

Minutes for December 4, 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	<u>W</u>
Gov. Mills	<u> </u>
Gov. Robertson	<u>R</u>
Gov. Balderston	<u>ccsb</u>
Gov. Shepardson	<u>[Signature]</u>
Gov. Mitchell	<u>[Signature]</u>
Gov. Daane	<u>[Signature]</u>

Minutes of the Board of Governors of the Federal Reserve System on Friday, December 4, 1964. The Board met in the Board Room at 1:40 p.m.

PRESENT: Mr. Martin, Chairman 1/
Mr. Balderston, Vice Chairman
Mr. Mills
Mr. Robertson
Mr. Shepardson

Mr. Sherman, Secretary
Mr. Tarver, Chairman, Federal Reserve Bank
of Atlanta
Mr. Cheatham, Deputy Chairman, Federal Reserve
Bank of Atlanta

Governor Balderston noted that this meeting was being held in accordance with Chairman Martin's recent discussion with Chairman Tarver, who wished to present some proposals regarding the Federal Reserve Bank of Atlanta.

Chairman Tarver stated that he and Mr. Cheatham had been asked by the directors of the Atlanta Bank to present to the Board and to obtain the Board's approval of a plan they had worked out in connection with the prospective retirement of President Bryan at the end of 1965. The plan involved bringing in sometime during the summer of 1965 Mr. M. Monroe Kimbrel as Senior Vice President with the expectation that upon Mr. Bryan's retirement Mr. Kimbrel would become First Vice President of the Bank to serve until Mr. Patterson, who would be made President to succeed Mr. Bryan, attained age 65 on May 15, 1968. The directors of the Bank had given long consideration to the management succession problem at the Bank and had concluded

1/ Joined meeting at point indicated in minutes.

12/4/64

-2-

that the Bank did not now have persons on its staff who would be most suitable for the presidency when Messrs. Bryan and Patterson ceased to serve. In considering different individuals the directors had sought to have a man who was of the right age, who was known favorably within the banking and business community of the Atlanta District, and who would add prestige to the Federal Reserve Bank in its relations with the business community. They had come to the conclusion, after considering different solutions to their problem, that Mr. Kimbrel, who is presently Chairman of the Board of the First National Bank of Thomson, Georgia, and who is currently serving as a director of the Atlanta Reserve Bank, met their necessary qualifications in a most satisfactory manner. Therefore the directors proposed to appoint Mr. Kimbrel as Senior Vice President effective approximately July 1, 1965, with the understanding that he would become generally acquainted with the Bank in the several months prior to Mr. Bryan's retirement at the end of 1965 when he (Mr. Kimbrel) would be made First Vice President succeeding Mr. Patterson. Mr. Tarver stated that one of the problems that had been presented related to Mr. Kimbrel's holding of bank stocks. He was prepared to dispose of the stock he now held in the First National Bank of Thomson and of stock held in one other bank. However, he also held stock in a relatively new nonmember State bank at Fort Valley, Georgia, which he desired for various reasons to retain in his family, and he proposed to place

12/4/64

-3-

the stock in a trust indenture that would be revocable only upon his leaving the Federal Reserve System or upon his death. Chairman Tarver stated that he would like to know whether the Board would have any objection to an arrangement under which Mr. Kimbrel retained this bank stock in the manner described.

Governor Mills stated that he would be interested in having some comments on whether the arrangement for bringing Mr. Kimbrel in in the number three position in the Bank was desirable. In other words, would such an arrangement give Mr. Kimbrel the status that would be most helpful to him in assuming the responsibilities contemplated.

Chairman Tarver's response was that the directors had reviewed the matter thoroughly and that they felt, as did President Bryan, the best arrangement from the standpoint of both the Bank and Mr. Kimbrel would be to bring him in as Senior Vice President prior to Mr. Bryan's retirement. This had also been discussed with Mr. Kimbrel, who was interested in becoming associated with the Reserve Bank and who was entirely agreeable to the proposed arrangement. Mr. Cheatham added the comment that when the directors had discussed this matter with Mr. Kimbrel he had expressed an interest in the arrangement, but that he clearly understood that there would be no commitment as to his succeeding to the presidency, although the expectation and hope would be that both Mr. Kimbrel and the Bank would desire such an arrangement a couple of years hence.

12/4/64

-4-

Governor Robertson remarked that his own judgment would have differed from that indicated by Chairman Tarver but that, apart from the desirability of bringing a man such as Mr. Kimbrel in in the third position in the Bank, he wondered what basis there was for feeling that the Board would approve the appointment of Mr. Patterson as President during the period between Mr. Bryan's retirement and Mr. Patterson's reaching age 65. He was under the impression that the Board had had some doubts as to whether this would be a desirable arrangement, and for his own part he wondered why -- if Mr. Kimbrel was the man -- he was not made President immediately upon Mr. Bryan's retirement.

Chairman Martin and Mr. Hackley, General Counsel, entered the room at this point.

After Governor Balderston and Chairman Tarver had reviewed briefly the proposal of the Atlanta Bank, Chairman Martin referred to the matter of holding bank stocks. He noted that, while a Class C director of a Federal Reserve Bank was precluded from owning bank stock, there was no prohibition under the law against ownership of such stock by an individual simply because he was an officer of a Reserve Bank. He then inquired of Mr. Hackley whether he knew of any reason why the trust indenture arrangement mentioned would not be acceptable.

Mr. Hackley responded that there was no statutory prohibition against the President of a Federal Reserve Bank owning bank

12/4/64

-5-

stock. Therefore, from the legal standpoint there could be no objection raised to Mr. Kimbrel's placing the bank stock in trust in the manner proposed. Apart from the matter of law there was, of course, the question of policy, which was a matter for the Board to decide.

Chairman Martin commented that from the standpoint of public relations one of the matters to be considered was the fact that Mr. Kimbrel had served as President of the American Bankers Association in 1963 and that this association might raise questions in the minds of some individuals. On the other hand, it could be considered an asset in one respect, since Mr. Kimbrel was particularly representative of numerous smaller banks.

Chairman Tarver stated that he had complete confidence in Mr. Kimbrel as an individual, that he believed this plan was highly satisfactory, and that Mr. Kimbrel was well and favorably known among bankers and businessmen in the Atlanta District as well as among many of the Congressional representatives. He then referred to Governor Robertson's remark about the possibility of making Mr. Kimbrel President upon Mr. Bryan's retirement and leaving Mr. Patterson in the position of First Vice President. Such a move would create a tremendous internal problem, Mr. Tarver said, and upset what he and the other directors had come to believe would be a smooth and orderly transition in the presidency over a two- or three-year period. He

12/4/64

-6-

had discussed this fully, not only with the directors, but with Mr. Bryan, and Mr. Bryan was perhaps even more convinced that the best arrangement would be the one presented by the directors of the Bank. Chairman Tarver said that he personally agreed that Mr. Kimbrel could begin next month in the post of President and that he would quickly earn the regard of people within the Atlanta Bank and in the community. He had gone on the assumption that the arrangement that the directors were proposing would be acceptable to all concerned, it never having entered his head that there was a question about Mr. Patterson's succeeding to the presidency upon Mr. Bryan's retirement. If the directors could not carry forward the plan as proposed, they would be presented with a very real problem, the solution to which he could not at this time visualize.

Governor Shepardson commented that, although Mr. Tarver had spoken of Mr. Patterson's interim filling of the presidency for a period until May of 1968, under the procedure for appointing presidents the man approved by the Board effective March 1, 1966, would be appointed for a term of five years. He wondered whether it was clearly understood that Mr. Patterson's appointment would be with the understanding that he would resign upon attaining age 65.

Chairman Tarver responded that this was very clearly understood by the directors of the Atlanta Bank as well as by Mr. Bryan

12/4/64

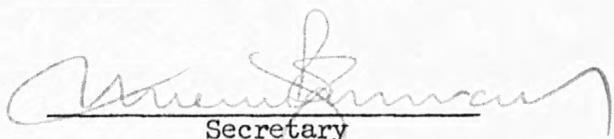
-7-

and Mr. Patterson. He would have no objection to asking Mr. Patterson to put in writing his understanding and resignation as of that time. Furthermore, Mr. Tarver said, Mr. Patterson was fully aware that Mr. Kimbrel would not be willing to come into the Atlanta Bank unless it was expected that he would become President in May 1968 when Mr. Patterson reached 65.

In sum, Mr. Tarver said, the directors of the Atlanta Bank were aware that the succession problem was one with which they must grapple, they had given a great deal of time and thought to trying to work out an arrangement that would be in the best interests of the Bank both internally and externally, and the directors were unanimous in feeling that this was the best arrangement they had been able to come up with. Personally, Mr. Tarver said, he felt this way and he would like to know that the executive committee could carry through with the plan as outlined.

Chairman Martin stated that the Board would consider the matter further and that he would get in touch with Mr. Tarver early in the week to talk with him further about the Board's views.

The meeting then adjourned.


Secretary