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Minutes for January 13, 1965.

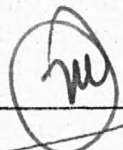
To: Members of the Board
From: Office of the Secretary

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

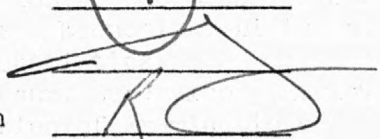
It is not proposed to include a statement with respect to any of the entries in this set of minutes in the record of policy actions required to be maintained pursuant to section 10 of the Federal Reserve Act.

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.

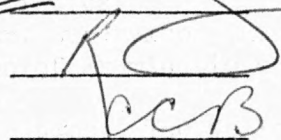
Chm. Martin



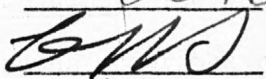
Gov. Mills



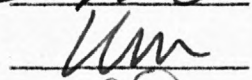
Gov. Robertson



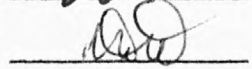
Gov. Balderston



Gov. Shepardson



Gov. Mitchell



Gov. Daane

Minutes of the Board of Governors of the Federal Reserve System on Wednesday, January 13, 1965. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Molony, Assistant to the Board
Mr. Fauver, Assistant to the Board
Mr. Hackley, General Counsel
Mr. Hexter, Assistant General Counsel
Mr. O'Connell, Assistant General Counsel
Mr. Shay, Assistant General Counsel
Mr. Hooff, Assistant General Counsel
Mr. Partee, Adviser, Division of Research and Statistics
Mr. Conkling, Assistant Director, Division of Bank Operations
Mr. Daniels, Assistant Director, Division of Bank Operations
Mr. Leavitt, Assistant Director, Division of Examinations
Miss Hart, Senior Attorney, Legal Division
Mr. Via, Senior Attorney, Legal Division
Mr. Sanders, Attorney, Legal Division
Mr. Keir, Chief, Capital Markets Section, Division of Research and Statistics
Mrs. Ulrey, Economist, Division of Research and Statistics
Mr. Egertson, Supervisory Review Examiner, Division of Examinations

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

1/13/65

Item No.

Letter to The Farmers and Merchants Bank of Vandalia, Vandalia, Illinois, interposing no objection to a recent investment in bank premises. 1

Letter to Great Western National Bank, Portland, Oregon, granting its request for permission to maintain reduced reserves. 2

Memorandum from the Director of the Division of Examinations dated January 11, 1965, recommending that a conference of representatives of Bank Examination Departments of the Federal Reserve Banks be held in the Board's offices, probably on March 29 and 30, 1965, and that a dinner be provided at a local hotel during the conference, to be attended by the Reserve Bank representatives and by a list of designated Board personnel to be submitted for advance approval later. 3

Letter to Mr. Robert E. Gunn, Vice President, United Funds, Incorporated, Kansas City, Missouri, regarding registration of stock of Chase Manhattan Bank, New York, New York, for trading on the New York Stock Exchange. 4

In connection with Item No. 3, it was understood that the list of Board personnel suggested for attendance at the dinner would be submitted to Governor Shepardson, for approval on behalf of the Board, and that attention would be given to placing appropriate restriction on the number of those invited.

The letter to Mr. Gunn (Item No. 4) was approved in a form reflecting certain suggestions by the staff of the Securities and Exchange Commission following discussion with such staff of the draft that had been submitted to the Board for consideration.

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Report on competitive factors (Elmira, New York). A revision of the proposed conclusion having been agreed upon, unanimous approval was given to the transmittal to the Federal Deposit Insurance Corporation of a report on the competitive factors involved in the proposed merger of The Elmira Savings Bank, Elmira, New York, with Mechanics Savings Bank, also of Elmira. In the form in which approved, the conclusion read as follows:

The proposed merger of The Elmira Savings Bank and Mechanics Savings Bank of Elmira would eliminate the existing competition between the two banks, and the overall effect of the proposed merger on competition would be adverse.

Application of Farmers' Loan and Trust Company (Items 5 and 6).

There had been distributed a proposed order and statement reflecting approval by the Board on January 7, 1965, of the application of The Farmers' Loan and Trust Company, Columbia City, Indiana, for permission to merge with Mayer State Bank, South Whitley, Indiana.

Certain suggested changes in the statement having been agreed upon, the issuance of the order and statement was authorized. Copies of the documents issued pursuant to this action are attached as Items 5 and 6.

Protest of Quincy Trust Company (Item No. 7). As stated in a distributed memorandum from the Division of Examinations dated January 12, 1965, Quincy Trust Company, Quincy, Massachusetts, had requested a period of time to prepare a brief for submission to the Board protesting an

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application by Norfolk County Trust Company, Brookline, Massachusetts, to establish a branch in Randolph.

Pursuant to the recommendation in the memorandum, unanimous approval was given to a letter to Quincy Trust Company in the form attached as Item No. 7, allowing approximately a week for the bank to submit its views in writing.

It was recalled that several years ago when the Board approved an application of Quincy Trust Company to establish a branch in the town of South Weymouth over the protest of a competing trust company, there had been complications in which members of the Boston Reserve Bank's Board of Directors became involved. In the circumstances a suggestion was made that copies of the Board's correspondence with Quincy Trust Company be sent to President Ellis in order that he might have the current matter in mind and, if he saw fit, mention the situation at the next meeting of the Reserve Bank's Board of Directors, although not with the thought of seeking views or recommendations concerning the branch application.

Margin requirements for over-the-counter securities. A memorandum from the Legal Division dated January 8, 1965, which had been distributed, recommended for reasons stated that the Board include in its Annual Report for 1964 a proposal for an amendment to section 7 of the Securities Exchange Act of 1934 that would authorize the Board to extend margin privileges and margin regulation to securities traded over the counter as it deemed appropriate.

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The memorandum noted that section 7 authorizes the Board of Governors to limit the credit that a broker or dealer may extend on any security registered on a national securities exchange, that a broker or dealer is not allowed to extend credit on securities not so registered, and that the law authorizes the Board to limit the credit extended by banks for the purpose of purchasing or carrying any equity security registered on a national securities exchange. As a result, if a person wished to buy stock traded over the counter on credit and to use the stock so purchased as collateral, a bank was subject to no legal limit on the amount of credit it could extend, whereas a broker or dealer could not lawfully extend any credit whatever. The 1963 Report of Special Study of Securities Markets by the Securities and Exchange Commission had recommended that the Board be authorized to permit brokers and dealers to extend credit on such over-the-counter securities or classes thereof as it might from time to time designate, and to impose initial margin requirements on actively traded over-the-counter stocks and convertible bonds used as collateral for loans by banks. The Commission anticipated that Congressional hearings might be held in the near future on recommendations contained in the Special Study, and the Commission's Chairman had inquired informally as to the Board's position on legislation to authorize margin requirements for over-the-counter securities.

The memorandum pointed out why considerable study would be necessary before suitable margin regulations with regard to over-the-counter securities could be formulated but observed that if Congress

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was willing to grant general authority to the Board in this area it was not necessary to defer a legislative recommendation until standards had been developed for incorporation into the statute itself. One question was whether a legislative amendment should cover all over-the-counter securities or should extend the Board's authority only to some limited class of over-the-counter securities, such as so-called "OTC-registered" securities. On balance, it was felt that there was little reason to deprive the Board, by statutory limitation, of the opportunity to exercise general authority in the public interest, with decisions on what types of securities and markets were appropriate for "margin" controls to be dealt with by regulation.

After discussion unanimous agreement was indicated with the recommendation of the Legal Division, it being understood that a bill would be drafted in accordance with this indication and that a suitable legislative recommendation and accompanying explanation would be included in the forthcoming Annual Report.

In this connection it was understood that the Board would give further consideration at meetings beginning tomorrow to suggestions for possible legislative recommendations that had been included in a memorandum from Mr. Hackley dated October 30, 1964, and discussed by the Board on November 18, 1964.

Question raised by President Irons (Item No. 8). Governor Shepardson reported that President Irons of the Federal Reserve Bank

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of Dallas had discussed with him communications from the Inter-American Development Bank inquiring whether a member of the Reserve Bank's staff could be assigned to present a paper at a workshop on agricultural financing in Latin America to be held in Chile in March 1965. It was understood that President Irons had in mind arranging for the Reserve Bank's Director of Research, Mr. J. Z. Rowe, to present such a paper.

No objection on the part of the Board was indicated, and a copy of the letter subsequently sent to President Irons is attached as Item No. 8.

The meeting then adjourned.

Secretary's Notes: Governor Shepardson approved on behalf of the Board on January 12, 1965, memorandum recommending the following actions relating to the Board's staff:

Salary increase

Diane Salisbury, Stenographer, Division of International Finance, from \$4,005 to \$4,480 per annum, effective January 17, 1965.

Acceptance of resignation

Richard C. Leavitt, Teletype Operator, Division of Administrative Services, effective at the close of business January 8, 1965.

Governor Shepardson today approved on behalf of the Board the following items:

Memorandum from the Division of Research and Statistics dated January 11, 1965, recommending the reappointment of Winthrop Case as Consultant on a temporary contractual basis effective to December 31, 1965, to assist the Economic Editing Unit of that Division, with compensation at the rate of \$55 per day and transportation expenses and per diem to be paid in accordance with the Board's travel regulations.

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The memorandum stated that, for purposes of travel, Mr. Case's headquarters would be New York City, that he would receive a per diem of \$16 when in Washington, and that transportation expenses would be limited to the necessary round trip from New York plus additional round trips not to exceed one per month while on duty in Washington.

Memoranda recommending increases in the basic annual salaries of the following persons on the Board's staff, effective January 17, 1965:

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
	<u>Office of the Secretary</u>		
Mary H. Wilson, Minutes Clerk		\$ 4,630	\$ 4,780
	<u>Research and Statistics</u>		
Robert M. Fisher, Senior Economist		18,740	19,310
	<u>International Finance</u>		
Cynthia Y. Young, Clerk		4,480	4,630
	<u>Examinations</u>		
Travis J. Johnson, Senior Federal Reserve Examiner		12,915	13,335
Ralph C. Maurer, Review Examiner		12,915	13,335
	<u>Administrative Services</u>		
Lorraine T. Hirz, Secretary		5,330	5,495


Secretary

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

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Item No. 1
1/13/65

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 13, 1965.

Board of Directors,
The Farmers and Merchants Bank
of Vandalia,
Vandalia, Illinois.

Gentlemen:

The Board of Governors of the Federal Reserve System has received the request of your bank for approval of a recent expenditure for bank premises. Section 24A of the Federal Reserve Act requires a State member bank to obtain the approval of the Board of Governors for an investment in bank premises which, when added to the carrying value of present investments in such premises, will aggregate an amount in excess of the bank's capital stock. Since the expenditure in this case has already been made, the prior approval contemplated by the statute cannot be given.

However, if a timely request had been made for the requested approval, it appears, on the basis of information before the Board, that such approval would have been granted. Accordingly, the Board offers no objection to the expenditure of \$36,750 for the recently acquired property to be utilized for the construction of drive-in and customer parking facilities.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Item No. 2
1/13/65

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



January 13, 1965.

Board of Directors,
Great Western National Bank,
Portland, Oregon.

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 Great Western 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 opens for business.

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

Very truly yours,

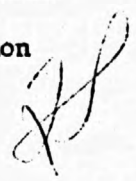
(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

TO: Board of Governors

DATE: January 11, 1965.

FROM: Frederic Solomon



SUBJECT: Conference of Representatives
of Bank Examination Departments of
Federal Reserve Banks

For several years an annual Conference of Representatives of Bank Examination Departments has been held in the Board's offices. Such a Conference could be held on March 29 and 30, 1965, if agreeable to the Board and to the various representatives.

In previous years the Board has approved a dinner for Reserve Bank representatives and a list of designated Board personnel. If the Board approves, a dinner would be held at the Shoreham Hotel probably on March 29, since most of the representatives of the Reserve Banks stay at the Shoreham Hotel. Usually about 60 to 70 persons attend the dinner. As has been the practice a list of those invited to attend the dinner would be submitted to the Board for advance approval. This information will be presented at a latter date.

The annual Conference is of value to the Board's staff and also the various Reserve Banks. It provides an opportunity for an exchange of views and for discussion of pertinent bank supervisory problems.

It is recommended that the Board approve the Conference, which would probably be held on the above dates, and the proposed dinner. There is attached a draft of a letter to the Presidents informing them of the Conference. The Vice Presidents in Charge of Examinations will also be informed and their recommendations for agenda topics solicited.

Attachment.

BOARD OF GOVERNORS
OF THE

FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

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Item No. 4

1/13/65



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 13, 1965.

Mr. Robert E. Gunn,
Vice President,
United Funds, Incorporated,
Kansas City, Missouri.

Dear Mr. Gunn:

This is with reference to your telegram of September 23, 1964, urging that the Board of Governors not approve registration of Chase Manhattan Bank stock for trading on the New York Stock Exchange "unless it is made clear that trading in Chase Bank shares will be exempt from the restrictions of Rule 394" of the Exchange.

Prior to January 1, 1965, when the Board's new Regulation F, "Securities of Member State Banks", became effective, there was no means by which the Bank could register its stock with the Board and the Exchange, which is required by section 12 of the Securities Exchange Act of 1934 to permit exchange trading.

Now that this Regulation is effective the Bank may file an application for registration of its stock on the Exchange. When the Exchange certifies to the Board that such stock is approved for listing and registration, section 12(d) of the 1934 Act provides that the registration shall become effective thirty days thereafter.

The Board of Governors interprets its new responsibilities under the 1934 Act to relate to assuring fair and adequate public disclosure of information with respect to securities of member State banks subject to that Act. The Board considers that the responsibility to assure fair dealing in such securities is primarily a matter of self-regulation by exchanges. To the extent that Government regulation in this area might be necessary, the appropriate agency under the 1934 Act is the Securities and Exchange Commission.

Accordingly, if you have any recommendations with respect to the modification of Rule 394, you should address them to the Exchange and to the SEC.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

Item No. 5
1/13/65

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

In the Matter of the Application of
THE FARMERS' LOAN AND TRUST COMPANY
for approval of merger with
Mayer State Bank

ORDER APPROVING MERGER OF BANKS

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 The Farmers' Loan and Trust Company, Columbia City, Indiana, a State member bank of the Federal Reserve System, for the Board's prior approval of the merger of that bank and Mayer State Bank, South Whitley, Indiana, under the charter and title of The Farmers' Loan and Trust Company. As an incident to the merger, the sole office of Mayer State Bank would become a branch of The Farmers' Loan and Trust Company. Notice of the proposed merger, 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,

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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 merger 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 13th day of January, 1965.

By order of the Board of Governors.

Voting for this action: Unanimous, with all members present.

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

(SEAL)

Item No. 6
1/13/65BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEMAPPLICATION BY THE FARMERS' LOAN AND TRUST COMPANY
FOR APPROVAL OF MERGER WITH
MAYER STATE BANKSTATEMENT

The Farmers' Loan and Trust Company, Columbia City, Indiana ("Farmers Trust"), with total deposits of \$7,299,000, has applied, pursuant to the Bank Merger Act of 1960 (12 U.S.C. 1828(c)), for the Board's prior approval of the merger of that bank and Mayer State Bank, South Whitley, Indiana ("Mayer Bank"), which has total deposits of \$2,668,000.^{1/} The banks would merge under the charter and name of Farmers Trust, a State member bank of the Federal Reserve System. As an incident to the merger, the office of Mayer Bank would become a branch of Farmers Trust, increasing its number of approved offices to two.

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

^{1/} Deposit figures are as of July 29, 1964.

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.

Banking factors. - The financial histories of Farmers Trust and Mayer Bank are satisfactory, and each bank has a sound asset condition and an adequate capital structure. Each bank has a satisfactory earnings record and favorable future earnings prospects. The management of Farmers Trust is capable. The management of Mayer Bank, although presently lacking somewhat in depth, is adequate. In addition to capable management, the resulting bank would have a sound asset condition, an adequate capital structure, and good future earnings prospects.

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. - Farmers Trust and Mayer Bank are two of seven commercial banks serving Whitley County, Indiana, which is situated in the northeastern portion of the State. The county is principally an agricultural and residential area, but industry is gradually increasing in importance in the local economy. The service area^{2/} of Farmers Trust consists of Columbia City and the surrounding area within a radius of about 8 miles; the service area of Mayer Bank consists of South Whitley and the surrounding area within a radius of from 5 to 8 miles. South Whitley is located approximately 10 miles southwest of

^{2/} The area from which a bank obtains 75 per cent or more of its deposits of individuals, partnerships, and corporations.

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Columbia City, and the service areas of the two banks overlap slightly in a sector where population density is relatively low.

Mayer Bank does not offer consumer installment loans, for which there is a need in its service area, and its lending limit is inadequate to enable it to meet the demand in its area for commercial and farm loans. Farmers Trust provides consumer installment loans and its lending limit, although quite small relative to the needs of the area it serves, is 50 per cent higher than that of Mayer Bank. The merger would result in a bank with greater resources and a higher lending limit, which could better serve the banking needs and convenience of each of the communities now served by the two banks.

Competition. - The merger would eliminate the very small amount of competition existing between Farmers Trust and Mayer Bank and foreclose the possible development of further competition between them. However, banking customers in the service area of the resulting bank would continue to have access to a number of reasonably convenient alternative commercial banking offices. While the merger would result in some increase in the concentration of banking resources, such increase would not result in a bank so large as to affect adversely the other five commercial banks serving Whitley County.

Summary and conclusion. - The acquisition of Mayer Bank by Farmers Trust would not adversely affect banking competition. The merger would result, moreover, in a bank better able to serve the banking

needs and convenience of Whitley County and one capable, as well, of contributing to the area's economic development.

Accordingly, the Board finds that the proposed transaction would be in the public interest.

January 13, 1965.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 7
1/13/65

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 14, 1965.



Board of Directors,
Quincy Trust Company,
Quincy, Massachusetts.

Gentlemen:

This refers to your letter dated January 8, 1965, objecting to the proposed establishment by Norfolk County Trust Company of a branch office in Randolph, Massachusetts. It is understood that you have also requested additional time within which to supplement your objections through submission to the Board of a written brief. You ask that the Board defer action on the branch application pending receipt of such brief.

While the interests of the applicant and the public require the Board to take prompt action on the application, the Board wishes to have all available information before it upon which to base its decision. Accordingly, the Board will take into consideration any additional views of your bank which are received in writing at the Board's offices on or before the close of business January 20, 1965. Any such written submission should be made directly to the Board and a copy thereof sent to the Federal Reserve Bank of Boston.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

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Item No. 8
1/13/65

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 13, 1965.



Mr. Watrous H. Irons,
President,
Federal Reserve Bank of Dallas,
Dallas, Texas 75222.

Dear Mr. Irons:

Governor Shepardson has brought to the attention of the Board the letters received by you from the Inter-American Development Bank, inviting a member of the staff of the Federal Reserve Bank of Dallas to present a paper at the Workshop on Agricultural Financing in Latin America to be held in Vina del Mar, Chile, March 18-25, 1965.

It is understood that you have in mind arranging for Mr. J. Z. Rowe, Director of Research, to present such a paper, and the Board sees no objection to your proceeding in this manner.

Very truly yours,

A handwritten signature in cursive script that reads "Kenneth A. Kenyon".

Kenneth A. Kenyon,
Assistant Secretary.