, Division of Examinations
Mr. Daniels, Assistant Director, Division of Bank Operations
Mr. Sprecher, Assistant Director, Division of Personnel Administration
Mr. Young, Senior Attorney, Legal Division
Mr. Egertson, Supervisory Review Examiner, Division of Examinations
Mr. Lyon, Review Examiner, Division of Examinations
Mr. Hart, Assistant to the Director, Division of Personnel Administration

Discount rates. The establishment without change by the Federal Reserve Banks of Atlanta and Kansas City on October 21, 1964, and by the Federal Reserve Banks of New York, Philadelphia, Cleveland, Richmond, Chicago, St. Louis, and Dallas on October 22, 1964, of the rates on discounts and advances in their existing schedules was approved unani- mously, 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 The Merrill Trust Company, Bangor, Maine, approving an extension of time to establish a branch in Hampden.	1
Letter to Guaranty National Bank, Tulsa, Oklahoma, granting its request for permission to maintain reduced reserves.	2
Letter to Mission National Bank of Los Angeles, Los Angeles, California, granting its request for permission to maintain reduced reserves.	3
Letter to Boston Overseas Financial Corporation, Boston, Massachusetts, granting permission to purchase shares of Corporacion Financiera Nacional, Medellin, Colombia.	4
Letter to International Banking Corporation, New York, New York, granting permission to increase its investment in First National City Trust Company (Bahamas) Limited, Nassau, Bahamas.	5
Order, pursuant to a request by Society Corporation, Cleveland, Ohio, for an extension of time within which to become a bank holding company.	6
Letter to the Federal Reserve Bank of New York approving an amendment of the fiscal agency agreement between the Bank and Inter-American Development Bank, Washington, D. C.	7

Messrs. Daniels, Goodman, Lyon, and Young withdrew from the meeting after completion of action on the foregoing items.

Post-retirement death benefit (Item No. 8). There had been circulated a memorandum from the Division of Personnel Administration dated October 8, 1964, submitting for Board consideration a proposed letter to the Chairman of the Conference of Presidents approving a post-retirement death benefit of \$1,000 for present and future retirees of the Federal Reserve Banks, to be provided for on a group insurance basis through the Connecticut General Life Insurance Company.

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Following a brief recapitulation of the proposal by Mr. Johnson, Governor Mills expressed his approval of the plan. He noted that, if the death benefit were to be funded as an adjunct to the retirement fund, the annual cost would be \$124 thousand as opposed to the quoted annual insurance premium of \$165 thousand. However, the former alternative would require that a reserve of \$4.1 million be established to cover accrued liabilities, a procedure that would make the total cost of financing the plan in that manner considerably higher than group insurance.

At Governor Mitchell's instance, there followed a colloquy between members of the Board regarding the relative merits of self-insurance versus the group insurance proposal and the saving in cost, if any, that might be expected to result from the former. While there was some sentiment expressed in favor of self-insurance, the consensus was that the group insurance approach would be satisfactory.

The letter to the Chairman of the Conference of Presidents was thereupon approved, Governor Mitchell abstaining. A copy of the letter is attached to these minutes as Item No. 8.

Messrs. Johnson, Sprecher, and Hart then withdrew from the meeting.

Protest of merger pending before the Comptroller of the Currency.

There had been distributed a joint memorandum from the Division of Examinations and the Legal Division dated October 20, 1964, referring to

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a report on competitive factors that had been submitted to the Comptroller of the Currency on September 24, 1964, regarding the proposed merger of First Security Bank of Twin Falls, Twin Falls, Idaho, into First Security Bank of Idaho, N.A., Boise, Idaho, and stating that a copy of a protest filed with the Comptroller of the Currency by two competing banks had been transmitted to the Board by counsel for the protestants.

The memorandum expressed the opinion that the facts contained in the protest would not alter the conclusion reached by the Board in its September 24 report, and recommended that no supplemental report to the Comptroller of the Currency be made, both for this reason and because it would appear doubtful that submission of such a report would be consistent with the terms of the Bank Merger Act of 1960 unless the Comptroller were to request it.

It was agreed that the foregoing recommendation be accepted.

Unattached TV facilities as branches (Items 9 and 10). There had been distributed a memorandum from the Division of Examinations dated October 15, 1964, wherein the question was raised whether an unattended drive-in facility utilizing closed-circuit television and pneumatic tubes would constitute a branch. Two banks, Security Trust Company of Rochester, Rochester, New York, and Oakland Bank of Commerce, Oakland, California, had indicated a desire to install such facilities.

It was reported that the Legal Division was in the process of studying the question and some time would probably pass before the matter

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was ready for submission to the Board. Since both banks had indicated a desire to proceed with construction of the TV facilities, the Division of Examinations was of the opinion that it would not be reasonable to require them to wait until the broader question concerning the status of such installations as branches had been resolved. Accordingly, it was recommended that the banks be advised they might proceed with the proposed installation and that assurance be given of subsequent approval of the facilities should the Board later decide they were branches.

Mr. Hackley observed that the subject under consideration had prompted the thought that the Board might wish to reexamine the arbitrary test that had been laid down in the past that a remote facility was not a branch if connected with a banking office by a tunnel or overhead passage, and in this connection the whole range of prior decisions regarding what did or did not constitute a branch might also bear review.

Mr. Molony raised the point that if the Board were disposed to allow the banks to proceed with construction of the proposed facilities, it might serve a useful public relations purpose to issue a press release on the subject demonstrating the Board's sympathetic view of proposals for better banking service to customers.

Governor Robertson expressed the opinion that any Board-initiated publicity should await the outcome of the review that was to be made of the whole branch question, and there was unanimity of accord with this view.

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Governor Mitchell observed that the matter of better service to customers was an important factor, and suggested that if the Board were to accept the recommendation of the Division of Examinations there should be reference to this consideration in the letters to the banks.

The Board thereupon approved unanimously transmittal of letters to the two banks, informing them that no objection would be interposed to construction of the proposed facilities and, in the event they subsequently were determined to be branches, that approval for their operation would be granted. Copies of the letters are attached to these minutes as Items 9 and 10.

Infiltration of banks by criminal elements. Governor Robertson reported that several weeks ago the Assistant Director of the Federal Bureau of Investigation had made a speech in which he had referred to indications that control of certain banks had been taken over by persons associated with organized crime, and that this morning he had talked with an individual in the Organized Crime Section of the Department of Justice who had reported possession of firm evidence that such was the case. In light of this, Governor Robertson stated that the Board should take the initiative in establishing liaison with the Department of Justice in order to get all available information on the banks and circumstances involved so that particularly close scrutiny could be given their loans and other transactions by the System's examiners.

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Accord was expressed with this suggestion, and it was understood that representatives of the Legal Division and the Division of Examinations would contact the Chief of the Organized Crime Section of the Department of Justice to establish such liaison.

The meeting then adjourned.

Secretary's Notes: Governor Shepardson approved on behalf of the Board on October 22, 1964, memoranda recommending the following actions relating to the Board's staff:

Appointment

Mary Margaret Menegos as Clerk-Typist, Division of Data Processing, with basic annual salary at the rate of \$4,140 effective the date of entrance upon duty.

Advance of sick leave

Lois Orr, Secretary, Division of International Finance, from October 6, 1964, through October 30, 1964.

Governor Shepardson today approved on behalf of the Board memoranda recommending the following actions relating to the Board's staff:

Appointment

Seymour Friedland as Economist, Division of Research and Statistics, for a period of approximately eight months beginning on or about June 1, 1965, with basic annual salary at the rate of \$15,640.

Salary increases, effective October 25, 1964

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
	<u>Board Members' Offices</u>		
Walter Jordan, Jr., Messenger		\$3,930	\$4,055

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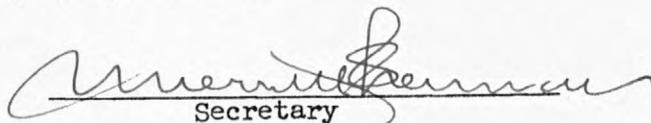
Salary increases, effective October 25, 1964 (continued)

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Office of the Secretary</u>			
Marjorie Eaton, General Assistant		\$7,650	8,200
Enid J. Halota, Secretary		5,495	5,660
Cleo J. Kray, Records Clerk		4,780	4,930
<u>Research and Statistics</u>			
Ketty Anagnos, Statistical Assistant		5,165	5,330
<u>International Finance</u>			
Ann N. Vermeulen, Clerk		4,780	4,930
<u>Administrative Services</u>			
Richard C. Leavitt, Teletype Operator		4,480	4,630
James H. Lowden, Messenger		3,615	3,730
Phyllis G. Meadows, Stenographer (change in title from Clerk-Typist)		4,410	4,780
John C. Simmons, Laborer		4,190	4,305

Extension of working hours

Nancy H. Teeters, Economist, Division of Research and Statistics, from a half-time basis to a 5-hour day, with basic annual salary at the rate of \$6,628, effective October 25, 1964.

Governor Shepardson today approved on behalf of the Board, as an interpretation of existing policy as applied to non-section Divisions, the recommendation contained in a memorandum from the Division of Personnel Administration dated October 23, 1964, that the procedure regarding the classification of secretarial positions approved on February 7, 1962, be revised to provide that each Division of the Board that does not have sections may present for review by the Personnel Division the allocation at Grade FR-5 of one existing Grade FR-4 stenographic position. It was understood that the eligibility requirements in the procedure approved on February 7, 1962, would continue to be applicable.


Secretary



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

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Item No. 1
10/23/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 23, 1964

Board of Directors,
The Merrill Trust Company,
Bangor, Maine.

Gentlemen:

The Board of Governors of the
Federal Reserve System extends until May 5,
1965, the time within which The Merrill Trust
Company, Bangor, Maine, may establish a
branch in the business district of Hampden,
Maine.

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. 2
10/23/64



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 23, 1964

Board of Directors,
Guaranty National Bank,
Tulsa, Oklahoma.

Gentlemen:

With reference to your request submitted through the Federal Reserve Bank of Kansas City, the Board of Governors, acting under the provisions of Section 19 of the Federal Reserve Act, grants permission to the Guaranty 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.

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

Item No. 3
10/23/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 23, 1964

Board of Directors,
Mission National Bank of Los Angeles,
Los Angeles, California.

Gentlemen:

With reference to your request submitted through the Federal Reserve Bank of San Francisco, the Board of Governors, acting under the provisions of Section 19 of the Federal Reserve Act, grants permission to the Mission National Bank of Los Angeles 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 25, D. C.

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Item No. 4
10/23/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 23, 1964.

Boston Overseas Financial Corporation,
67 Milk Street,
Boston 6, Massachusetts.

Gentlemen:

In accordance with the request and on the basis of the information furnished in your letter of October 9, 1964, transmitted through the Federal Reserve Bank of Boston, the Board of Governors grants consent for your Corporation to purchase and hold 740,000 ordinary shares, par value Colombian Pesos 10 each, of Corporacion Financiera Nacional ("CFN"), Medellin, Colombia, at a cost of approximately US\$865,800, 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 CFN within the terms of the above consent in excess of 10 per cent of your Corporation's capital and surplus.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.

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

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Item No. 5
10/23/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 23, 1964

International Banking Corporation,
399 Park Avenue,
New York 22, New York.

Gentlemen:

In accordance with the request contained in your letter of September 18, 1964, transmitted through the Federal Reserve Bank of New York, and on the basis of information furnished, the Board of Governors grants consent for your Corporation to increase its investment in First National City Trust Company (Bahamas) Limited, Nassau, Bahamas, in the amount of £100,000 (approximately US\$282,000 equivalent).

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.



Item No. 6
10/23/64

UNITED STATES OF AMERICA

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

WASHINGTON, D. C.

In the Matter of the Application of
SOCIETY CORPORATION,
Cleveland, Ohio,
for permission to become a bank holding company
by acquiring stock of The Fremont Savings Bank
Company, Fremont, Ohio.

ORDER EXTENDING PERIOD OF TIME
PRESCRIBED BY PROVISIO IN ORDER OF APPROVAL

WHEREAS, by Order dated July 27, 1964, the Board of
Governors, pursuant to section 3(a)(1) of the Bank Holding Company
Act of 1956 (12 U.S.C. 1842(a)) and section 222.4(a) of the Federal
Reserve Regulation Y (12 CFR 222.4(a)(1)), approved the application
of Society Corporation, Cleveland, Ohio, to become a bank holding
company through the acquisition of a minimum of 16,000 shares (80%)
of the common stock and 1,000 shares (100%) of the preferred stock
of The Fremont Savings Bank Company, Fremont, Ohio, and said Order
was made subject to the proviso that the acquisition approved
"shall not be consummated . . . (b) later than three months after
said date of Order"; and

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WHEREAS, Society Corporation has applied to the Board for an extension of time within which the approved acquisition may be consummated, and it appearing to the Board that good cause has been shown for the additional time requested and that such extension would not be inconsistent with the public interest;

IT IS HEREBY ORDERED, that the Board's Order of July 27, 1964, be and it hereby is, amended so that the proviso relating to the time by which Society Corporation shall consummate the approved acquisition of stock of The Fremont Savings Bank Company shall read: "provided that the acquisition so approved shall not be consummated . . . (b) later than January 25, 1965."

Dated at Washington, D. C., this 23rd day of October, 1964.

By Order of the Board of Governors.

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

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Item No. 7
10/23/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 23, 1964.



Mr. H. A. Bilby, Vice President,
Federal Reserve Bank of New York,
New York, New York. 10045

Dear Mr. Bilby:

This refers to your letter dated October 19, 1964, and enclosures, concerning the proposed issue by the Inter-American Development Bank, Washington, D. C., of \$100 million aggregate principal amount of Twenty-Year Bonds of 1964, due November 1, 1984. You state in your letter that it is proposed to amend Schedule A of the Fiscal Agency Agreement, dated as of December 7, 1962, between Inter-American Development Bank and your Bank to include the Bonds in question.

The Board of Governors approves of your Bank acting as Fiscal Agent in respect of the proposed issue by Inter-American Development Bank of its Twenty-Year Bonds of 1964, due November 1, 1984, and approves the execution and delivery by your Bank of an Agreement in the form of the draft of Supplement No. 2 to the Fiscal Agency Agreement, dated as of December 7, 1962, between your Bank and the Inter-American Development Bank, enclosed with your letter.

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. 8
10/23/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 23, 1964

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

Dear Mr. Hayes:

The Board of Governors approves the recommendation of the Conference of Presidents on September 28, 1964, to provide a post-retirement death benefit of \$1,000 for present and future retirees of the Federal Reserve Banks, on a group insurance basis through the Connecticut General Life Insurance Company, effective as soon as necessary arrangements are completed. It is understood that the full cost of such insurance will be borne by the employing Reserve Banks and that the following retirees will be covered:

1. All present and future service retirees who, at the time of retirement, have completed five years or more of creditable service.
2. All present and future Special Service retirees who qualify under the 'rule of 80'; i.e., age at retirement plus years of service (not limited to "creditable service") equals at least 80.
3. All disability retirees, with the provision that since the group insurance is continued with waiver of premium to age 65, the \$1,000 death benefit not become applicable until the group insurance ceases.

Advice of this action is being sent to the President of each Federal Reserve Bank today.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

3633

Item No. 9
10/23/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 23, 1964.

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

Gentlemen:

In your letter of August 10, 1964, you requested the Board's permission to open a public accommodation office to be operated as an adjunct to your branch office located in Southtown Plaza, West Henrietta Road, Henrietta, New York. The facility, which appears to be designed to improve service to customers, is to be located about 200 feet from the branch, would be unmanned, and would utilize closed circuit television and pneumatic tubes for communication and transportation of items to and from the nearby office.

Your request presents the question whether the operation of such a facility constitutes the establishment of an additional office requiring the Board's approval under section 9 of the Federal Reserve Act (12 U.S.C. 321). This question is now being studied by the Board. The Board does not object to the operation of this facility by Security Trust Company, and, if it is decided that such an operation is a branch, the Board will grant its approval to operate a branch at that location.

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. 10

10/23/64



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 23, 1964.

Board of Directors,
Oakland Bank of Commerce,
Oakland, California.

Gentlemen:

In your letter of September 18, 1964, to Vice President Galvin of the Federal Reserve Bank of San Francisco, you asked if the television drive-in window described constituted a branch, the establishment of which would require an application for a branch prior to installation. The facility, which appears to be designed to improve service to customers, would be about 150 feet from the banking quarters and would not be manned but would be served by a pneumatic underground tube.

The question of whether or not the operation of such a facility constitutes the establishment of a branch requiring the Board's approval under section 9 of the Federal Reserve Act (12 U.S.C. 321) is now being studied by the Board. The Board does not object to the operation of this facility by Oakland Bank of Commerce, and, if it is decided that such an operation is a branch, the Board will grant its approval to operate a branch at that location.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.