

Minutes for November 20, 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.

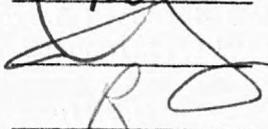
It is not proposed to include a statement with respect to any of the entries in this set of minutes in the record of policy actions required to be maintained pursuant to section 10 of the Federal Reserve Act.

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.

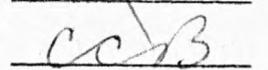
Chm. Martin



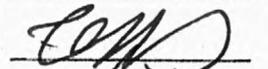
Gov. Mills



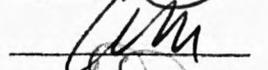
Gov. Robertson



Gov. Balderston



Gov. Shepardson



Gov. Mitchell



Gov. Daane

Minutes of the Board of Governors of the Federal Reserve System on Friday, November 20, 1964. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary
Mr. Broida, Assistant Secretary
Mr. Molony, Assistant to the Board
Mr. Cardon, Legislative Counsel
Mr. Fauver, Assistant to the Board
Mr. Holland, Associate Director, Division of Research and Statistics
Mr. Partee, Adviser, Division of Research and Statistics
Mr. Sammons, Adviser, Division of International Finance
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. Axilrod, Chief, Government Finance Section, Division of Research and Statistics
Mr. Eckert, Chief, Banking Section, Division of Research and Statistics
Mr. Keir, Chief, Capital Markets Section, Division of Research and Statistics
Mr. Gemmill, Economist, Division of International Finance
Mr. Furth, Consultant

Money market review. There had been distributed tables affording perspective on the money market for the period January - November 18, 1964, and on bank reserve utilization for the period October 1963 - November 18, 1964, together with tables and a chart presenting certain data on negotiable certificates of deposit at weekly reporting member banks.

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Mr. Axilrod commented on developments in the Government securities market, and Mr. Eckert discussed the level of reserves and bank deposits. Mr. Gemmill then reviewed developments in the foreign exchange market, after which Mr. Katz presented a report on current developments with respect to the British balance of payments situation. During the foregoing presentation, the staff responded to various questions asked by members of the Board based on the reports that had been given.

Mr. Furth then withdrew, as did all members of the staff except Messrs. Sherman, Sammons, and Spencer, and the following persons entered the room:

Mr. Hackley, General Counsel
Mr. Hooff, Assistant General Counsel
Mr. Leavitt, Assistant Director, Division of Examinations
Mr. Egertson, Supervisory Review Examiner, Division of Examinations
Mr. McClintock, Supervisory Review Examiner, Division of Examinations
Mr. Lyon, Review Examiner, Division of Examinations
Mr. Poundstone, Review Examiner, Division of Examinations
Mr. Smith, Review Examiner, Division of Examinations

Discount rates. The establishment without change by the Federal Reserve Banks of New York, Philadelphia, Richmond, Chicago, and San Francisco on November 19, 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.

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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:

Item No.

- | | |
|--|---|
| Letter to The Chase Manhattan Bank, New York, New York, approving the establishment of a branch at 1151 Hylan Boulevard, Grasmere. | 1 |
| Letter to Chase Manhattan Overseas Banking Corporation, New York, New York, granting consent to acquire, either directly or indirectly, shares of Banco Continental, Lima, Peru. | 2 |

Messrs. Sammons and Poundstone then withdrew from the meeting.

Report on competitive factors (York-Hanover, Pennsylvania).

A report to the Comptroller of the Currency on the competitive factors involved in the proposed merger of First National Bank and Trust Company of Hanover, Hanover, Pennsylvania, into National Bank & Trust Company of Central Pennsylvania, York, Pennsylvania, was approved unanimously for transmittal to the Comptroller. The conclusion read as follows:

There is little competition between National Bank & Trust Company of Central Pennsylvania, York, and First National Bank and Trust Company of Hanover.

Consummation of the proposed merger would add a significant volume of deposits to the now largest bank operating in the York and Harrisburg areas, and extend that bank's operations into Hanover, thus exposing the banks in the latter community and its immediate vicinity to the competitive capabilities of a substantially larger institution.

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Report on competitive factors (Williamsport, Pennsylvania).

There had been distributed a draft of report to the Comptroller of the Currency on the competitive factors involved in the proposed consolidation of The First National Bank of Williamsport, Williamsport, Pennsylvania, and Williamsport National Bank, Williamsport, Pennsylvania.

The report, in which the conclusion read as follows, was approved unanimously for transmittal to the Comptroller:

The proposed consolidation of The First National Bank of Williamsport and Williamsport National Bank would not only eliminate the substantial amount of competition which exists between participants but also would significantly increase the concentration of banking resources in Williamsport and Lycoming County. The competitive effects of the proposed transaction would be clearly adverse.

Messrs. Egertson and McClintock then withdrew from the meeting.

Mount Clemens Industries Corporation (Items 3 and 4). There had been distributed a memorandum from the Division of Examinations dated November 13, 1964, regarding a request of Mount Clemens Industries Corporation, Bala-Cynwyd, Pennsylvania, for a determination exempting it from all holding company affiliate requirements except those contained in section 23A of the Federal Reserve Act.

The memorandum indicated that Mount Clemens Industries proposed to acquire a majority of the voting shares of Miami National Bank, Miami, Florida. Miami National was presently owned and controlled by The Buckeye Corporation, New York, New York, which, in turn, was

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owned by Massachusetts Mohair Plush Co., Inc., New York, New York. (Determinations exempting the two corporations from all holding company affiliate requirements except those contained in section 23A were granted on January 11, 1963.) Under the proposal that was contemplated, Mount Clemens, which was owned by Buckeye, would acquire from Buckeye the stock of Miami National; thereafter Mohair, Buckeye, and Mount Clemens Industries would all be holding company affiliates of Miami National.

The memorandum stated that the Division's recommendation for a favorable determination was made on the basis of the Board's general policy applicable to one-bank cases. Attached to the memorandum was a draft of letter to Mount Clemens Industries Corporation that would grant the requested determination. Also attached was a draft of letter to the Federal Reserve Bank of New York stating that the favorable determinations previously granted Massachusetts Mohair Plush Co. and The Buckeye Corporation would remain in force and effect.

Governor Robertson commented that the application of Mount Clemens Industries illustrated the undesirable type of development to which he previously had objected in connection with granting favorable determinations in so-called one-bank cases.

The letter to Mount Clemens Industries Corporation was then approved in the form of attached Item No. 3. A copy of the letter sent to the Federal Reserve Bank of New York in connection with the

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determinations previously granted Massachusetts Mohair Plush Co. and The Buckeye Corporation is attached as Item No. 4.

Solar Investment Company and First National Bank of Pueblo (Item No. 5). There has been distributed a memorandum from the Division of Examinations dated November 13, 1964, submitting a draft of letter addressed to Solar Investment Company, Inc., Pueblo, Colorado, and The First National Bank of Pueblo, Pueblo, Colorado, granting determinations that Solar Investment Company and First National Bank were not holding company affiliates except for the purposes of section 23A of the Federal Reserve Act.

During a brief discussion, Governor Robertson stated that he was against granting a favorable determination. In his opinion, First National Bank of Pueblo was using the device of a holding company setup to facilitate the writing of insurance, and indirectly, that bank was using Solar Investment Company to acquire Park National Bank of Pueblo. The device being used was merely for the purpose of circumventing the law.

The letter to Solar Investment Company, Inc., and The First National Bank of Pueblo was then approved, Governor Robertson dissenting. A copy of the letter is attached as Item No. 5.

The meeting then adjourned.

Secretary's Note: Governor Shepardson today approved on behalf of the Board memoranda recommending increases in the basic annual salaries of the following persons on the Board's staff, effective November 22, 1964:

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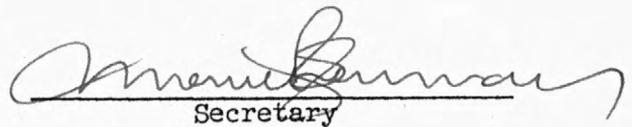
Peter Gajewski, Economist, Division of Research and Statistics, from \$10,605 to \$10,960 per annum.

Denise C. O'Brien, Statistical Clerk, Division of Research and Statistics, from \$4,140 to \$4,480 per annum.

Stephana Prager, Statistical Clerk, Division of Research and Statistics, from \$4,930 to \$5,330 per annum, with a change in title to Statistical Assistant.

Juliann Perkins, Maid, Division of Personnel Administration from \$3,730 to \$3,845 per annum.

Walter L. Worthy, Jr., Mail Clerk, Division of Administrative Services, from \$3,500 to \$3,805 per annum.


Secretary

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 1
11/20/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 20, 1964

Board of Directors,
The Chase Manhattan Bank,
New York, New York.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by The Chase Manhattan Bank, New York, New York, of a branch at 1151 Hylan Boulevard, Grasmere, Borough of Richmond, New York, 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

Item No. 2
11/20/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 20, 1964.



Chase Manhattan Overseas
Banking Corporation,
1 Chase Manhattan Plaza,
New York 15, New York.

Gentlemen:

In accordance with the request contained in your letter of November 4, 1964, transmitted through the Federal Reserve Bank of New York, and on the basis of information furnished, the Board of Governors grants consent for Chase Manhattan Overseas Banking Corporation ("CMOBC") to purchase and hold, either directly, or indirectly through an intermediary corporation to be formed under the laws of Peru for the sole purpose of holding such shares, approximately 51 per cent of the voting shares, par value Soles 100 each, of Banco Continental ("Banco"), Lima, Peru, at a cost of approximately US\$1,850,000, provided such stock is acquired within one year from the date of this letter.

The Board also approves the purchase and holding of shares of Banco within the terms of the above consent in excess of 15 per cent of CMOBC's capital and surplus.

The Board's consent to the proposed purchase and holding of shares of Banco by CMOBC is granted subject to the following conditions:

- (1) That CMOBC shall not hold, directly or indirectly, any shares of stock in Banco if Banco at any time fails to restrict its activities to those permissible to a corporation in which a corporation organized under Section 25(a) of the Federal Reserve Act could, with the consent of the Board of Governors, purchase and hold stock, or if Banco establishes any branch or agency or takes any action or undertakes any operation in Peru or elsewhere, in any manner, which at the time would not be permissible if Banco were a corporation organized under said Section 25(a);

Chase Manhattan Overseas Banking Corporation

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- (2) That, when required by the Board of Governors, CMOBC will cause Banco to permit examiners selected or auditors approved by the Board of Governors to examine Banco and to furnish the Board of Governors with such reports as it may require from time to time;
- (3) That CMOBC shall not carry on its books the shares of Banco at a net amount in excess of its proportionate share of the book capital accounts of Banco, after giving effect to the elimination of all known losses; and
- (4) That any share acquisitions or dispositions by Banco be reported under Section 211.8(d) of Regulation K in the same manner as if Banco were a corporation organized under Section 25(a) of the Federal Reserve Act.

Subject to continuing observation and review, the Board suspends, until further notice the provisions of subparagraph (1) of the third paragraph of this letter so far as they relate to restrictions on loans granted by Banco in Peru in the currency of that country.

Upon completion of the proposed acquisition, it is requested that the Board of Governors be furnished, through the Federal Reserve Bank of New York, with a translation of the Articles of Association and By-Laws of Banco Continental, including any new amendments. If CMOBC acquires the stock of Banco through an intermediary corporation, please furnish pertinent details regarding the corporation, including translations of the Articles of Association and By-Laws and a list of officers and directors.

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. 3
11/20/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 20, 1964

Mr. J. C. Lepanto, Secretary,
Mount Clemens Industries Corporation,
10 Union Avenue,
Bala-Cynwyd, Pennsylvania.

Dear Mr. Lepanto:

This refers to the request contained in a letter dated October 21, 1964, submitted to the Federal Reserve Bank of Philadelphia, for a determination by the Board of Governors of the Federal Reserve System as to the status of Mount Clemens Industries Corporation, Bala-Cynwyd, Pennsylvania, as a holding company affiliate.

From the information presented, the Board understands that Mount Clemens Industries Corporation, following its merger with Mount Clemens Industries, Inc. (a Michigan corporation having its principal office in New York City), will be engaged directly in manufacturing and selling metal stampings and assembly parts to the automotive industry; that its subsidiary companies will be engaged in various enterprises, including the production of decorative parts used in the appliance and automotive fields, the manufacture of heavy-duty trucks, tractors, and specialized equipment, and the production of structural components for aircrafts and missiles; that it will become a holding company affiliate if and when it acquires 562,276 shares, or approximately 81 per cent of the total outstanding shares, of Miami National Bank, Miami, Florida; and that it will not, directly or indirectly, own or control any stock of, or manage or control, any other banking institution.

In view of these facts, the Board has determined that Mount Clemens Industries Corporation will not be engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling banks, banking associations, savings banks, or trust companies within the meaning of section 2(c) of the Banking Act of 1933 (12 U.S.C. 221a); and, accordingly, it will not be deemed to be a holding company affiliate except for the purposes of section 23A of the Federal Reserve Act and will not need a voting permit from the Board of Governors in order to vote the bank stock which it will own.



Mr. J. C. Lepanto

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If, however, the facts should at any time indicate that Mount Clemens Industries Corporation might be deemed to be so engaged, this matter should again be submitted to the Board. The Board reserves the right to rescind this determination and make further determination of this matter at any time on the basis of the then existing facts, including additional acquisitions of bank stocks even though not constituting control.

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. 4
11/20/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 20, 1964



Mr. Howard D. Crosse, Vice President,
Federal Reserve Bank of New York,
New York, New York. 10045

Dear Mr. Crosse:

On January 11, 1963, the Board issued determinations that Massachusetts Mohair Plush Co., Inc., New York, New York, and its subsidiary, The Buckeye Corporation, New York, New York, were not deemed to be "holding company affiliates" with respect to Miami National Bank, Miami, Florida, except for the purposes of section 23A of the Federal Reserve Act.

Under a covering letter dated October 28, 1964, the Board received from the Federal Reserve Bank of Philadelphia a request for a similar determination by Mount Clemens Industries Corporation, Bala-Cynwyd, Pennsylvania, a subsidiary of The Buckeye Corporation, with respect to its ownership of control of Miami National Bank which it proposes to acquire from The Buckeye Corporation. Copies of (1) an October 21, 1964, letter from Mount Clemens Industries Corporation, and (2) an October 21, 1964, letter from The Buckeye Corporation and Massachusetts Mohair Plush Co., Inc., were reportedly forwarded to your Bank by the Applicant. In the latter-mentioned letter it was requested that the Board determine that upon such acquisition of stock by Mount Clemens Industries Corporation neither of the other two corporations would be "holding company affiliates" except for the purpose of section 23A.

There is enclosed for your information a copy of the Board's letter of this date to Mount Clemens Industries Corporation relating to its status as a holding company affiliate of Miami National Bank. On the basis of the information recited therein, it appears that there has been no substantial change in

Mr. Howard D. Crosse

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the factual situation which existed at the time of the Board's January 11, 1963, determinations issued to Massachusetts Mohair Plush Co., Inc., and The Buckeye Corporation. Consequently, it is the Board's opinion that new determinations are not necessary and the 1963 determinations by the Board remain in force and effect. Please advise Massachusetts Mohair Plush Co., Inc., and The Buckeye Corporation accordingly.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.

Enclosure

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 5
11/20/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 20, 1964

Mr. R. B. Bailey, President,
Solar Investment Company, Inc.,
P. O. Box 156,
Pueblo, Colorado.

Mr. R. B. Bailey, President,
The First National Bank of Pueblo,
P. O. Box 156,
Pueblo, Colorado.

Dear Mr. Bailey:

This refers to the requests contained in your letters dated August 25, 1964, and November 4, 1964, submitted through the Federal Reserve Bank of Kansas City for determinations by the Board of Governors of the Federal Reserve System as to the status of Solar Investment Company, Inc., and The First National Bank of Pueblo as holding company affiliates.

From the information presented, the Board understands that the objects and purposes for which Solar Investment Company, Inc., was formed were to carry on a general real estate, insurance, collection, investment, brokerage, or other lawful business; that it is a holding company affiliate as defined by section 2(c)(1) of the Banking Act of 1933 (12 U.S.C. 221a) by reason of the fact that it owns all of the 25,000 outstanding shares of capital stock of Park National Bank of Pueblo, Pueblo, Colorado; that it owns 305 (.2%) of the 150,000 outstanding shares of capital stock of The First National Bank of Pueblo, Pueblo, Colorado; that The First National Bank of Pueblo is also a holding company affiliate as defined by section 2(c)(2) of such Act by reason of the fact that the common stock of Solar Investment Company, Inc., is held by three trustees (M. D. Thatcher, F. M. Farrar, and R. B. Bailey), for the pro rata benefit of the stockholders of The First National Bank of Pueblo; and that neither Solar Investment Company, Inc., nor The First National Bank of Pueblo, directly or indirectly, owns or controls any stock of, or manages or controls, any other banking institution.

Mr. R. B. Bailey

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In view of these facts, the Board has determined that Solar Investment Company, Inc., and The First National Bank of Pueblo are not engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling banks, banking associations, savings banks, or trust companies within the meaning of section 2(c) of the Banking Act of 1933 (12 U.S.C. 221a); and, accordingly, they are not deemed to be holding company affiliates except for the purposes of section 23A of the Federal Reserve Act and do not need a voting permit from the Board of Governors in order to vote the bank stock which they own or control.

If, however, the facts should at any time indicate that Solar Investment Company, Inc., or The First National Bank of Pueblo might be deemed to be so engaged, this matter should again be submitted to the Board. The Board reserves the right to rescind these determinations and make further determination of this matter at any time on the basis of the then existing facts, including additional acquisitions of bank stocks even though not constituting control.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.