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Minutes for January 8, 1965

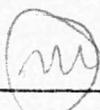
To: Members of the Board
From: Office of the Secretary

Attached is a copy of the minutes of the Board of Governors of the Federal Reserve System on the above date.

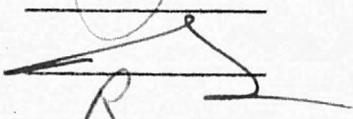
It is not proposed to include a statement with respect to any of the entries in this set of minutes in the record of policy actions required to be maintained pursuant to section 10 of the Federal Reserve Act.

Should you have any question with regard to the minutes, it will be appreciated if you will advise the Secretary's Office. Otherwise, please initial below. If you were present at the meeting, your initials will indicate approval of the minutes. If you were not present, your initials will indicate only that you have seen the minutes.

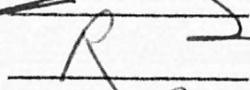
Chm. Martin



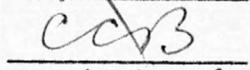
Gov. Mills



Gov. Robertson



Gov. Balderston



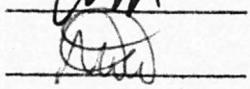
Gov. Shepardson



Gov. Mitchell



Gov. Daane



Minutes of the Board of Governors of the Federal Reserve System on Friday, January 8, 1965. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Broida, Assistant Secretary
Mr. Young, Adviser to the Board and Director, Division of International Finance
Mr. Noyes, Adviser to the Board
Mr. Molony, Assistant to the Board
Mr. Fauver, Assistant to the Board
Mr. Brill, Director, Division of Research and Statistics
Mr. Holland, Associate Director, Division of Research and Statistics
Mr. Koch, Associate Director, Division of Research and Statistics
Mr. Partee, Adviser, Division of Research and Statistics
Mr. Solomon, Adviser, Division of Research and Statistics
Mr. Sammons, Adviser, Division of International Finance
Mr. Katz, Adviser, Division of International Finance
Mr. Reynolds, Associate Adviser, Division of International Finance
Mr. Morgan, Staff Assistant, Board Members' Offices
Mr. Axilrod, Chief, Government Finance Section, Division of Research and Statistics
Mr. Eckert, Chief, Banking Section, Division of Research and Statistics
Mr. Bernard, Economist, Division of Research and Statistics
Mr. Gemmill, Economist, Division of International Finance
Mr. Baker, Economist, Division of International Finance
Mr. Furth, Consultant

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Money market review. Mr. Bernard discussed the current Treasury advance refunding and other developments in the Government securities market, Mr. Eckert reviewed trends in bank credit and related areas, and Mr. Gemmill commented on developments in the London gold market and the foreign exchange markets, along with commitments on long-term foreign loans by American banks. Materials distributed for the purpose of this review included tables on past and current Treasury advance refundings, money market perspective, bank reserve utilization, bank lending practices, and long-term foreign bank loans.

After discussion based on the respective staff presentations, all members of the staff who had been present except Messrs. Sherman, Kenyon, and Sammons withdrew and the following entered the room:

Mr. Hackley, General Counsel
Mr. Solomon, Director, Division of Examinations
Mr. Hexter, Assistant General Counsel
Mr. Conkling, Assistant Director, Division of Bank Operations
Mr. Leavitt, Assistant Director, Division of Examinations
Mr. Sanders, Attorney, Legal Division
Mr. Egertson, Supervisory Review Examiner, Division of Examinations
Mr. Guth, Review Examiner, Division of Examinations
Mr. Lyon, Review Examiner, Division of Examinations
Mr. Noory, Assistant Review Examiner, Division of Examinations

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Discount rates. The establishment without change by the following Federal Reserve Banks on January 7, 1965, of the rates on discounts and advances in their existing schedules was approved unanimously, with the understanding that appropriate advice would be sent to the Banks: New York, Philadelphia, Cleveland, Richmond, Atlanta, St. Louis, Dallas, and San Francisco.

Circulated or distributed items. The following items, copies of which are attached hereto under the respective item numbers indicated, were approved unanimously:

	<u>Item No.</u>
Letter to The Connecticut Bank and Trust Company, Hartford, Connecticut, approving the establishment of a branch in the Crossroads Plaza Shopping Center at Bishop's Corner, North Main Street, West Hartford.	1
Letter to The Lorain County Savings & Trust Company, Elyria, Ohio, interposing no objection to the establishment of a branch at the intersection of 50th Street and Elyria-Lorain Boulevard, Elyria Township, rather than the previously approved location at 326 Griswold Road.	2
Letter to The Farmers Bank, Monroe, Georgia, approving an investment in bank premises.	3
Letter to Bank of Downey, Downey, California, approving its application for membership in the Federal Reserve System.	4
Letter to the Federal Reserve Bank of New York interposing no objection to a leave of absence for Thomas A. Waage, Vice President, to enable him to act as a consultant to the central bank of Iran.	5

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	<u>Item No.</u>
Letter to First Western Slope Corporation, Grand Junction, Colorado, granting a determination exempting it from all holding company affiliate requirements except for the purposes of section 23A of the Federal Reserve Act.	6
Telegram to the Federal Reserve Agent at Minneapolis authorizing the issuance of a limited voting permit to Schnitzler Corporation, Froid, Montana, covering its stock of First State Bank of Newcastle, Newcastle, Wyoming.	7
Letter to the Presidents of all Federal Reserve Banks regarding registration of equity securities by certain State member banks required under the law and Regulation F, Securities of Member State Banks; letter proposed to be sent by Federal Reserve Banks to State member banks on the same subject.	8-9

Item No. 9, as transmitted to the Federal Reserve Banks, reflected certain changes authorized by the Board in the draft that had been prepared by the staff for consideration. These changes were suggested in the interest of simplifying the letter and eliminating unnecessary details.

Report on competitive factors. A report to the Comptroller of the Currency on the competitive factors involved in the proposed merger of The Farmers' National Bank of McAlisterville, McAlisterville, Pennsylvania, The First National Bank of Port Royal, Port Royal, Pennsylvania, and The Port Royal National Bank, Port Royal, Pennsylvania, into The Juniata Valley National Bank, Mifflintown, Pennsylvania, was approved unanimously for transmittal to the Comptroller. The conclusion read as follows:

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Consummation of the proposed merger would eliminate a considerable amount of competition existing among the four banks involved in the transaction. Further, it would reduce the banking options available to the residents of the area from six to three, substantially increase the concentration of banking resources in the area, and expose The First National Bank of Mifflintown to the competitive capabilities of another much larger bank.

The overall effect of the proposed merger on competition would be adverse.

The meeting then adjourned.

Secretary's Note: Governor Shepardson today approved on behalf of the Board the following items:

Letter to the Federal Reserve Bank of Chicago (attached Item No. 10) approving the appointment of George Bokios as assistant examiner.

Letter to the Federal Reserve Bank of Dallas (attached Item No. 11) approving the designation of Gerald B. Garrett as special assistant examiner.

Memoranda recommending the following actions relating to the Board's staff:

Appointment

Frances Lucile Griffin as Secretary, Division of Research and Statistics, with basic annual salary at the rate of \$6,060, effective the date of entrance upon duty.

Salary increase

Maureen E. Giordano, Stenographer, Division of Research and Statistics, from \$4,005 to \$4,480 per annum, effective January 17, 1965.

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Permission to engage in outside activity

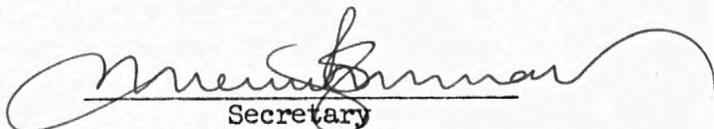
Theodore L. Jones, Operator (Duplicating Devices), Division of Administrative Services, to work in the automotive department of a local store on a part-time basis.

Continuance of half-time employment

Daviette H. Stansbury, Digital Computer Programmer, Division of Data Processing, for the period January 1 through December 31, 1965, with the understanding that this arrangement would be reviewed again at the end of the year.

Acceptance of resignation

Willie L. Leftwich, Messenger, Division of Administrative Services, effective at the close of business January 8, 1965.


Secretary

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 1
1/8/65

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 8, 1965



Board of Directors,
The Connecticut Bank and Trust
Company,
Hartford, Connecticut.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by The Connecticut Bank and Trust Company, Hartford, Connecticut, of a branch in the Crossroads Plaza Shopping Center at Bishop's Corner, North Main Street, West Hartford, Connecticut, provided the branch is established within one year from the date of this letter.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.

(The letter to the Reserve Bank stated that the Board also had approved a six-month extension of the period allowed to establish the branch; and that if an extension should be requested, the procedure prescribed in the Board's letter of November 9, 1962 (S-1846), should be followed.)



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 2
1/8/65

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ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 8, 1965

Board of Directors,
The Lorain County Savings & Trust
Company,
Elyria, Ohio.

Gentlemen:

On October 26, 1964, the Board of Governors of the Federal Reserve System approved the establishment of a branch by The Lorain County Savings & Trust Company, Elyria, Ohio, at 326 Griswold Road, Elyria Township, Lorain County, Ohio, provided the branch was established within six months from the date of Board approval.

The Board now understands that you wish to establish the above-mentioned approved branch at the intersection of 50th Street and Elyria-Lorain Boulevard, Elyria Township, Lorain County, Ohio, a distance of about two blocks from the previously approved site. The Board has no objection to this change in location.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 3
1/8/65

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 8, 1965



Board of Directors,
The Farmers Bank,
Monroe, Georgia.

Gentlemen:

The Board of Governors of the Federal Reserve System approves, under the provisions of Section 24A of the Federal Reserve Act, an investment in bank premises of \$296,083 by The Farmers Bank, Monroe, Georgia. This amount includes the \$44,083 already spent for land and \$252,000 to be used for the construction of a bank building. The \$296,083 does not include bank's carrying value of leasehold improvements.

It is the Board's understanding that leasehold improvements are to be charged off upon occupancy of the new banking quarters.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON 25, D. C.

Item No. 4
1/8/65



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 8, 1965

Board of Directors,
Bank of Downey,
Downey, California.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the application of Bank of Downey, Downey, California, for stock in the Federal Reserve Bank of San Francisco, subject to the numbered conditions hereinafter set forth:

1. Such bank at all times shall conduct its business and exercise its powers with due regard to the safety of its depositors, and, except with the permission of the Board of Governors of the Federal Reserve System, such bank shall not cause or permit any change to be made in the general character of its business or in the scope of the corporate powers exercised by it at the time of admission to membership.
2. The net capital and surplus funds of such bank shall be adequate in relation to the character and condition of its assets and to its deposit liabilities and other corporate responsibilities.

In connection with the foregoing conditions of membership, particular attention is called to the provisions of the Board's Regulation H, regarding membership of State banking institutions in the Federal Reserve System, with especial reference to Section 208.7 thereof. A copy of the regulation is enclosed.

If at any time a change in or amendment to the bank's charter is made, the bank should advise the Federal Reserve Bank, furnishing copies of any documents involved, in order that it may be determined whether such change affects in any way the bank's status as a member of the Federal Reserve System.

Acceptance of the conditions of membership contained in this letter should be evidenced by a resolution adopted by the Board

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Bank of Downey

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of Directors and spread upon its minutes, and a certified copy of such resolution should be filed with the Federal Reserve Bank. Arrangements will thereupon be made to accept payment for an appropriate amount of Federal Reserve Bank stock, to accept the deposit of the required reserve balance, and to issue the appropriate amount of Federal Reserve Bank stock to the bank.

The time within which admission to membership in the Federal Reserve System in the manner described may be accomplished is limited to 45 days from the date of this letter, unless the bank applies to the Board and obtains an extension of time. When the Board is advised that all of the requirements have been complied with and that the appropriate amount of Federal Reserve Bank stock has been issued to the bank, the Board will forward to the bank a formal certificate of membership in the Federal Reserve System.

The Board of Governors sincerely hopes that you will find membership in the System beneficial and your relations with the Reserve Bank pleasant. The officers of the Federal Reserve Bank will be glad to assist you in establishing your relationships with the Federal Reserve System and at any time to discuss with representatives of your bank means for making the services of the System most useful to you.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.

Enclosure.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 5
1/8/65

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 8, 1965



Mr. Thomas M. Timlen, Jr.,
Secretary,
Federal Reserve Bank of New York,
New York, N. Y. 10045

Dear Mr. Timlen:

Reference is made to your letter of December 22, 1964, in which you stated that your Directors had approved a leave of absence of four to six weeks, with pay, for Mr. Thomas A. Waage, to enable him to act as a consultant to the Bank Markazi Iran. This is in accordance with a request received through the Agency for International Development, which will defray the transportation and other direct costs of the assignment.

The Board appreciates the cooperation of the Federal Reserve Bank of New York in this matter, and has no objection to the specific arrangements outlined in your letter.

Sincerely yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No.6
1/8/65

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



January 8, 1965

Mr. G. B. McKinley, Secretary-Treasurer,
First Western Slope Corporation,
Fifth and Main Streets,
Grand Junction, Colorado.

Dear Mr. McKinley:

This refers to the request contained in your letter of November 18, 1964, submitted through the Federal Reserve Bank of Kansas City, for a determination by the Board of Governors of the Federal Reserve System as to the status of First Western Slope Corporation as a holding company affiliate.

From the information presented, the Board understands that First Western Slope Corporation was organized to conduct an insurance business and to hold the controlling interest in the stock of the First National Bank in Grand Junction, Colorado; that it is not engaged in any other business; that it is a holding company affiliate by reason of the fact that it owns 3,061 of the 6,000 outstanding shares of stock of the First National Bank in Grand Junction, Colorado; 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 First Western Slope Corporation 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.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Mr. G. B. McKinley

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

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.

TELEGRAM
LEASED WIRE SERVICE

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BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 7
1/8/65

January 8, 1965

BEAN -- MINNEAPOLIS

KECEA

- A. Schnitzler Corporation, Froid, Montana.
- B. First State Bank of Newcastle, Newcastle, Wyoming.
- C. According to verbal agreement, Applicant shall execute and deliver to you in duplicate an application for a voting permit Form P-1 with Exhibits A, C, M, and O.
- D. At any time prior to May 1, 1965, at the annual meeting of shareholders of such bank, or any adjournments thereof, to elect directors for the ensuing year and act thereat upon such matters of a routine nature as are ordinarily acted upon at the annual meetings of such bank.

(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, (8-964).

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Item No. 8
1/8/65

WASHINGTON, D. C. 20551



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 11, 1965.

Dear Sir:

Under the Securities Exchange Act of 1934, a relatively small number of member State banks will have to register a class of equity security with the Board of Governors. Because there has been considerable publicity concerning registration of bank stocks, the Board considers that those banks that will not have to register should be given some assurance to that effect.

The Board also believes that the administration of its new Regulation F would be facilitated if it knew which banks would be required to register by April 30, 1965, and those that might be expected to register by April 30, 1967, when the number of shareholders making registration necessary is reduced from 750 to 500.

Both of these purposes can be served by forwarding a copy of the definition of "held of record" as contained in section 206.2(j) of Regulation F to each member State bank and requesting each such bank to furnish the number of "holders of record" of each class of its stock. Accordingly, it will be appreciated if you will ask each member State bank in your district to furnish such information. The enclosed draft letter may be useful in making this request.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Merritt Sherman".

Merritt Sherman,
Secretary.

Enclosure.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS.

DRAFTItem No. 9
1/8/65

Dear

Effective January 1, 1965, the Board of Governors of the Federal Reserve System has promulgated a new Regulation F, "Securities of Member State Banks", which will appear in this month's Federal Reserve Bulletin. Under the Securities Exchange Act of 1934, a relatively small number of member State banks will find it necessary to register their stock with the Board pursuant to the requirements of this Regulation.

Only those banks that have a class of stock (or other "equity security") that is "held of record" by 750 or more persons on the last day of its latest fiscal year must register such security by April 30, 1965. Beginning with fiscal years ending after July 1, 1966, a bank having 500 or more stockholders of record will become subject to the requirements of Regulation F.

The term "held of record", as defined in Regulation F, generally includes as a separate holder each person who is identified as an owner of the security on the bank's records. Stock that is held by co-owners, a corporation, a partnership, or a trust, is considered as held by one person. Thus a determination as to whether a bank is subject to the registration requirements normally can be made from information available within the bank.

On the basis of the enclosed definition of "held of record", you are requested to inform this Bank by January 31, 1965, of the number of persons holding each class of equity security of your bank as of the last date of your most recent fiscal year, or a date reasonably close thereto if such other date would be more convenient.

Enclosure

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
Section 206.2(j) of Regulation F
Definition of "Held of record"

(1) For the purpose of determining whether the registration requirements of section 12(g)(1) of the Act are applicable, securities shall be deemed to be "held of record" by each person who is identified the owner of such securities on records of security holders maintained by or on behalf of the bank, subject to the following:

(A) In any case where the records of security holders have not been maintained in accordance with accepted practice, any additional person who would be identified as such an owner on such records if they had been maintained in accordance with accepted practice shall be included as a holder of record.

(B) Securities identified as held of record by a corporation, a partnership, a trust whether or not the trustees are named, or other organization shall be included as so held by one person.

(C) Securities identified as held of record by one or more persons as trustees, executors, guardians, custodians, or in other fiduciary capacities with respect to a single trust, estate, or account shall be included as held of record by one person.

(D) Securities held by two or more persons as co-owners shall be included as held by one person.

(E) Each outstanding unregistered or bearer certificate shall be included as held of record by a separate person, except to the extent that the bank can establish that, if such securities were registered, they would be held of record, under the provisions of this paragraph (j), by a lesser number of persons.

(F) Securities registered in substantially similar names, where the bank has reason to believe because of the address or other indications that such names represent the same person, may be included as held of record by one person.

(2) Notwithstanding subparagraph (1):

(A) Securities held subject to a voting trust, deposit agreement, or similar arrangement shall be included as held of record by the record holders of the voting trust certificates, certificates of deposit, receipts, or similar evidences of interest in such securities; Provided, however, that the bank may rely in good faith on such information as is received in response to its request from a nonaffiliated issuer of the certificates or interests.

(B) If the bank knows or has reason to know that the form of holding securities of record is used principally to circumvent the provisions of section 12(g)(1) of the Act, the beneficial owners of such securities shall be deemed to be record owners thereof.

Item No. 10
1/8/65

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 8, 1965



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 January 4, 1965, the Board approves the appointment of George Bokios as an assistant examiner for the Federal Reserve Bank of Chicago. Please advise the effective date of the appointment.

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. 11
1/8/65

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



January 8, 1965

Mr. Thomas R. Sullivan, Vice President,
Federal Reserve Bank of Dallas,
Dallas, Texas. 75222

Dear Mr. Sullivan:

In accordance with the request contained in your letter of January 5, 1965, the Board approves the designation of Gerald B. Garrett as a special assistant examiner for the Federal Reserve Bank of Dallas for the purpose of participating in examinations of State member banks.

The authorization heretofore given your bank to appoint Mr. Garrett as an assistant examiner is hereby canceled.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.