

Minutes for November 6, 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.

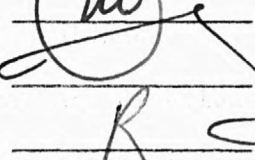
It is not proposed to include a statement with respect to any of the entries in this set of minutes in the record of policy actions required to be maintained pursuant to section 10 of the Federal Reserve Act.

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.

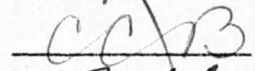
Chm. Martin



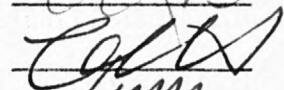
Gov. Mills



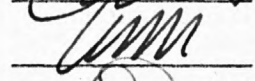
Gov. Robertson



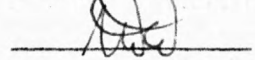
Gov. Balderston



Gov. Shepardson



Gov. Mitchell



Gov. Daane

Minutes of the Board of Governors of the Federal Reserve System on Friday, November 6, 1964. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Mills, Acting Chairman
Mr. Robertson
Mr. Shepardson
Mr. Mitchell

Mr. Sherman, Secretary
Mr. Broida, Assistant Secretary
Mr. Fauver, Assistant to the Board
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. Solomon, Associate Adviser, Division of Research and Statistics
Mr. Katz, Associate Adviser, Division of International Finance
Mr. Reynolds, Associate Adviser, Division of International Finance
Mr. Spencer, General Assistant, Office of the Secretary
Mr. Eckert, Chief, Banking Section, Division of Research and Statistics
Mr. Bernard, Economist, Division of Research and Statistics
Mr. Baker, Economist, Division of International Finance
Mr. Furth, Consultant

Money market review. There were distributed tables affording perspective on the money market and on bank reserve utilization, together with data on negotiable certificates of deposit outstanding. Mr. Bernard commented on recent developments in the Government securities market; Mr. Eckert discussed bank reserves, bank credit, and the money supply; and Mr. Baker reported on foreign exchange market developments.

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All of the members of the staff except Messrs. Sherman and Spencer then withdrew from the meeting, as did Mr. Furth, and the following entered the room:

Mr. Hackley, General Counsel
 Mr. Farrell, Director, Division of Bank Operations
 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. Forrestal, Attorney, Legal Division
 Mr. McClintock, Supervisory Review Examiner, Division of Examinations

Discount rates. The establishment without change by the Federal Reserve Bank of Atlanta on November 3, 1964, by the Federal Reserve Bank of Kansas City on November 4, 1964, and by the Federal Reserve Banks of New York, Philadelphia, Cleveland, Richmond, Chicago, St. Louis, Dallas, and San Francisco on November 5, 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:

| | <u>Item No.</u> |
|---|-----------------|
| Letter to Riverside Trust Company, Hartford, Connecticut, approving the establishment of a branch at 520 Windsor Avenue, Windsor. | 1 |

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| | <u>Item No.</u> |
|--|-----------------|
| Letter to Commerce Union Bank, Nashville, Tennessee, approving the establishment of a branch at 4011 Hillsboro Road. | 2 |
| Letter to Irwin Union Bank and Trust Company, Columbus, Indiana, approving the establishment of a branch at U. S. Highway 31 and Tannehill Street, Taylorsville. | 3 |
| Letter to Bank of Idaho, Boise, Idaho, approving the establishment of branches in Jerome and Gooding and emphasizing the need for strengthening the bank's capital structure. | 4 |
| Letter to Wells Fargo Bank, San Francisco, California, approving the relocation of a branch in Stockton from 26 N. San Joaquin Street to Miner and El Dorado Streets. | 5 |
| Letter to Marine Midland International Corporation, New York, New York, approving an amendment to its Articles of Association. | 6 |
| Letter to Chase International Investment Corporation, New York, New York, amending the Board's consent of July 13, 1964, for that corporation to acquire, either directly or indirectly, shares of Transamerican Trailer Ferry, Inc. | 7 |
| Letter to Bank of Menomonie, Menomonie, Wisconsin, waiving the requirement of six months' notice of withdrawal from membership in the Federal Reserve System. | 8 |
| Letter to State Bank of Fox Lake, Fox Lake, Wisconsin, waiving the requirement of six months' notice of withdrawal from membership in the Federal Reserve System. | 9 |
| Letter to the Federal Deposit Insurance Corporation regarding the application of State Bank of Fox Lake, Fox Lake, Wisconsin, for continuation of deposit insurance after withdrawal from membership in the Federal Reserve System. | 10 |
| Letter to the Federal Reserve Bank of Philadelphia interposing no objection to the Bank proceeding with building alterations designed to improve cash department facilities. | 11 |

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Item No.

Letter to the Chief of Staff of the Senate Committee on Banking and Currency regarding "United Security Accounts" of Citizens Bank (Park Ridge), Chicago, Illinois. (Copies of the letter were transmitted to the Federal Deposit Insurance Corporation, the Comptroller of the Currency, and the Presidents of all Federal Reserve Banks.)

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With respect to Item No. 4, Mr. Leavitt noted that establishment of branches in Jerome and Gooding by Bank of Idaho had been protested by First Security Bank of Idaho, N.A., Boise, Fidelity National Bank of Twin Falls, and Twin Falls Bank & Trust Company. The protesting banks had indicated that they felt there was no need for another banking office in Jerome. First Security now operated the only branch there. Fidelity National and Twin Falls Bank received business from that area. Idaho First National Bank, Boise, had recently received approval to establish a branch in Jerome. While it appeared that the need for three banking offices was questionable, the three largest banks in the State would be represented and they could withstand the competition; the addition of an office of Bank of Idaho in Jerome would probably not significantly affect the banks in Twin Falls.

Turning to a question concerning the deteriorating capital position of Bank of Idaho, Mr. Leavitt commented on a discussion with Mr. Clifford Tweter, President of United California Bank, Los Angeles, and Vice Chairman of the Board of Western Bancorporation, the bank holding company

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of which Bank of Idaho was a subsidiary. Mr. Tweter had indicated that Western Bancorporation was aware that certain of its subsidiaries were in need of new capital funds and was prepared to formulate plans for the strengthening of such banks' capital positions. In this connection, the letter to Bank of Idaho approving the establishment of branches in Jerome and Gooding emphasized that a substantially greater increase in the bank's capital structure than now contemplated was needed if the bank's capital position was to be regarded as satisfactory.

In response to a question by Governor Mills regarding Item No. 7, Mr. Goodman explained that there appeared to be substantial Puerto Rican and Federal tax reasons for not using a Puerto Rican corporation as the entity to own and operate cargo vessels and to issue stock and warrants. A Puerto Rican corporation, tentatively known as Transamerican Trailer Ferry, Inc., had been contemplated when the Board granted consent to the purchase of preferred stock by Chase International Investment Corporation, either directly or through its subsidiary, Arcturus Investment & Development Ltd., Montreal, Canada. Because of certain tax advantages, the corporation that would acquire and own the vessels would now be organized under the laws of one of the States of the United States, probably New York or Delaware. Chase International would probably acquire the preferred

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stock in Transamerican Trailer Ferry, Inc., because the Maritime Commission required that 75 per cent of the holders of each class of stock must be citizens of the United States. Mr. Goodman concluded by emphasizing that the proposal to have such a stateside corporation was clearly within the provisions of section 25(a) of the Federal Reserve Act.

With respect to Item No. 11, Governor Mitchell stated that the Board's Committee on Organization, Compensation, and Building Plans had reviewed the proposed alterations to the Philadelphia Reserve Bank's cash department facilities and the Committee had no objections.

Report on competitive factors (Page-Hope, North Dakota). There had been distributed a draft of report to the Federal Deposit Insurance Corporation on the competitive factors involved in the proposed purchase of certain assets and assumption of certain liabilities of First State Bank of Hope, Hope, North Dakota, by Page State Bank, Page, North Dakota. The conclusion in the report read as follows:

The proposed purchase of certain assets and assumption of certain liabilities of First State Bank of Hope by Page State Bank would not have adverse effects on competition.

The report was approved unanimously for transmittal to the Corporation.

Report on competitive factors (Seattle-Arlington, Washington). There had been distributed a draft of report to the Comptroller of the

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Currency on the competitive factors involved in the proposed purchase of assets and assumption of liabilities of The Citizens State Bank of Arlington, Arlington, Washington, by Seattle-First National Bank, Seattle, Washington.

During a brief discussion, agreement was expressed with a slight change in the conclusion of the draft report. The report was then approved unanimously for transmittal to the Comptroller with the conclusion reading as follows:

Consummation of the proposed purchase would eliminate present and potential competition between The Citizens State Bank of Arlington, and offices of Seattle-First National Bank located in the area surrounding the community of Arlington.

Seattle-First National Bank, the largest bank in the State, is also the dominant bank operating in the trade area of The Citizens State Bank of Arlington in terms of number of offices and volume of deposits. The proposed transaction would further the consolidation of the bank's position in the Seattle area.

The meeting then adjourned.

Secretary's Notes: Governor Shepardson approved on behalf of the Board on November 5, 1964, the following items:

Letter to the Federal Reserve Bank of Richmond (attached Item No. 13) approving the reappointment of Charles Phillips Kraemer as assistant examiner.

Memoranda recommending increases in the basic annual salaries of the following persons on the Board's staff, effective November 8, 1964:

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| <u>Name and title</u> | <u>Division</u> | <u>Basic annual salary</u> | |
|---|-----------------|----------------------------|-----------|
| | | <u>From</u> | <u>To</u> |
| <u>Board Members' Offices</u> | | | |
| Catherine B. Davian, Secretary | | \$ 7,290 | \$ 7,510 |
| <u>Research and Statistics</u> | | | |
| Robert Solodow, Economist | | 7,220 | 7,465 |
| Carolyn C. White, Secretary | | 5,330 | 5,495 |
| <u>International Finance</u> | | | |
| Rita D. Brinley, Secretary | | 6,430 | 6,615 |
| <u>Personnel Administration</u> | | | |
| Christine Mason, Secretary (change in title from Clerk-Stenographer) | | 4,630 | 5,000 |
| Charles W. Wood, Personnel Assistant | | 10,250 | 10,605 |
| <u>Administrative Services</u> | | | |
| Nelson S. Dyson, Photographer (Offset) | | 7,218 | 7,571 |
| Raymond R. Sine, Guard | | 4,005 | 4,140 |

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

Appointments

Grace T. Colwell as Records Clerk, Office of the Secretary, with basic annual salary at the rate of \$4,480, effective November 16, 1964.

Priscilla E. Wurtzel as Records Clerk, Office of the Secretary, with basic annual salary at the rate of \$4,480, effective November 9, 1964.

Salary increases, effective November 8, 1964

| <u>Name and title</u> | <u>Division</u> | <u>Basic annual salary</u> | |
|----------------------------------|-----------------|----------------------------|-----------|
| | | <u>From</u> | <u>To</u> |
| <u>Legal</u> | | | |
| Phyllis Ann Carson, Stenographer | | \$4,480 | \$4,630 |

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Salary increases, effective November 8, 1964 (continued)

| <u>Name and title</u> | <u>Division</u> | <u>Basic annual salary</u> | |
|---|--------------------------------|----------------------------|-----------|
| | | <u>From</u> | <u>To</u> |
| | <u>Legal</u> | | |
| Carmen H. Feliciano, Secretary (Change in title from Stenographer) | | \$4,630 | \$5,000 |
| | <u>Research and Statistics</u> | | |
| Sidney Washington, Library Assistant | | 5,680 | 5,990 |
| | <u>Examinations</u> | | |
| Carol Ann Slocombe, Secretary (Change in title from Stenographer) | | 5,080 | 5,495 |
| | <u>Data Processing</u> | | |
| Lyla E. Szillat, Digital Computer Systems Operator (change in title from Digital Computer Systems Operator-Trainee) | | 5,680 | 5,990 |

Advance of sick leave

John H. Hunley, Messenger, Division of Administrative Services, for a period not to exceed 26 days, beginning November 3, 1964.

Reemployment following maternity leave

Suzanne D. Courtright as Statistical Assistant, Division of Research and Statistics, with basic annual salary at the rate of \$5,165, effective November 9, 1964.

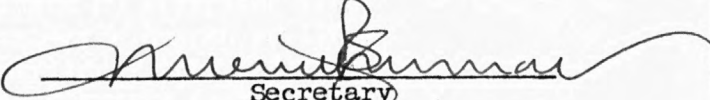
Printing Grade Wage Schedule

New Printing Grade Wage Schedule (attached Item No. 14) and increases in the annual salary rates of the following employees in the Division of Administrative Services under the schedule, effective November 8, 1964:

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| <u>Name and title</u> | <u>Annual salary rates</u> | |
|---|----------------------------|-----------|
| | <u>From</u> | <u>To</u> |
| Franklin Taylor, Supervisor | \$8,923 | \$9,214 |
| Thomas V. Kopfman, Assistant Supervisor | 8,382 | 8,674 |
| Donald R. Poole, Operator (Offset Press) | 6,864 | 7,093 |
| Bruce L. Moffett, Operator (Offset Press) | 7,571 | 7,842 |
| Edward Cross, Photographer (Offset) | 7,218 | 7,467 |
| Nelson S. Dyson, Photographer (Offset) | 7,218 | 7,467 |
| Wesley B. Collins, Photographer (Offset) | 5,408 | 5,616 |
| Bishop Hart, Bindery Worker | 6,698 | 6,926 |
| Abner Thompson, Operator (Multilith) | 5,678 | 5,907 |
| Aaron Dortch, Foreman-Operator | 5,678 | 5,886 |
| James R. Jordan, Operator (Offset Press and Multilith) | 5,138 | 5,346 |
| Herbert W. Bundy, Bindery Helper and Mimeograph Operator | 5,408 | 5,616 |
| Charles P. Brown, Operator (Duplicating Devices) | 4,888 | 5,096 |
| Quincy W. Barnes, Xerox-Mimeograph Operator | 4,888 | 5,096 |
| Theodore L. Jones, Operator (Duplicating Devices) | 4,389 | 4,555 |
| Abraham Rose, Operator (Mimeograph) | 4,618 | 4,784 |


Secretary

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 1
11/6/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 6, 1964

Board of Directors,
Riverside Trust Company,
Hartford, Connecticut.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Riverside Trust Company, Hartford, Connecticut, of a branch at 520 Windsor Avenue, Windsor, Connecticut, provided the branch is established within six months 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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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

Item No. 2
11/6/64



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 6, 1964

Board of Directors,
Commerce Union Bank,
Nashville, Tennessee.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Commerce Union Bank, Nashville, Tennessee, of a branch at 4011 Hillsboro Road, Nashville, Tennessee, 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

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Item No. 3
11/6/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 6, 1964

Board of Directors,
Irwin Union Bank and Trust Company,
Columbus, Indiana.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Irwin Union Bank and Trust Company, Columbus, Indiana, of a branch at the intersection of U.S. Highway 31 and Tannehill Street in the unincorporated village of Taylorsville in German Township, Bartholomew County, 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 GOVERNORS

OF THE

FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

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Item No. 4
11/6/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



November 6, 1964

Board of Directors,
Bank of Idaho,
Boise, Idaho.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch by Bank of Idaho in the downtown business district of Jerome, Idaho, and a branch in the downtown business district of Gooding, Idaho, provided the branches are established within one year from the date of this letter.

During the past year, there has been considerable deterioration in the bank's capital position, and the Board of Governors feels that the capital structure of Bank of Idaho is now considerably lower than desirable.

The Board understands that President Bianco has informed the Federal Reserve Bank of San Francisco that plans to strengthen the bank's capital position are to be discussed at a meeting of the bank's directorate in the near future and, further, that Western Bancorporation, which holds a majority of the bank's stock, recognizes the need for additional capital.

While President Bianco indicated to the Reserve Bank that an increase of from \$750,000 to \$1,000,000 in capital stock was contemplated, it appears that a substantially greater amount is needed if the bank's capital position is to be satisfactory. The Board urges that plans be formulated as quickly as possible to provide much needed improvement in the bank's capital position so that further growth and expansion of your bank will be on a sound basis.

(The letter to the Reserve Bank stated that the Board also had approved a six-month extension of the period allowed to establish the branches; 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.)

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. 5
11/6/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 6, 1964

The Board of Directors,
Wells Fargo Bank,
San Francisco, California.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the relocation by Wells Fargo Bank of a branch in Stockton, California, from 26 N. San Joaquin Street to the northwest corner of the intersection of Miner and El Dorado Streets, provided the branch in the latter location is established within two years from the date of this letter and operations at the bank's existing office located at 26 N. San Joaquin Street are discontinued simultaneously with the opening of the office at the northwest corner of the intersection of Miner and El Dorado Streets.

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 for relocation of 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
11/6/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 6, 1964

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

Gentlemen:

Reference is made to your letter of October 19, 1964, transmitted through the Federal Reserve Bank of New York, requesting approval of an amendment, pursuant to the consent of the sole stockholder of your Corporation dated October 13, 1964, to Article SECOND of your Articles of Association to insert the words "international or foreign banking and" and to delete the words "(other than banking)". It is noted that the purpose of amendment is to eliminate any doubt that your Corporation may purchase stock of foreign banks within the limitations of Section 25(a) of the Federal Reserve Act.

In accordance with your 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 SECOND of your Articles of Association so as to read:

"SECOND. This corporation is being organized for the purpose of engaging in international or foreign banking and international or foreign financial operations within the limitations prescribed in section 25(a) of the Federal Reserve Act and regulations thereunder, either directly or through the agency, ownership or control of local institutions in foreign countries or in dependencies or insular possessions of the United States."

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. 7
11/6/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 6, 1964.

Chase International Investment Corporation,
One Chase Manhattan Plaza,
New York, New York 10005.

Gentlemen:

Reference is made to the Board's letter of July 13, 1964, granting consent for Chase International Investment Corporation ("CIIC") to purchase, at par, and hold, either directly or through its subsidiary, Arcturus Investment & Development Ltd. ("Arcturus"), Montreal, Canada, up to \$1,000,000 par value 7 per cent redeemable cumulative preferred stock of a Puerto Rican corporation tentatively known as Transamerican Trailer Ferry, Inc. ("TTFI"), San Juan, Puerto Rico, provided such stock was acquired within one year from that date. The Board also granted consent for CIIC, or Arcturus, to exercise all rights to acquire shares to which it may become entitled as the holder of warrants to purchase, at par, common stock of TTFI in an amount not to exceed \$500,000.

Your letter of September 7, 1964, transmitted through the Federal Reserve Bank of New York, requested that the consent be amended to permit the investment to be made in a corporation organized under the laws of one of the States of the United States of America rather than under the laws of the Commonwealth of Puerto Rico. In accordance with your request and on the basis of information furnished, the Board of Governors grants consent for CIIC to purchase, at par, and hold, either directly or through its subsidiary, Arcturus, up to \$1,000,000 par value 7 per cent redeemable cumulative preferred stock of a corporation, to be organized under the laws of one of the States of the United States of America, provided such stock is acquired within one year from the date of this letter.

Very truly yours,

Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 8
11/6/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 6, 1964

Board of Directors,
Bank of Menomonie,
Menomonie, Wisconsin.

Gentlemen:

The Federal Reserve Bank of Minneapolis has forwarded to the Board of Governors a letter dated August 6, 1964, signed by President Gene J. Heymans, Sr., and resolutions dated April 7, 1964, and October 13, 1964, signifying your intention to withdraw from membership in the Federal Reserve System, and requesting waiver of the six months' notice of such withdrawal.

The Board of Governors waives the requirement of six months' notice of withdrawal. Under the provisions of Section 208.10(c) of the Board's Regulation H, your institution may accomplish termination of its membership at any time within eight months from the date that notice of intention to withdraw from membership was given. Upon surrender to the Federal Reserve Bank of Minneapolis of the Federal Reserve stock issued to your institution, such stock will be canceled and appropriate refund will be made thereon.

It is requested that the certificate of membership be returned to the Federal Reserve Bank of Minneapolis.

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. 9
11/6/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 6, 1964

Board of Directors,
State Bank of Fox Lake,
Fox Lake, Wisconsin.

Gentlemen:

The Federal Reserve Bank of Chicago has forwarded to the Board of Governors your letter dated October 12, 1964, together with the accompanying resolution signifying your intention to withdraw from membership in the Federal Reserve System and requesting waiver of the six months' notice of such withdrawal.

In accordance with your request, the Board of Governors waives the requirement of six months' notice of withdrawal. Upon surrender to the Federal Reserve Bank of Chicago of the Federal Reserve Bank stock issued to your institution, such stock will be canceled and appropriate refund will be made thereon. Under the provisions of Section 208.10(c) of the Board's Regulation H, your institution may accomplish termination of its membership at any time within eight months from the date the notice of intention to withdraw from membership was given.

It is requested that the certificate of membership be returned to the Federal Reserve Bank of Chicago.

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. 10
11/6/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 6, 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 October 15, 1964, concerning the application of State Bank of Fox Lake, Fox Lake, 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.

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

Item No. 11
11/6/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 6, 1964



Mr. Karl R. Bopp, President,
Federal Reserve Bank of Philadelphia,
Philadelphia, Pennsylvania. 19101

Dear Mr. Bopp:

This refers to your letter of October 23, 1964, concerning building alterations designed to improve cash department facilities in the basement of the Philadelphia Reserve Bank building.

The Board will interpose no objection to your proceeding with the alterations as described in your letter and authorizes expenditures of about \$125,000, including architects' fees, for this purpose.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 12
11/6/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



November 6, 1964

Mr. Matthew Hale,
Chief of Staff,
Committee on Banking and Currency,
United States Senate,
Washington, D. C.

Dear Mr. Hale:

This refers to your letter of October 8, 1964, addressed to the Federal Deposit Insurance Corporation, requesting comments on the advertisement appearing in the October 6, 1964 issue of the Wall Street Journal on "United Security Accounts" of Citizens Bank (Park Ridge), Chicago, Illinois. As you were informed, this bank is a State bank member of the Federal Reserve System and therefore your request was referred to the Board.

The newspaper advertisement requests the public to send for complete information on the plan and does not include the complicated details and working arrangements. This bank originated the idea several years ago but the plan contained several features to which the Board objected and which have been corrected or eliminated. The present plan operates as follows:

An individual opens a savings account with the bank on which he is paid the maximum interest permitted by the Board's Regulation Q, and an out-of-town customer may only obtain funds from the savings account by the usual method of requesting the bank to send him a check for the amount he wishes to withdraw. (It is understood that the bank does not accept such accounts from local customers.) At the same time the bank opens in his name a separate check-credit account up to the amount of his savings deposit. When a check is drawn on this account and paid by the bank, an indebtedness is created; in effect, the bank has authorized a line of credit equal to the savings account balance and has made a loan of a part or all of that credit to the customer. This has some of the aspects of over-draft banking practiced in Great Britain. At the end of the month, the customer is notified as to the amount of his indebtedness to the bank and is allowed 15 days in which

Mr. Matthew Hale

-2-

to make settlement. No interest is charged on this loan, but the customer is billed ten cents per check as a service charge. If the customer does not pay this obligation by the 15th day of the month following the month in which the credit was advanced, interest at a rate of one-half per cent per month is added to his indebtedness and interest at that rate is added each month until the loan is paid. The savings account is not disturbed and, in fact, earns interest at the maximum rate at the same time. The indebtedness to the bank must be paid by funds coming directly from the customer and not from funds in his savings account. Of course, the bank has the right of offset in case the loan proves to be uncollectable, but it is not believed that this right is analogous to the drawing of checks on the savings account.

It might be argued that the bank has actually extended no credit to the customer as there is always a deposit in the bank equal to the so-called "credit". On the other hand, the bank contends that this is no more than a demand for collateral on an unsecured loan or line of credit, and conservative banking would require this or similar security as the credit is granted to persons unknown to the bank and whose credit rating is unavailable.

It is recognized that the newspaper advertisement might cause the public to believe that checks are drawn on a savings account and interest is paid on a demand deposit. However, the customer receives full information on the plan, and should realize that this is not so.

The System has not encouraged this plan and it may prove to be an uneconomic operation on the bank's part, as a customer has up to 45 days' free use of the bank's money and only pays ten cents per check as a service charge, while receiving interest at the maximum rate on a savings account of like amount with the bank. While it does not seem likely that the operation of this plan would adversely affect the bank's soundness, if it appeared to the Board that depositors' funds were in any respect jeopardized by such check-credit account plan, the Board would take whatever supervisory action it considered necessary and appropriate.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.



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

3789

Item No. 13
11/6/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 5, 1964

Mr. John L. Nosker, Vice President,
Federal Reserve Bank of Richmond,
Richmond, Virginia. 23212

Dear Mr. Nosker:

In accordance with the request contained
in your letter of October 30, 1964, the Board
approves the reappointment of Charles Phillips
Kraemer as an assistant examiner for the Federal
Reserve Bank of Richmond, effective today.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

PRINTING GRADE WAGE SCHEDULE *

Item No. 14

November 8, 1964

11/6/64

This schedule applies to those positions in the Duplicating, Mail and Supply Section that perform the following kinds of lithographic work: Offset Printing, Offset Photography, Photostat and Xerox Operation, Mimeograph Operation, Bindery Operation, and to the Supervisor and Assistant Supervisor of those positions.

Basic Hourly and Rounded Annual Wage Rates by Step and Grade

| Printing Grade | Step 1 | | Step 2 | | Step 3 | |
|-------------------|--------|--------|--------|--------|--------|--------|
| | Hourly | Annual | Hourly | Annual | Hourly | Annual |
| 1 | | | | | | |
| 2 | 1.60 | 3328 | 1.68 | 3494 | 1.76 | 3661 |
| 3 | 1.72 | 3578 | 1.81 | 3765 | 1.90 | 3952 |
| | 1.84 | 3827 | 1.94 | 4035 | 2.04 | 4243 |
| 4 | | | | | | |
| 5 | 1.97 | 4098 | 2.07 | 4306 | 2.17 | 4514 |
| 6 | 2.08 | 4326 | 2.19 | 4555 | 2.30 | 4784 |
| | 2.20 | 4576 | 2.32 | 4826 | 2.44 | 5075 |
| 7 | | | | | | |
| 8 | 2.33 | 4846 | 2.45 | 5096 | 2.57 | 5346 |
| 9 | 2.44 | 5075 | 2.57 | 5346 | 2.70 | 5616 |
| | 2.57 | 5346 | 2.70 | 5616 | 2.84 | 5907 |
| 10 | | | | | | |
| 11 | 2.69 | 5595 | 2.83 | 5886 | 2.97 | 6178 |
| 12 | 2.80 | 5824 | 2.95 | 6136 | 3.10 | 6448 |
| | 2.93 | 6094 | 3.08 | 6406 | 3.23 | 6718 |
| 13 | | | | | | |
| 14 | 3.05 | 6344 | 3.21 | 6677 | 3.37 | 7010 |
| 15 | 3.16 | 6573 | 3.33 | 6926 | 3.50 | 7280 |
| | 3.29 | 6843 | 3.46 | 7197 | 3.63 | 7550 |
| 16 | | | | | | |
| 17 | 3.41 | 7093 | 3.59 | 7467 | 3.77 | 7842 |
| 18 | 3.53 | 7342 | 3.72 | 7738 | 3.91 | 8133 |
| | 3.65 | 7592 | 3.84 | 7987 | 4.03 | 8382 |
| 19 | | | | | | |
| 20 | 3.77 | 7842 | 3.97 | 8258 | 4.17 | 8674 |
| 21 | 3.90 | 8112 | 4.10 | 8528 | 4.31 | 8965 |
| | 4.01 | 8341 | 4.22 | 8778 | 4.43 | 9214 |

Incumbents of positions subject to this wage schedule are eligible for step increases within particular grades on the following basis:

For advancement to Step 2, after 26 weeks (6 months) satisfactory service in Step 1.

For advancement to Step 3, after 78 weeks (18 months) satisfactory service in Step 2.

* (This schedule supersedes the wage scale effective November 10, 1963).