

Minutes for December 22, 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

M

R

CCB

[Signature]

[Signature]

[Signature]

Minutes of the Board of Governors of the Federal Reserve System on Tuesday, December 22, 1964. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary
Mr. Molony, Assistant to the Board
Mr. Fauver, Assistant to the Board
Mr. Hackley, General Counsel
Mr. Farrell, Director, Division of Bank Operations
Mr. Solomon, Director, Division of Examinations
Mr. Johnson, Director, Division of Personnel Administration
Mr. Schwartz, Director, Division of Data Processing
Mr. Hooff, Assistant General Counsel
Mr. Partee, Adviser, Division of Research and Statistics
Mr. Daniels, Assistant Director, Division of Bank Operations
Mr. Leavitt, Assistant Director, Division of Examinations
Mr. Langham, Assistant Director, Division of Data Processing
Mrs. Semia, Technical Assistant, Office of the Secretary
Mr. Donovan, Review Examiner, Division of Examinations
Mr. Guth, Review Examiner, Division of Examinations
Mr. Veenstra, Chief, Financial Statistics Section, Division of Data Processing

Discount rates. The establishment without change by the Federal Reserve Bank of Boston on December 21, 1964, of the rates on discounts and advances in its existing schedule was approved

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unanimously, with the understanding that appropriate advice would be sent to that Bank.

Circulated or distributed items. The following items, copies of which are attached to these minutes under the respective item numbers indicated, were approved, the action being unanimous in each case except that Governor Robertson abstained from voting on Items 4 and 5:

| | <u>Item No.</u> |
|--|-----------------|
| Letter to the Presidents of all Federal Reserve Banks transmitting forms to be used by State member banks and their affiliates in submitting reports as of the next call date. | 1 |
| Telegram to the Federal Reserve Agent at Minneapolis authorizing the issuance to Bancorporation of Montana, Great Falls, Montana, of a limited voting permit covering its stock of Liberty County Bank, Chester, Montana, Citizens Bank of Montana, Havre, Montana, and Central Bank of Montana, Great Falls, Montana. | 2 |
| Letter to Hollywood National Bank, Los Angeles (Hollywood), California, granting its request for permission to maintain reduced reserves. | 3 |
| Letter to Royal Properties, Inc., Phoenix, Arizona, granting a determination exempting it from all holding company affiliate requirements except those in section 23A of the Federal Reserve Act. | 4 |
| Letter to Guaranty Development Company, Livingston, Montana, granting a determination exempting it from all holding company affiliate requirements except those in section 23A of the Federal Reserve Act. | 5 |

Messrs. Schwartz, Hooff, Partee, Langham, Donovan, Guth, and Veenstra then withdrew from the meeting.

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Retirement System matter (Item No. 6). There had been distributed a memorandum dated December 21, 1964, from the Division of Personnel Administration regarding implementation of the post-retirement death benefit of \$1,000, to be provided through an insurance company, that the Board had approved on October 23, 1964, for certain retirees of the Federal Reserve Banks. Arrangements for the benefit had been made with Connecticut General Life Insurance Company, which handled the group insurance policy of the Federal Reserve System. In order to make the arrangements effective, it was necessary that the Board and each Federal Reserve Bank authorize the Federal Reserve Bank of Chicago to execute an amendment to the group insurance policy. The Division recommended that the Board so authorize the Bank, and a draft of letter in those terms was attached. The Division memorandum, supplemented by an attached memorandum from Mr. Sprecher, Assistant Director of the Division, called attention to the fact that under insurance industry practice an employee who is covered by a group insurance contract may not, on retirement, convert his insurance to an amount greater than he had as an active member of the group; therefore the amount of insurance available to any particular employee for conversion was reduced by the amount of applicable death benefit, since the benefit would otherwise represent an addition to the individual's total insurance. Explorations of this

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point disclosed that, although it would have been possible to retain the entire amount of group insurance upon conversion if a policy for the death benefit had been written separately by another company, such an arrangement would be impractical because of the cost of the separate policy as compared with the cost of adding the death benefit to the existing policy.

In the course of discussion Governor Mitchell remarked that as he learned more about the basis on which the post-retirement death benefit was to be provided he had an increasing impression that it would be cheaper in the long run for the Federal Reserve System to pay for the benefit directly rather than to provide it through an insurance company. It seemed to him perfectly feasible to handle it as an expense as payments were made, without funding.

Governor Mills stated that that point was debatable, particularly if all costs were considered. He noted that previous investigations had indicated that an initial lump-sum payment of \$4.1 million would have been required of the Reserve Banks to cover accrued liability if this had been funded through the Retirement System, whereas no such payment was called for under the insurance plan.

Governor Daane said that the arrangement through an insurance company seemed to him to be the more orderly procedure.

At the conclusion of the discussion the letter to the Federal Reserve Bank of Chicago was approved, Governor Mitchell abstaining.

A copy of the letter is attached as Item No. 6.

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Federal Reserve Bank earnings. There had been distributed a revised draft of statement for the press to be released on or about January 5, 1965, regarding Federal Reserve Bank earnings during 1964. The statement would include information regarding payments to be made to the Treasury reflecting the action taken by the Board on December 16, 1964, calling for maintenance of the surplus accounts of Federal Reserve Banks at an amount equal to their paid-in capital.

During a discussion of the draft statement, there was agreement that its general form was satisfactory, but it was understood that it would be brought to the Board's attention again when accurate year-end figures became available.

Secretary's Note: Later in the day the statement as revised at this meeting was sent by telegram to the Reserve Bank Presidents for their information, with the comment that no distribution should be given to the tentative draft and that no announcement regarding the subject was contemplated or desired prior to official release on or about January 5.

The meeting then adjourned.

Secretary's Notes: A letter was sent today to First National City Bank, New York, New York, acknowledging receipt of notice of its intent to establish an additional branch in Malaysia, to be located in Georgetown, Penang.

Acting in the absence of Governor Shepardson, Governor Robertson today approved on behalf of the Board the following items:

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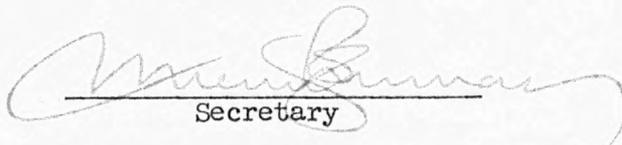
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Letter to the Federal Reserve Bank of Cleveland (attached Item No. 7) approving the designation of John W. Mitchell, Jr., as special assistant examiner.

Letter to the Federal Reserve Bank of Chicago (attached Item No. 8) approving the designation of Jess Dennis as special assistant examiner.

Letter to the Federal Reserve Bank of San Francisco (attached Item No. 9) approving the appointment of Alvin M. Cibula, Jr., as assistant examiner.

Memorandum from the Office of the Secretary recommending the transfer of Gail Roberts from the position of Secretary in the Division of Research and Statistics to the position of Secretary in the Office of the Secretary, with an increase in basic annual salary from \$6,615 to \$7,050, effective January 3, 1965.


Secretary

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Item No. 1
12/22/64

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 23, 1964.

Dear Sir:

The indicated number of copies of the following forms are being forwarded to your Bank under separate cover for use of State member banks and their affiliates in submitting reports as of the next call date. A copy of each form is attached.

Number of
copies

Form FR 105 (Call No. 174), Report of Condition of State member banks.

Form FR 105e (Revised February 1961), Publisher's copy of report of condition of State member banks.

Form FR 105e-1 (Revised February 1961), Publisher's copy of report of condition of State member banks.

Form FR220 (Revised March 1952), Report of affiliate or holding company affiliate.

Form FR 220a (Revised March 1952), Publisher's copy of report of affiliate or holding company affiliate.

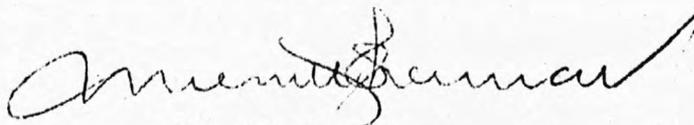
The forms are identical to those used for the June 30, 1964, report. Form FR 105 includes the schedules on the reverse, which had been eliminated for the fall call. The same form has been printed by the Federal Deposit Insurance Corporation for distribution to insured nonmember State banks.



It is understood the face of the form to be distributed to national banks by the Comptroller of the Currency will be the same as that used by that Agency for the October 1, 1964, call date and thus will differ in several respects from the form being used by State banks. However, it is also understood that except for the exclusion of Federal funds and resale transactions from loans, the reverse of the form to be used by national banks will be the same as for State member banks.

If these circumstances prevail, it will again be necessary to collect additional information directly from national banks in order that important statistical information may be compiled for all member and all insured banks for the year-end call date. For this purpose, three copies of a supplementary reconciliation statement for each national bank similar to the one used at the June 30 call date will be forwarded as soon as firm information on the national bank form to be used is available. The memorandum on operating procedures for editing and tabulating national bank reports and the reconciliation statements forwarded to the Reserve Banks by the Division of Data Processing for the June call should be followed for handling this call. Procedures to be used for editing and tabulating State member reports will also be the same as those in effect for the June call. You will be advised promptly as we become aware of any need to change these plans.

Very truly yours,



Merritt Sherman,
Secretary.

Enclosures.

TO THE PRESIDENTS AT ALL FEDERAL RESERVE BANKS.

T E L E G R A M
LEASED WIRE SERVICE

Item No. 2

12/22/64

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON

December 22, 1964

BEAN -- MINNEAPOLIS

KECEA

- A. Bancorporation of Montana, Great Falls, Montana
- B. Liberty County Bank, Chester, Montana
Citizens Bank of Montana, Havre, Montana
Central Bank of Montana, Great Falls, Montana
- C. None
- D. At any time prior to May 1, 1965, at the annual meetings of shareholders of such banks, or any adjournments thereof, to elect directors, and to act thereat upon such matters of a routine nature as are ordinarily acted upon at the annual meetings of such banks.

(Signed) Karl E. Bakke

BAKKE

Definition of KECEA:

The Board authorizes the issuance of a limited voting permit, under the provisions of section 5144 of the Revised Statutes of the United States, to the holding company affiliate named below after the letter "A", entitling such organization to vote the stock which it owns or controls of the bank(s) named below after the letter "B", subject to the condition(s) stated below after the letter "C". The permit authorized hereunder is limited to the period of time and the purposes stated after the letter "D". Please proceed in accordance with the instructions contained in the Board's letter of March 10, 1947, (S-964).

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Item No. 3
12/22/64

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 22, 1964



Board of Directors,
Hollywood National Bank,
Los Angeles (Hollywood), California.

Gentlemen:

With reference to your request submitted through the Federal Reserve Bank of San Francisco, the Board of Governors, acting under the provisions of Section 19 of the Federal Reserve Act, grants permission to the Hollywood National Bank to maintain the same reserves against deposits as are required to be maintained by nonreserve city banks, effective as of the date it opened for business.

Your attention is called to the fact that such permission is subject to revocation by the Board of Governors.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 4
12/22/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 22, 1964



Mr. T. E. Nelson, Jr., President,
Royal Properties, Inc.,
4800 N. Central Avenue,
Phoenix, Arizona. 85012

Dear Mr. Nelson:

This refers to the request contained in your letter of October 12, 1964, submitted through the Federal Reserve Bank of San Francisco, for a determination by the Board of Governors of the Federal Reserve System as to the status of Royal Properties, Inc., Phoenix, Arizona (a Nevada corporation), as a holding company affiliate.

From the information presented, the Board understands that Royal Properties, Inc., owns 99 per cent of the stock of a savings and loan association, owns or controls three real estate development companies, two welding supply distributing companies, an engineering and construction company, an interior decorating company, and all of the stock of three inactive corporations, and owns less than control of a sign company and a company engaged in the operation of a motel; that it is a holding company affiliate by reason of the fact that it owns 6,990 of the 7,500 outstanding shares of stock of The American National Bank of Cheyenne, Cheyenne, Wyoming; and that it does 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 Royal Properties, Inc., is 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, it is not deemed to be a holding company affiliate except for the purposes of section 23A of the Federal Reserve Act and does not need a voting permit from the Board of Governors in order to vote the bank stock which it owns.

Mr. T. E. Nelson

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If, however, the facts should at any time indicate that Royal Properties, Inc., might be so engaged, this matter should be again 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.

Item No. 5
12/22/64BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 22, 1964



Mr. Claude R. Erickson, President,
Guaranty Development Company,
Box 666,
Livingston, Montana.

Dear Mr. Erickson:

This refers to the request contained in your letter of December 1, 1964, submitted through the Federal Reserve Bank of Minneapolis, for a determination by the Board of Governors of the Federal Reserve System as to the status of Guaranty Development Company as a holding company affiliate.

From the information presented, the Board understands that Guaranty Development Company was formed for various purposes including selling of insurance, owning and rental of real and personal property, engaging in various businesses, and owning stocks and securities; that it is a holding company affiliate by reason of the fact that it owns 643.25 (64.3%) of the 1,000 outstanding shares of stock of Livingston State Bank, Livingston, Montana; and that it does 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 Guaranty Development Company is 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, it is not deemed to be a holding company affiliate except for the purposes of Section 23A of the Federal Reserve Act and does not need a voting permit from the Board of Governors in order to vote the bank stock which it owns.

Mr. Claude R. Erickson -2-

If, however, the facts should at any time indicate that Guaranty Development Company 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

4512
Item No. 6
12/22/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 22, 1964



Mr. Charles J. Scanlon, President,
Federal Reserve Bank of Chicago,
Chicago, Illinois 60690.

Dear Mr. Scanlon:

The Board of Governors has authorized the Federal Reserve Bank of Chicago to execute on behalf of the Board an amendment to the Group Life Insurance Policy No. 22271-01 with Connecticut General Group Life Insurance Company, in the form enclosed with Mr. Hilkert's letter of December 11, 1964.

The amendment provides a post-retirement death benefit of \$1,000 for certain retirees of the Federal Reserve Banks. Employees of the Board of Governors are specifically excluded from the post-retirement benefit by terms of the amendment.

It would be appreciated if, after the rider reflecting the changes provided by the amendment has been executed by a representative of the Federal Reserve Bank of Chicago, the signed original is sent to the Board of Governors in order that it may be placed with the master policy.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

Enclosure.

To the Federal Reserve Bank of Chicago:

The Federal Reserve Bank of Chicago is authorized on behalf of the Board of Governors of the Federal Reserve System to accept and sign an amendment in the form of the rider enclosed with the letter dated December 11, 1964, from Mr. Robert N. Hilkert, Chairman, Subcommittee on Personnel, which rider is to be attached to and form a part of policy No. 22271-01 issued by the Connecticut General Life Insurance Company.

(SEAL)

Board of Governors of the
Federal Reserve System

December 22, 1964

Date

By (Signed) Merritt Sherman

Merritt Sherman,
Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 7

12/22/64



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 22, 1964

Mr. Harry W. Huning, Vice President,
Federal Reserve Bank of Cleveland,
Cleveland, Ohio. 44101

Dear Mr. Huning:

In accordance with the request contained in your letter of December 17, 1964, the Board approves the designation of John W. Mitchell, Jr., as a special assistant examiner for the Federal Reserve Bank of Cleveland for the purpose of participating in examinations of State member banks except The Provident Bank, Cincinnati, Ohio.

The authorization heretofore given your Bank to designate Mr. Mitchell as a special assistant examiner is hereby canceled.

Appropriate notations have been made on our records of the names to be deleted from the list of special assistant examiners.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

4515
Item No. 8
12/22/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 22, 1964

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

Dear Mr. Ross:

In accordance with the request
contained in your letter of December 15, 1964,
the Board approves the designation of Jess Dennis
as a special assistant examiner for the Federal
Reserve Bank of Chicago to participate in exami-
nations of State member banks.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 9
12/22/64

4516

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 22, 1964

CONFIDENTIAL (FR)

Mr. E. H. Galvin, Vice President,
Federal Reserve Bank of San Francisco,
San Francisco, California. 94120

Dear Mr. Galvin:

In accordance with the request contained in your letter of December 16, 1964, the Board approves the appointment of Alvin M. Cibula, Jr. as an assistant examiner for the Federal Reserve Bank of San Francisco, effective January 1, 1965.

It is noted that Mr. Cibula is indebted to Golden Gate National Bank, San Francisco, California. Accordingly, the Board's approval of the appointment of Mr. Cibula is given with the understanding that he will not participate in any examination of that bank until his indebtedness has been liquidated.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.