

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 proposed to place in the record of policy actions required to be kept under the provisions of section 10 of the Federal Reserve Act an entry covering the item in this set of minutes commencing on the page and dealing with the subject referred to below:

Page 19 Approval of a discount rate of 4 per cent for the Federal Reserve Banks of Cleveland, Richmond, Dallas, and San Francisco.

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.

Chairman Martin

(M)

Gov. Mills

[Signature]

Gov. Robertson

CRB

Gov. Balderston

[Signature]

Gov. Shepardson

[Signature]

Gov. Mitchell

[Signature]

Gov. Daane

Minutes of the Board of Governors of the Federal Reserve System on Wednesday, November 25, 1964. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman  
 Mr. Balderston, Vice Chairman  
 Mr. Mills  
 Mr. Shepardson  
 Mr. Daane

Mr. Sherman, Secretary  
 Mr. Young, Adviser to the Board and Director, Division of International Finance  
 Mr. Molony, Assistant to the Board  
 Mr. Hackley, General Counsel  
 Mr. Farrell, Director, Division of Bank Operations  
 Mr. Solomon, Director, Division of Examinations  
 Mr. O'Connell, Assistant General Counsel  
 Mr. Shay, Assistant General Counsel  
 Mr. Goodman, Assistant Director, Division of Examinations  
 Mr. Spencer, General Assistant, Office of the Secretary  
 Miss Hart, Senior Attorney, Legal Division  
 Mr. Via, Senior Attorney, Legal Division  
 Mr. Forrestal, Attorney, Legal Division  
 Mr. Egertson, Supervisory Review Examiner, Division of Examinations  
 Mr. McClintock, Supervisory Review Examiner, Division of Examinations  
 Mr. Harris, Assistant Review Examiner, Division of Examinations  
 Mr. Furth, Consultant

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

Letter to Morgan Guaranty International Finance Corporation, New York, New York, granting consent to the purchase of additional shares of Peruano-Suiza de Fomento e Inversiones Sociedad Anonima ("Peruinvest"), Lima, Peru.

Item No.

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Item No.

Telegram to the Federal Reserve Bank of New York  
authorizing the opening and maintenance of an  
account in the name of the Bank of Zambia.

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Mr. Furth then withdrew from the meeting.

Report on competitive factors (Circleville-Commercial Point,  
Ohio). There had been distributed a draft of report to the Comptroller  
of the Currency on the competitive factors involved in the proposed  
merger of The First National Bank of Circleville, Circleville, Ohio,  
and The Scioto Bank, Commercial Point, Ohio.

Governor Mills commented that an element favoring the proposed  
merger was that it should increase banking competition in the area  
near Columbus, Ohio, in which city there was already a concentration  
of banking resources. He felt that the merger would provide a minor  
antidote to this situation.

In discussion, it was agreed that the point mentioned by  
Governor Mills should be brought out in the body of the report. The  
report, subject to the incorporation of the aforementioned change,  
was then approved unanimously for transmittal to the Comptroller.

The conclusion read as follows:

The First National Bank of Circleville and The Scioto  
Bank do not appear to be direct competitors to an important  
degree. Merger of the two banks would not be competitively  
harmful to other banks, and the competitive effects of the  
proposed merger would not be adverse.

Report on competitive factors (Fort Wayne-Hoagland, Indiana).

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 merger of Lincoln National Bank and Trust Company of Fort Wayne, Fort Wayne, Indiana, and First State Bank of Hoagland, Hoagland, Indiana.

Following a brief discussion during which agreement was expressed with a change in the conclusion that would reflect a suggestion made by Governor Mills, the report was approved unanimously for transmittal to the Comptroller with the conclusion reading as follows:

Lincoln National Bank and Trust Company of Fort Wayne is the largest bank in Fort Wayne and the surrounding area and probably offers some competition for the much smaller First State Bank of Hoagland. While the merger would eliminate an independent bank and add to the resources of the area's largest bank, the overall effect of the proposed transaction on competition would not be significantly adverse.

Farmers & Merchants Bank of Long Beach (Items 3 and 4). There had been distributed a memorandum from the Legal Division dated November 23, 1964, regarding a request by Special Agent Kintz of the Federal Bureau of Investigation, San Francisco, California (presumably on behalf of the United States Attorney for the Southern District of California), directed to the Federal Reserve Bank of San Francisco, for copies of certain letters in the files of the Reserve Bank relating to Farmers & Merchants Bank of Long Beach, Long Beach, California.

The memorandum stated that the request was the latest in a series of requests submitted by the United States Attorney or the Federal Bureau of Investigation incident to an investigation leading to the indictment and the preparation for trial of G. A. Walker,

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President, Farmers & Merchants Bank of Long Beach; Kenneth G. Walker, Vice President; and C. Z. Walker, attorney for and a director of Farmers Bank.

The request now before the Board followed upon an inspection of documents in possession of the Reserve Bank made by Agent Kintz pursuant to authorization granted by the Board in a telegram of August 27, 1964. That telegram had authorized access by an Assistant United States Attorney and a representative of the Federal Bureau of Investigation to (1) open and confidential sections of all examination reports of Farmers Bank for the years 1955 through 1961; (2) the line cards prepared in connection with these examinations; and (3) examiners' hand and typewritten work papers relating to the aforementioned examinations.

In transmitting the latest request, the Reserve Bank's General Counsel stated that Mr. Kintz had seen each of the letters requested and perhaps had taken notes. The Bank's General Counsel also stated that Mr. Kintz's access to such material "was virtually unavoidable" in connection with the investigation of the other information referred to in the Board's telegram of August 27. According to the Reserve Bank, Agent Kintz had indicated that the requested correspondence would be used generally for the purposes stated in the Board's August 27 telegram and under the terms and conditions set forth therein. In this connection, the staff of the Reserve Bank requested the Board's

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advice as to how they should proceed, inasmuch as the correspondence requested might not be covered by the authority contained in the telegram.

The memorandum went on to describe the correspondence, noting that it could be categorized as (1) letters between the Federal Reserve Bank and Farmers Bank; (2) letters between the Superintendent of Banks of the State of California and Farmers Bank; (3) letters between the Board and the Federal Reserve Bank; and (4) a letter from Republic National Bank of Dallas, Texas, to the Chief National Bank Examiner, Eleventh Federal Reserve District.

Following a description of the correspondence sought by Special Agent Kintz, the Legal Division memorandum recommended: (1) on the basis of the origin and content of the letters between the Reserve Bank and Farmers Bank, and in view of the Board's August 27 authorization, that the Board authorize the Reserve Bank to furnish copies thereof to Agent Kintz; (2) that the Board authorize the furnishing of copies of letters between the Superintendent of Banks and Farmers Bank, with the expressed understanding that the Reserve Bank's General Counsel obtain written authorization from the Superintendent of Banks for the requested disclosure prior to release of the letters in question; (3) for reasons cited in the memorandum, that the Board deny Agent Kintz's request for copies of the letters between the Board and the Federal Reserve Bank; and (4) that the Board deny Agent Kintz's request for a copy of the

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letter from Republic National Bank of Dallas to the Chief National Bank Examiner.

Attached to the Legal Division memorandum was a draft of letter to the Federal Reserve Bank of San Francisco containing authorizations and denials of authorization along the lines recommended.

At the Board's request Mr. O'Connell commented, his remarks being based substantially on the information presented in the November 23 memorandum.

In the discussion that followed, Governor Mills said that he would approve the Legal Division's recommendations for the reason that the affected parties in this case were a bank and certain of its officers who were open to legal criticism. In such circumstances he thought that neither a bank nor its officers should be sheltered from the scrutiny of the Federal Bureau of Investigation or the Department of Justice.

Governor Mills went on to point out that on August 27 the Board had authorized a United States Attorney and a representative of the F.B.I. to inspect certain documents in the possession of the Federal Reserve Bank of San Francisco relating to Farmers & Merchants Bank of Long Beach. He had dissented from the Board's action. He believed that any subject of examination should have the protection of a closed report, except where a subpoena was issued. As a result

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of having permitted inspection, there was now before the Board a request for copies of certain correspondence. This correspondence apparently had come before the eyes of the representative of the Justice Department during the inspection of the examinations reports and related material. In Governor Mills' opinion, this matter illustrated how far-reaching and improper it was for the Board to authorize the release of information from confidential files relating to the examination of a bank when such information had any bearing on a bank's customers, as distinct from its officers.

Governor Shepardson commented that he thought that Governor Mills had raised an important point--there was certain information that should not be divulged. In this connection, he wondered what steps should be taken, if any, to call to the Reserve Bank's attention what seemed to be negligence in permitting inspection of certain material, access to which had not been authorized.

Chairman Martin suggested that a letter be sent to the Federal Reserve Bank of San Francisco indicating the Board's concern in this matter and requesting information as to the circumstances attending Agent Kintz's access to the correspondence in question.

After discussion, it was understood that a letter of the nature suggested by Chairman Martin would be sent to the San Francisco Reserve Bank. A copy of the letter, in the form transmitted, is attached as Item No. 3. The letter to the Reserve Bank authorizing

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the furnishing of certain of the material requested by Mr. Kintz was approved unanimously. A copy of that letter is attached as Item No. 4.

Mr. Fauver, Assistant to the Board, then entered the room.

Application of Wheeling Dollar Savings & Trust Co. (Items 5-7).

Pursuant to the decision reached at the Board meeting on November 12, 1964, there had been distributed a proposed order and statement reflecting approval of the application of Wheeling Dollar Savings & Trust Co., Wheeling, West Virginia, to acquire the assets and assume the deposit liabilities of South Wheeling Bank and Trust Company, Wheeling, West Virginia. There also had been distributed a draft of a dissenting statement by Governor Robertson.

Following discussion, the issuance of the order and statement was authorized with the understanding that certain editorial changes would be made in the statement. Copies of the order and statement, as issued, are attached hereto as Items 5 and 6. A copy of Governor Robertson's dissenting statement is attached as Item No. 7.

Application of Worthen Bank & Trust Company. There had been distributed a memorandum from the Division of Examinations dated November 16, 1964, and supporting papers with respect to the application of Worthen Bank & Trust Company, Little Rock, Arkansas, to merge with Bank of Arkansas, Little Rock, Arkansas.

In summary comments on the proposed merger, the Division's memorandum stated that in April 1964 the Board approved the establishment by Bank of Arkansas of an in-town branch at the site of the

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suburban location of its head office, which would be relocated to downtown Little Rock. Approval was also given to contemplated expanded operations involving more extensive competition in the commercial credit field, and in acting as correspondent for country banks. In giving such approval, the Board had imposed a condition that executive management be suitably strengthened on or before consummation of the plan. Bank of Arkansas' president had stated that if the proposed merger was not approved, the bank's head office would be moved to a downtown location in Little Rock.

The memorandum went on to point out that as the service area of Bank of Arkansas was entirely within that of Worthen Bank & Trust Company, the proposed merger would eliminate competition existing between participants and would increase slightly the concentration of deposits held by the two largest banks in the area. These competitive considerations, however, were not felt to be so detrimental as to weigh heavily in favor of denial of the merger. Essentially, the question presented by this application was whether the competitive considerations and the considerations bearing on the needs and convenience of the community were sufficiently important to outweigh the considerations involving management and the potential adverse effect of that factor on Bank of Arkansas' future.

While the proposed merger was regarded by the Division of Examinations as a close case, it was the Division's view that, on balance, the Board would be warranted in approving the application.

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At the Board's request, Mr. Egertson reviewed the facts of the case, the competitive factor reports received from the other Federal bank supervisory agencies and the Department of Justice, and the reasons underlying the favorable recommendation of the Division of Examinations, his comments being based on the material that had been distributed.

Following Mr. Egertson's presentation, the staff responded to various questions relating to the proposed merger.

Governor Balderston questioned the basis on which a supporting statement would be prepared by the Legal Division if the Board approved the application. In response, Mr. Shay said that a supporting statement would likely emphasize the need for strengthening management at Bank of Arkansas and would also point to the uncertainty of that bank's future earnings prospects. Governor Balderston observed in this connection that the memorandum from the Division of Examinations indicated that the growth of Bank of Arkansas had been satisfactory and that based on the record of past earnings, the bank's earnings prospects were considered to be favorable.

In a lengthy discussion that followed, it was brought out that while the growth record of Bank of Arkansas had been good, the present location of its head office created some uncertainty with respect to future earnings prospects. With respect to this aspect of the proposal, the Metropolitan Area Planning Commission of Little

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Rock had indicated that it believed the area surrounding the head office of Bank of Arkansas to have a somewhat unfavorable future outlook because of congested traffic, inadequate off-street parking, and the dispersion of commercial business over too wide an area. Moreover, proposed expressways would tend to route traffic away from the area. At its present location, it seemed doubtful that Bank of Arkansas would become an increasingly significant competitive factor. Further, Bank of Arkansas, earlier and independently of the merger application, had received provisional approval from the Board to convert to a branch at its present head office, which would be moved to a downtown Little Rock location. Because of the proposed expansion in operations, one of the conditions upon which this plan had been approved was that management be suitably supplemented. Consummation of the proposed merger would supply needed management strength and depth for the scope of operations presently conducted by Bank of Arkansas. This factor, plus uncertainty about future earnings prospects of the bank, could be brought out in a supporting statement if the Board approved the application.

At the conclusion of the foregoing discussion, the members of the Board expressed their views.

Governor Mills said that he would approve the merger for the reasons submitted by the Division of Examinations in its memorandum. He regarded the case as neutral plus. As a neutral plus case, approval would fulfill the wishes of the proponents of the proposed transaction.

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Furthermore, the merger would not conflict with the public interest. This was a case where consummation of the proposal would not result in a bank with an overconcentration of banking assets in the relevant area nor would it materially alter the competitive picture.

Governor Shepardson stated that he agreed with Governor Mills' views and that he would approve the application.

Governor Daane said that, as the Division of Examinations had indicated, the case was a close one. While there would be a slight increase in the banking resources on the part of Worthen Bank, it did not appear that the transaction would have any adverse effect on competition. Also, it did not appear that the merger would have any significant effect on the banking needs and convenience of the community. Therefore, since the proposed merger seemed to be in the public interest, he would approve it.

Governor Balderston and Chairman Martin indicated that they also would approve the application.

Thereupon, the application of Worthen Bank & Trust Company was approved unanimously, with the understanding that an order and statement reflecting this decision would be drafted for the Board's consideration.

Messrs. Fauver, O'Connell, Via, Egertson, McClintock, and Harris then withdrew from the meeting.

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Interpretation relating to short-term negotiable notes (Items 8 and 9). There had been distributed a memorandum from the Legal Division dated November 17, 1964, discussing the question of the applicability of section 32 of the Banking Act of 1933 to short-term unsecured negotiable notes of commercial banks.

The memorandum stated that Discount Corporation of New York, New York, New York, and Aubrey G. Lanston & Co. Inc., New York, New York, primary dealers in securities of the United States Government having interlocking directorates with member banks, had applied through the Federal Reserve Bank of New York for a ruling by the Board to the effect that they might deal or make a market in short-term unsecured negotiable notes issued by commercial banks without contravening the prohibition of section 32 of the Banking Act of 1933 and the Board's Regulation R, Relationships with Dealers in Securities under Section 32 of the Banking Act of 1933.

The legal question that was raised by the two requests was whether the new notes were "other similar securities" within the meaning of section 32 and Regulation R. If the Board concluded that such notes were securities for this purpose and if Discount Corporation and Aubrey G. Lanston then made a market in the notes, the firms would be ineligible to continue their interlocking directorates with member banks as now permitted under the exception to the prohibition of section 32 that the Board had provided in its Regulation R. On the

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other hand, if the Board should conclude that such notes were not "other similar securities," then the two organizations could deal or make a market in the notes and continue their interlocking directorates with member banks without contravening the prohibition of section 32 and Regulation R.

The Legal Division memorandum pointed out that the solution of the problem presented by Discount Corporation and Aubrey G. Lanston & Co. involved close questions of statutory interpretation and legal definition, as well as important policy considerations. In this connection, four conclusions were cited and discussed in some detail as constituting alternative courses of action that the Board might consider. In essence, they were: (1) the notes in question were not "other similar securities"; (2) the notes were "other similar securities"; (3) the notes were "other similar securities," but suitable for inclusion in the exception provided by Regulation R; and (4) the notes were "other similar securities," but Regulation R could be amended so that neither dealing in such notes nor dealing in the presently excepted securities would be treated as a section 32 activity.

Attached to the memorandum were drafts of (1) an interpretation that would hold that the notes in question were not "other similar securities" within the meaning of section 32 and Regulation R; (2) an interpretation that the notes were "other similar securities"; (3) an amendment to Regulation R that would equalize the notes with U. S.

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Government securities; and (4) an amendment to Regulation R that would broaden the exception for notes and U. S. Government securities.

At the Board's request, Mr. Shay reviewed the legal question involved in the requests from Discount Corporation and Aubrey G. Lanston & Co. and described the alternative positions that the Board might consider adopting, his remarks being based substantially on the information presented in the distributed memorandum of November 17. He pointed out that if the Board should determine that the notes in question were not "other similar securities," dealing in such notes would not be an activity described in section 32 and, therefore, any securities firm would be free to make a market in them without affecting its status under Regulation R. However, the Legal Division believed that such a position, while supportable, was legally weaker than a position that would hold that the notes were "other similar securities" within the meaning of section 32 and Regulation R. If the Board adopted this position, but did not amend Regulation R, one result would be that neither Discount Corporation nor Aubrey G. Lanston & Co. could make a market in the notes without sacrificing their interlocking relationships with member banks. Another result would be that any dealing in such notes would have to be included in computing the section 32 business done by any other securities firm.

During a lengthy discussion that followed, Mr. Shay responded to various questions posed by members of the Board regarding the alternative positions that had been suggested for consideration. During this

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exchange, several members of the Board indicated that it would be unfortunate if, by the precedent of an interpretation holding that short-term notes issued by banks were not "other similar securities" for purposes of section 32 and Regulation R, the Board were required to hold that short-term notes issued by finance companies also were not securities for those purposes. Mr. Shay observed in this respect that it would be extremely difficult to distinguish an instrument issued by a finance company from a precisely similar instrument issued by a bank simply on the basis of the issuer. It was suggested, however, that it might be argued that the bank notes in question, although clearly not deposits, were very similar to certificates of deposit, designed to be used almost interchangeably with them; therefore, such notes were not similar to any instrument that a finance company could issue. While admittedly this argument was open to legal attack, it might be supportable.

As discussion proceeded, Governor Mills indicated that he favored the draft interpretation that had been submitted with the Legal Division's memorandum that would hold that the notes in question were not "other similar securities" within the meaning of section 32 and Regulation R. In this connection, he would not amend Regulation R.

Governor Shepardson commented that he leaned toward the same interpretation as Governor Mills. However, he wondered whether "short-term," as used in the draft interpretation, was a definitive limitation. Perhaps a time limitation of a year should be stated.

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Mr. Shay observed that it was expected that the short-term negotiable notes would not have maturities exceeding one year. To try to spell out a time limitation seemed to fall within the province of an amendment to the Regulation rather than that of an interpretation.

Governor Balderston remarked that he also agreed with Governor Mills and favored the draft interpretation holding that the notes in question were not "other similar securities." He then went on to suggest certain editorial changes that might be made in the draft.

During further discussion, it developed to be the consensus that an interpretation should be issued that would hold that short-term negotiable notes of banks were not "other similar securities" under section 32 of the Banking Act of 1933 and the Board's Regulation R. Accordingly, the interpretation submitted with the Legal Division's memorandum, subject to certain editorial changes agreed upon, was then approved unanimously with the understanding that it would be published in the Federal Register and the Federal Reserve Bulletin. A copy of the approved interpretation in the form transmitted to the Federal Register is attached as Item No. 8. A copy of a letter sent to the Federal Reserve Bank of New York in connection with the Board's action is attached as Item No. 9.

All members of the staff except Messrs. Sherman and Farrell then withdrew from the meeting.

Building program at New York (Item No. 10). There had been distributed a memorandum from the Division of Bank Operations dated

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November 23, 1964, with regard to the acquisition by the Federal Reserve Bank of New York of certain property in connection with its proposed building program.

At its meeting on October 26, 1964, the Board interposed no objection to the Reserve Bank exercising real estate options covering a site desired for the construction of an annex building. The Division memorandum indicated that the Bank now had to make a choice as to how to proceed with the purchase of one parcel of property at 68-70 Nassau Street. Under one plan, the bank could purchase this property for \$536,000 with the provision that the seller would use its best efforts to terminate all leases by June 1, 1965. Under another plan, the Bank could purchase the property for \$487,000 subject to existing leases, 15 of which would expire at various dates in the period 1965-1978.

In a letter of November 17, 1964, First Vice President Treiber advised that the New York Reserve Bank proposed to adopt the first of the two plans cited. In this connection, it was pointed out that the Bank's real estate consultant had estimated that termination of all the leases at this location by the Reserve Bank would cost about \$700,000. The Bank thought \$700,000 was too high but had doubts that the seller would be able to terminate all the leases for \$49,000 (the difference between \$536,000 and \$487,000). However, the Bank felt that if the seller could make such arrangements, the Bank should take

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advantage of them. If the seller could not arrange for the termination of the leases, the Bank could take title for \$487,000.

Following comments by Mr. Farrell during which he noted that the option expiration date was December 1, 1964, there was unanimous agreement on the part of the Board to interpose no objection to the New York Reserve Bank exercising the option to purchase property at 68-70 Nassau Street for \$536,000. A copy of the telegram sent to the New York Bank in this connection is attached as Item No. 10.

Maximum interest rate on savings deposit (Item No. 11). There had been prepared by the Legal Division a draft of telegram to the Federal Reserve Banks that would comment on a question that had been raised as to the maximum rate of interest payable on a savings deposit that had remained in a bank less than 12 months prior to November 24, 1964, the effective date of the revised Supplement to Regulation Q, Payment of Interest on Deposits. The purpose of sending the telegram to the Reserve Banks was to assist them in responding to inquiries, particular with respect to computation of interest at maximum rates.

Following discussion, the sending of the telegram to the Federal Reserve Banks in the form attached as Item No. 11 was approved unanimously.

The meeting then adjourned.

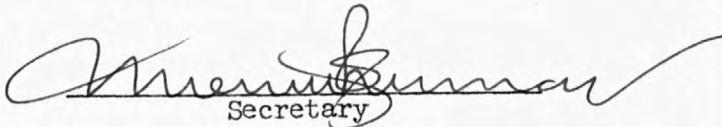
Secretary's Notes: Telegrams were received today from the Federal Reserve Banks of Cleveland, Richmond, Dallas, and San Francisco stating that the directors of those Banks had established, subject to

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review and determination by the Board of Governors, a rate of 4 per cent (rather than 3-1/2 per cent) on discounts for and advances to member banks under sections 13 and 13a of the Federal Reserve Act and a rate of 4-1/2 per cent (rather than 4 per cent) on advances under section 10(b). The directors of the Federal Reserve Bank of Cleveland had also established a rate of 5-1/2 per cent (rather than 5 per cent) on advances to individuals, partnerships, and corporations other than member banks under the last paragraph of section 13, and the directors of the Federal Reserve Banks of Richmond, Dallas, and San Francisco had established a rate of 5 per cent (rather than 4-1/2 per cent) under this paragraph. Pursuant to the authorization given at the meeting on November 23, 1964, the Secretary informed the Banks by telegram of the Board's approval of the rates established by their directors, effective November 27, 1964. A press statement was issued at 4 p.m. EST, all Reserve Banks and branches were notified by telegram, and arrangements were made for publication of a notice in the Federal Register.

Governor Shepardson today approved on behalf of the Board a letter to the Federal Reserve Bank of Chicago (attached Item No. 12) approving the appointment of Ronald S. Reed as assistant examiner.

  
Secretary

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

Item No. 1  
11/25/64



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

November 25, 1964.

Morgan Guaranty International  
Finance Corporation,  
23 Wall Street,  
New York, 8, New York.

Gentlemen:

In accordance with the request and on the basis of the information furnished in your letter of November 12, 1964, transmitted through the Federal Reserve Bank of New York, the Board of Governors grants its consent for Morgan Guaranty International Finance Corporation to purchase and hold 7,500 additional shares, par value Peruvian Soles 1,000 each, of the capital stock of Peruano-Suiza de Fomento e Inversiones Sociedad Anonima, ("Peruinvest"), Lima, Peru, at a cost of approximately US\$376,000, provided such stock is acquired within one year from the date of this letter.

The Board's consent is granted subject to the same conditions prescribed in the Board's letter of March 22, 1962, granting consent to the purchase of shares of Peruinvest.

The Board also approves the purchase and holding of shares of Peruinvest 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.

T E L E G R A M  
LEASED WIRE SERVICEItem No. 2  
11/25/64BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTON

November 25, 1964.

COOMBS - NEW YORK

Your wire November 20. Board approves opening and maintenance of an account on books of Federal Reserve Bank of New York in the name of the Bank of Zambia, subject to the usual terms and conditions. It is understood that participation in this account will be offered to other Federal Reserve Banks.

(Signed) Merritt Sherman

SHERMAN

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 3  
11/25/64

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

November 25, 1964.



Mr. Eliot J. Swan, President,  
Federal Reserve Bank of San Francisco,  
San Francisco, California. 94120

Dear Mr. Swan:

Under date of October 21, 1964, your Bank's General Counsel referred to the Board for consideration a request made of the General Counsel by Special Agent Doyle Kintz, San Francisco Office of the Federal Bureau of Investigation, that he be furnished copies of certain letters contained in the files of your Bank relating to Farmers & Merchants Bank of Long Beach, Long Beach, California. The Board's reply of this date authorizes the furnishing of copies of certain of the letters requested, and declines such authorization in respect to certain letters.

In submitting this matter for the Board's determination, Mr. Scott made the following statement:

"You should know that Mr. Kintz has seen each of the enclosed letters and perhaps has taken notes therefrom. His access to this material was virtually unavoidable in connection with his investigation of the other information referred to in your telegram."

Inasmuch as the inspection by representatives of the United States Attorney's Office and the Federal Bureau of Investigation authorized by the Board's August 27 telegram was restricted specifically to the open and confidential sections of reports of examination of Farmers & Merchants Bank of Long Beach for the years 1955 through 1961, to the line cards prepared in connection with such examinations, and to the examiners' work papers, handwritten and typed, prepared and utilized in connection with such examinations, the Board is not clear as to why Agent Kintz's access to the letters in question "was virtually unavoidable", as stated by Mr. Scott. The Board assumes that the correspondence which was the subject of your letter of October 31 and the Board's reply of this date is physically separated in your files from the reports of examination, and line cards and working papers related thereto. It is further assumed

Mr. Eliot J. Swan

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that the Board's authorization of August 27 would have constituted adequate basis for denial of Agent Kintz's access to the correspondence in question, even had his notice of such correspondence been, as stated, virtually unavoidable.

The Board will appreciate your advice as to the circumstances attending Agent Kintz's access to the correspondence discussed.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

November 25, 1964.



Mr. Eliot J. Swan, President,  
Federal Reserve Bank of San Francisco,  
San Francisco, California. 94120

Re: United States v. K. G. Walker, et al.,  
Case No. 33332-CD; S.D. Cal.

Dear Mr. Swan:

This refers to a letter of October 21, 1964, from Walter F. Scott, General Counsel of your Bank, to the Board's General Counsel, relating to the above-entitled case and containing advice that, pursuant to authorization from the Board by telegram dated October 27, 1964, Special Agent Doyle Kintz, Federal Bureau of Investigation, San Francisco Office, had studied certain materials in the files of your Bank relating to Farmers & Merchants Bank of Long Beach, Long Beach, California ("Farmers Bank"). Mr. Scott has advised that upon Mr. Kintz's inspection of the Reserve Bank files, he has asked that a copy be furnished to him of each of 33 letters, individually identified in Mr. Scott's letter as to date, sender, and addressee. It is the Board's understanding that Mr. Kintz has stated that copies of these letters are desired for the same purposes and under the terms and conditions set forth in the Board's telegram of August 27.

The letters to which Mr. Kintz's request is directed are identifiable according to sender-addressee as follows: (a) 15 letters exchanged between the Federal Reserve Bank and Farmers Bank; (b) 14 letters exchanged between the Superintendent of Banks, State of California, and Farmers Bank; (c) 3 letters exchanged between the Board of Governors and the Federal Reserve Bank; and (d) a letter from the Senior Vice President of Republic National Bank of Dallas, Dallas, Texas, to the Chief National Bank Examiner, Eleventh Federal Reserve District. In general, the foregoing letters bear upon transactions conducted by or in connection with Farmers Bank, many of which are discussed in the reports of examination of Farmers Bank, dated from 1956 through 1961.

\*Should have read August 27, 1964.

Mr. Eliot J. Swan

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Pursuant to the provisions of section 261.2(a) of the Board's Rules Regarding Information, Submittals, and Requests (12 CFR 261.2(c)), the Board authorizes the furnishing to Mr. Kintz of copies of the letters exchanged between the Federal Reserve Bank and Farmers Bank, the specific dates of which are as follows: August 15, October 18, October 31, December 3, 1956; October 16, December 11, December 31, 1957; January 17, January 31, February 3, August 21, October 16, 1958; June 29, July 26, 1960; and December 8, 1961.

Under the afore-cited Rules, and subject to the condition hereinafter stated, the Board also authorizes the furnishing of copies of the letters exchanged between the Superintendent of Banks, State of California, and Farmers Bank, the specific dates of which are as follows: July 9, August 24, 1956; June 28, August 16, 1957; June 16, July 24, August 19, August 29, 1958; September 21, 1959; September 7 (two letters), October 26, 1960; July 14, September 11, 1961. Copies of the foregoing letters are to be given to Mr. Kintz only after there has been obtained from the State Superintendent of Banks written authorization for the furnishing of such copies. This direction is given with the knowledge that your Bank has ascertained on an oral basis that the Superintendent of Banks has no objection to the release of copies of the letters to Mr. Kintz.

In respect to the three letters exchanged between your Bank and the Board, in view of the apparent likelihood that some or all of the material that is given to Mr. Kintz will be introduced in evidence in the forthcoming trial of the defendants Walker, the Board declines to authorize the furnishing of copies of these letters to Mr. Kintz. It is the Board's view that the release of essentially intra-agency correspondence of this nature, under the circumstances here presented, would constitute a precedent that could prove extremely detrimental to the effective performance by the Board and the Reserve Banks of essential regulatory and supervisory functions.

As to the letter from Republic National Bank of Dallas to the Chief National Bank Examiner, inasmuch as the Federal Reserve Bank was neither the sender nor addressee of this letter, the Board concludes that a copy thereof should not be placed in Mr. Kintz's possession through your Bank. The best interests of both the Board and your Bank would appear to be served if Mr. Kintz were to request either the Republic National Bank of Dallas or the Comptroller of the Currency for a copy of the letter in question.

Mr. Eliot J. Swan

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In accordance with the Board's understanding of Mr. Kintz's request, the authorizations herein given contemplate that before the materials furnished are used either at trial or before a Federal grand jury, the Board's authorization for such use will be requested by United States Attorney Whelan.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

Item No. 5  
11/25/64

UNITED STATES OF AMERICA  
BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTON, D. C.

-----  
In the Matter of the Application of  
WHEELING DOLLAR SAVINGS & TRUST CO.  
for approval of acquisition of assets of  
South Wheeling Bank and Trust Company  
-----

ORDER APPROVING ACQUISITION OF BANK'S ASSETS

There has come before the Board of Governors, pursuant to the Bank Merger Act of 1960 (12 U.S.C. 1828(c)), an application by Wheeling Dollar Savings & Trust Co., Wheeling, West Virginia, a State member bank of the Federal Reserve System, for the Board's prior approval of its acquisition of assets and assumption of deposit liabilities of South Wheeling Bank and Trust Company, Wheeling, West Virginia. Notice of the proposed acquisition of assets and assumption of deposit liabilities, in form approved by the Board, has been published pursuant to said Act.

Upon consideration of all relevant material in the light of the factors set forth in said Act, including reports furnished by the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the Department of Justice on the competitive factors involved in the proposed transaction,

-2-

IT IS HEREBY ORDERED, for the reasons set forth in the Board's Statement of this date, that said application be and hereby is approved, provided that said acquisition of assets and assumption of deposit liabilities shall not be consummated (a) within seven calendar days after the date of this Order, or (b) later than three months after said date.

Dated at Washington, D. C., this 25th day of November, 1964.

By order of the Board of Governors.

Voting for this action: Chairman Martin, and  
Governors Balderston, Mills, and Mitchell.

Voting against this action: Governor Robertson.

Absent and not voting: Governors Shepardson and Daane.

(Signed) Merritt Sherman

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Merritt Sherman,  
Secretary.

(SEAL)

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

Item No. 6  
11/25/64

APPLICATION BY WHEELING DOLLAR SAVINGS & TRUST CO.  
FOR APPROVAL OF ACQUISITION OF ASSETS OF  
SOUTH WHEELING BANK AND TRUST COMPANY

STATEMENT

Wheeling Dollar Savings & Trust Co., Wheeling, West Virginia ("Wheeling Dollar"), with total deposits of \$40.4 million, has applied, pursuant to the Bank Merger Act of 1960 (12 U.S.C. 1828(c)), for the Board's prior approval of its acquisition of the assets and assumption of deposit liabilities of South Wheeling Bank and Trust Company, Wheeling, West Virginia ("South Wheeling Bank"), which has total deposits of \$6.7 million.<sup>1/</sup> Wheeling Dollar would be precluded by State law from operating the office of South Wheeling Bank as a branch.

Under the law, the Board is required to consider, as to each of the banks involved, (1) its financial history and condition, (2) the adequacy of its capital structure, (3) its future earnings prospects, (4) the general character of its management, (5) whether its corporate powers are consistent with the purposes of 12 U.S.C., Ch. 16 (the Federal Deposit Insurance Act), (6) the convenience and needs of the community to be served, and (7) the effect of the transaction on competition (including any tendency toward monopoly). The Board may not approve the transaction unless, after considering all of these factors, it finds the transaction to be in the public interest.

<sup>1/</sup> Deposit figures are as of May 30, 1964.

Banking factors. - The financial histories of Wheeling Dollar and South Wheeling Bank are satisfactory, and each bank has a sound asset condition and an adequate capital structure. Wheeling Dollar's earnings record is good, and its future earnings prospects are satisfactory. Although the earnings record of South Wheeling Bank also is good, its future earnings prospects are regarded as uncertain since they appear to be heavily dependent upon the continued availability to the bank of the services of one individual. About 45 per cent of the deposits of South Wheeling Bank originate from beyond the area that the bank normally would be expected to serve. This business, which is attributable directly to the many acquaintances and wide personal following of South Wheeling Bank's chief executive officer, most probably would be lost in substantial part if he should become inactive.

While the management of each bank is satisfactory, South Wheeling Bank faces a prospective management succession problem in that it cannot replace from within the organization its chief executive officer and the next ranking officer, both of whom may be forced into retirement for reasons of health. However, the management succession problem confronting South Wheeling Bank is not only one of finding, hiring, and retaining capable managerial talent, although this, alone, presents difficulties in view of the small size of the bank and the unattractiveness of the area in which the bank is situated. It is an inseparable part of the more pervasive problem which results essentially from the bank's unusual dependence upon the business-generating ability of its principal officer and the implications which this fact has for the bank's prospects. The problem, viewed in this dimension, takes on considerable significance.

Consummation of the proposal, which would remove the foregoing uncertainty concerning South Wheeling Bank, would not adversely affect the banking factors as they relate to Wheeling Dollar.

There is no indication that the corporate powers of the banks are, or would be, inconsistent with the purposes of 12 U.S.C., Ch. 16.

Convenience and needs of the communities. - Wheeling Dollar and South Wheeling Bank are two of six commercial banks located in Wheeling, Ohio County, West Virginia. The city of Wheeling is located in the northwestern part of the State on the eastern bank of the Ohio River, which separates West Virginia and Ohio. The service area<sup>2/</sup> of Wheeling Dollar consists of Ohio County and considerable portions, as measured by population, of the adjacent counties of Marshall and Brook in West Virginia and Belmont County in Ohio. The service area of South Wheeling Bank is smaller and contained entirely within the service area of Wheeling Dollar. South Wheeling Bank derives 35 per cent of its deposits from Belmont County, about 56 per cent from the southern portion of Wheeling and the nearby communities of Bethlehem and Mozart, and the balance from the remainder of the city of Wheeling. There is no evidence that the banking needs and convenience of the community are not being adequately met.

The population of the Wheeling Standard Metropolitan Statistical Area, which consists of Ohio and Marshall Counties in West Virginia and Belmont County in Ohio, decreased during the decade 1950-1960 from 196,000 to 190,000 persons. The economy of the Wheeling area, which is dependent for the most part upon various industrial

<sup>2/</sup> The area from which a bank obtains 75 per cent or more of its deposits of individuals, partnerships, and corporations ("IPC deposits").

enterprises, has suffered from declining activity. Although there has been some recent improvement, unemployment is both substantial and persistent. Economic conditions are especially poor in the sector from which South Wheeling Bank derives most (i.e., about 56 per cent) of its deposits, and it does not seem probable that these conditions will be improved substantially, or in the immediate future, by the redevelopment program planned for a portion of this sector near the location of South Wheeling Bank.

Both Wheeling Dollar and South Wheeling Bank offer the usual range of banking services. Their offices are only five blocks apart, the office of Wheeling Dollar being located in the main business district of Wheeling, which lies across Wheeling Creek from the declining area to the south in which South Wheeling Bank has its office. The offices of two other commercial banks situated in the main business district of Wheeling are within six blocks of the office of South Wheeling Bank. Thus, existing and potential customers of South Wheeling Bank, upon consummation of the proposal, would continue to have reasonably convenient sources of commercial bank services, and it does not appear that the banking convenience and needs of any area served by South Wheeling Bank would be adversely affected to any significant extent.

Competition. - Wheeling Dollar is the largest of the six<sup>3/</sup> commercial banks located in Wheeling and, with 22.5 per cent of the IPC deposits,<sup>4/</sup> is the largest of the 19 commercial banks operating in its

<sup>3/</sup> A new bank is proposed to be located in downtown Wheeling near, and north of, Wheeling Dollar's office.

<sup>4/</sup> Deposit figures are as of June 30, 1964.

service area. South Wheeling Bank accounts for less than 5 per cent of the IPC deposits held by the 13 commercial banks operating in Wheeling and in Belmont County, Ohio, and less than 4 per cent of such deposits in the area served by Wheeling Dollar. As noted earlier, offices of the proponent banks are only five blocks apart and Wheeling Dollar's large service area includes within its boundaries the entire service area of South Wheeling Bank. If the \$6 million in IPC deposits held by South Wheeling Bank were acquired by Wheeling Dollar, the latter's share of all such deposits held by commercial banks in its service area would be increased to 26.2 per cent.

The proposed transaction would eliminate all existing and potential competition between South Wheeling Bank and the other banks in its service area, including Wheeling Dollar. However, banking customers in the area served by South Wheeling Bank would continue to have access to a number of reasonably convenient alternative commercial banking offices. Further, despite the fact that, under the proposal, several members of the staff of South Wheeling Bank, including its two principal officers, would join the staff of Wheeling Dollar, the latter would not gain an additional banking office. Thus, under these circumstances, the amount of banking business which Wheeling Dollar would be able to gain and retain as a result of the acquisition would seem to be markedly less than the total volume now held by South Wheeling Bank. Further, the proposed transaction would not result in an increase in Wheeling Dollar's capital and surplus accounts, and, thus, there would be no increase in its lending limit.

Summary and conclusion. - Although consummation of the proposed transaction would result in the elimination of a banking office through the closing of an independent commercial bank, it would not materially affect the banking needs and convenience of the community concerned, and it is not probable that the consequences for banking competition in the relevant area would be adverse. Wheeling Dollar, without the benefit of an additional banking office, would find it necessary to contend with other banks for the business now held by South Wheeling Bank. Further, consummation of the proposed transaction would afford an orderly solution for the potential earnings problem of South Wheeling Bank, which is occasioned by its location and its extraordinary dependence upon the continued availability of the services of its present chief executive officer.

Accordingly, the Board finds that the proposed acquisition of assets and assumption of liabilities would be in the public interest.

November 25, 1964.

## DISSENTING STATEMENT OF GOVERNOR ROBERTSON

When a bank is given a charter, it receives a license to engage in the banking business - a business vested with a public interest. Hence, it assumes an implied obligation to provide banking facilities to the community so long as the public need therefor exists - certainly so long as it is feasible and profitable for it to do so. Of course, it can legally cease to carry out this obligation - but only in accordance with the applicable provisions of law. The question here is whether the Bank Merger Act of 1960 can be used for this purpose.

In this case there is a clear public need, as evidenced by the volume of business and profits enjoyed by the South Wheeling Bank - the only bank in south Wheeling, West Virginia. If this acquisition is consummated, that bank will cease to exist and south Wheeling will be left without a banking office.

The Bank Merger Act of 1960 was enacted for the purpose of safeguarding our multiple unit banking system from continued erosion through bank absorptions. Here, by virtue of the Board's decision, it is being used for another purpose - as enabling legislation to permit a small but sound, profitable, and growing bank to cease operation and to be absorbed by its largest competitor without due regard for the needs and convenience of the community.

As I read the Bank Merger Act and its legislative history, Congress clearly did not intend by that measure to provide a "way out" for a bank and its stockholders so long as it is possible and profitable for the institution involved to pursue its responsibility to serve the public. As a matter of fact, not so long ago the Board emphasized this responsibility when, in denying a proposed bank acquisition, it said that "the principal consideration . . . is the convenience and needs of the communities and area concerned, rather than its benefits to the banks involved". (1962 Federal Reserve Bulletin 548, 550; similarly, 1958 Federal Reserve Bulletin 902, 909) In my judgment, the decision of the majority in the present case fails to meet this test.

The majority relies heavily for its approval of this application on what it fears might happen to South Wheeling Bank if its chief executive officer and its next ranking officer, aged 57 and 50, respectively - and particularly the former - should be forced into retirement for reasons of health. Everyone must admit that the bank is successful and that its future prospects can be characterized only as favorable, unless the majority's anxiety is warranted. For the past five years, South Wheeling Bank has enjoyed an increase in deposits at a rate exceeding the average for all Wheeling banks, and its net current operating earnings have been better than the average for banks in its size group in the Fourth Federal Reserve District. The majority's

apprehension concerning management and its relationship to future prospects of the South Wheeling Bank is hard to understand in view of the fact that both of the bank's senior officers are to continue in comparable capacities with the larger applicant bank. Indeed, it would seem that the anticipated continuation of the business-generating ability of the small bank's chief executive officer, in particular, may well have been a significant consideration supporting Wheeling Dollar's interest in the proposal.

The majority's decision permitting the demise of South Wheeling Bank leaves to the customers of that bank no choice but to seek new banking connections. Wheeling Dollar, which is Wheeling's largest bank, is six times the size of South Wheeling Bank and three times as large as the smallest of the other two banks in the downtown business section of Wheeling. However, the favorable experience of South Wheeling Bank is indisputable testimony to the fact that many members of the public prefer to deal with a small, conveniently located bank, rather than one of its much larger competitors. The decision of the majority which, in effect, would deprive a great number of these people of the alternative of doing business with a small bank seems oddly at variance with the view stated by the Board in denying an application in an earlier case where it stated: "Competition throughout all ranges of banking size and services is in the public interest."  
(1962 Federal Reserve Bulletin 548, 553)

Furthermore, the success of South Wheeling Bank reflects well the contribution that it is making to the economic life of its community. To halt - as the majority does - continuation of this contribution ought to require more by way of justification than can be found in the record of this case, particularly in view of the redevelopment program in south Wheeling, in connection with which some land in the affected area already has been cleared and sold for use by new business concerns. Both present and potential support of this small bank to its community and to the success of the redevelopment program will be lost. In short, it would seem that the principal beneficiaries of this acquisition are the senior officers and stockholders of South Wheeling Bank - not the affected public, at whose expense the bank is unjustifiably excused from its responsibilities.

Consummation of the acquisition will diminish banking competition, as the majority recognizes. The service area of South Wheeling Bank lies entirely within that of Applicant, and the competition that will be eliminated is substantial. In the area of Wheeling from which South Wheeling Bank derives over \$3 million, or about 56 per cent, of its deposits (the south Wheeling area in which there is no other banking office), Wheeling Dollar derives over \$3.6 million, or a little over 10 per cent, of its deposits. South Wheeling Bank originates over \$700,000, or approximately 24 per cent, of its loans in the area, while Wheeling Dollar originates over \$1,160,000, or

approximately 6 per cent, of its loans in the area. Even though all of the business of South Wheeling Bank may not flow to Wheeling Dollar after the acquisition, I do not see how consummation of the proposal can fail to further fortify to a material degree Wheeling Dollar's already distinctly dominant position in the area.

Since I cannot share the grave concern of the majority with respect to the future prospects of South Wheeling Bank but am deeply concerned over the serious adverse effects that the transaction will have on the needs and convenience of the community and on competition, I conclude that consummation of the proposed acquisition would not be in the public interest, and hence I would deny the application.

November 25, 1964.

## TITLE 12 - BANKS AND BANKING

Item No. 8  
11/25/64

## CHAPTER II - FEDERAL RESERVE SYSTEM

## SUBCHAPTER A - BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

[Reg. R]

PART 218 - RELATIONS WITH DEALERS IN SECURITIES  
UNDER SECTION 32, BANKING ACT OF 1933

## Short-term Negotiable Notes

§ 218.109 Short-term negotiable notes of banks not securities under section 32, Banking Act of 1933.

(a) The Board of Governors has been asked whether short-term unsecured negotiable notes of the kinds issued by some of the large banks in this country as a means of obtaining funds are "other similar securities" within the meaning of section 32, Banking Act of 1933 (12 U.S.C. 78) and this Part.

(b) Section 32 forbids certain interlocking relationships between banks which are members of the Federal Reserve System and individuals or organizations "primarily engaged in the issue, flotation, underwriting, public sale, or distribution, at wholesale or retail, or through syndicate participation, of stocks, bonds, or other similar securities. . . ." Therefore, if such notes are securities similar to stocks or bonds, any dealing therein would be an activity covered in section 32 and would have to be taken into consideration in determining whether the individual or organization involved was "primarily engaged" in such activities.

(c) The Board has concluded that such short-term notes of the kind described above are not "other similar securities" within the meaning of section 32 and this Part.

(12 U.S.C. 248(i). Interprets or applies 12 U.S.C. 78.)

Dated at Washington, D. C., this 25th day of November, 1964.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

(Signed) Merritt Sherman

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Merritt Sherman,  
Secretary.

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

4048  
Item No. 9  
11/25/64

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

November 25, 1964.

Mr. William F. Trieber, First Vice President,  
Federal Reserve Bank of New York,  
New York, New York. 10045

Dear Mr. Trieber:

This refers to letters from your Bank of September 9, 1964, and October 5, 1964, transmitting requests from Discount Corporation of New York and from Aubrey G. Lanston & Co., Inc., which ask for an interpretation by the Board on the question whether short-term unsecured negotiable notes of the kinds issued by some of the large banks in the country are "other similar securities" within the meaning of section 32 of the Banking Act of 1933 and the Board's Regulation R. Your letter of October 15, 1964, transmitted a memorandum prepared by Davis Polk Wardwell Sunderland & Kiendl at the request of Discount Corporation, and a memorandum prepared by the Legal Division of your Bank both of which support the view that such notes are not "other similar securities" within the scope of the section.

Enclosed with this letter is a copy of an interpretation of the Board concluding that such notes are not "other similar securities" for purposes of the statute and regulation. The interpretation will be published in early issues of the Federal Register and in the Federal Reserve Bulletin. Additional copies are enclosed for your convenience in transmitting them to Discount Corporation and Aubrey G. Lanston & Co., Inc.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

Enclosures

TELEGRAM  
LEASED WIRE SERVICE

Item No. 10  
11/25/64

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTON

November 25, 1964

Treiber - New York

Board will interpose no objection to proposal in  
your November 17, 1964 letter relative to exercise of  
option to purchase property at 68-70 Nassau Street for  
\$536,000.

(Signed) Merritt Sherman

SHERMAN

**T E L E G R A M**  
LEASED WIRE SERVICEBOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTON

November 25, 1964

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

Question has been raised as to maximum rate of interest payable under revised Supplement to Regulation Q on savings deposit that had remained in bank less than 12 months prior to November 24, 1964, effective date of revised Supplement. New maximum rates are not retroactive. Consequently, a savings deposit that has remained on deposit for less than 12 months prior to November 24 may bear interest at a rate not exceeding 4 per cent only for period beginning with such date and at rate not in excess of 3-1/2 per cent for period prior to such date, except that if and when a deposit which was in bank prior to November 24, 1964 has remained in bank for full 12 month period, interest may then be adjusted to provide for yield not in excess of 4 per cent from date of deposit. This position is consistent with position taken in fourth paragraph of Board's wire to Federal Reserve Banks dated December 7, 1961 (S-1817).

(Signed) Merritt Sherman  
Sherman

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

Item No. 12  
11/25/64

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

November 27, 1964.

Mr. Leland Ross, Vice President,  
Federal Reserve Bank of Chicago,  
Chicago, Illinois. 60690

Dear Mr. Ross:

In accordance with the request contained in your letter of November 20, 1964, the Board approves the appointment of Ronald S. Reed as an assistant examiner for the Federal Reserve Bank of Chicago. Please advise the effective date of the appointment.

It is noted that Mr. Reed's wife is employed in a secretarial capacity by Continental Illinois National Bank and Trust Company, Chicago, Illinois. Accordingly, it is understood that, should the occasion arise to examine that bank, he will not be permitted to participate in any examination of the department in which she then is employed.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,  
Assistant Secretary.

