

FR609

Minutes for February 4, 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 *R.*
- Gov. Balderston *CCB*
- Gov. Shepardson *[Handwritten signature]*
- Gov. Mitchell *[Handwritten signature]*
- Gov. Daane *[Handwritten signature]*

Minutes of the Board of Governors of the Federal Reserve System on Thursday, February 4, 1965. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, 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. Solomon, Director, Division of Examinations  
Mr. Johnson, Director, Division of Personnel  
Administration  
Mr. Hexter, Assistant General Counsel  
Mr. Hooff, Assistant General Counsel  
Mr. Koch, Associate Director, Division of  
Research and Statistics  
Mr. Daniels, Assistant Director, Division  
of Bank Operations  
Mr. Leavitt, Assistant Director, Division of  
Examinations  
Mr. Thompson, Assistant Director, Division of  
Examinations  
Mrs. Sette, Chief, Economic Editing, Division  
of Research and Statistics  
Mr. Egertson, Supervisory Review Examiner,  
Division of Examinations  
Mr. Lyon, Review Examiner, Division of  
Examinations  
Miss McShane, Assistant Review Examiner,  
Division of Examinations

Circulated or distributed items. After appropriate staff explanation and Board discussion based on file materials that had

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been circulated or distributed in advance of the meeting, approval was given to the following items, copies of which are attached to these minutes under the respective item numbers indicated. The action was unanimous in each instance except that Governor Robertson abstained from participating in the action on Items 5 and 6.

	<u>Item No.</u>
Letter to Dauphin Deposit Trust Company, Harrisburg, Pennsylvania, approving the establishment of a branch on the Carlisle Pike (U.S. Route 11), Hampden Township.	1
Letter to the Federal Reserve Bank of New York regarding the question of necessity for Board approval under section 24A where indebtedness is incurred by a wholly-owned subsidiary of a member bank.	2
Letter to Long Island Trust Company, Garden City, New York, approving an investment in bank premises.	3
Letter to the Comptroller of the Currency regarding the fiscal year 1965 printing order for Federal Reserve notes.	4
Letter to Western Springs Investment Corporation, Waukegan, Illinois, granting a determination exempting it from all holding company affiliate requirements except for the purposes of section 23A of the Federal Reserve Act.	5
Letter to C. B. Investment Corporation, Waukegan, Illinois, granting a determination exempting it from all holding company affiliate requirements except for the purposes of section 23A of the Federal Reserve Act.	6
Letter to the Presidents of all Federal Reserve Banks regarding the selection and assignment of examining personnel, with instructions on such matters as the designation of examining personnel, use of examining personnel of other Reserve Banks, ownership of bank stock, and family relationships between examining personnel and bank personnel.	7

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Annual Report. With a memorandum from Mr. Molony dated January 29, 1965, there had been distributed a draft of textual material for the sections of the Board's Annual Report for 1964 that would precede the policy records of the Board and the Federal Open Market Committee.

Comments on the draft by members of the Board were generally favorable. Revised language for one portion of the draft was agreed upon, and it was understood that minor suggestions for changes in the draft not affecting the substance would be submitted by members of the Board direct to Mr. Molony. Subject to changes reflecting suggestions of this character, the draft material was approved for inclusion in the Annual Report.

Open Market Committee policy record. A distributed memorandum from Mr. Young dated February 1, 1965, noted that the Board had previously approved for inclusion in its Annual Report for 1964 entries for the record of policy actions of the Federal Open Market Committee covering the 14 meetings held from January 7 through September 29, 1964. Submitted with the memorandum were: (1) proposed entries covering the five Committee meetings held from October 20 through December 15, 1964, in form reflecting consideration of comments by Committee members on preliminary drafts; (2) a proposed prefatory statement to the record of policy actions; and (3) certain

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recommended changes of an editorial nature in the proposed entries for the 14 meetings through September 29.

A suggestion for a change in one portion of the prefatory statement was agreed upon. With this change, the distributed draft material was approved for inclusion in the Annual Report, with the understanding that any additional suggestions for minor editorial changes would be submitted direct to Mr. Broida.

The meeting then adjourned.

Secretary's Note: Governor Shepardson today approved on behalf of the Board memoranda recommending the following actions relating to the Board's staff:

Appointment

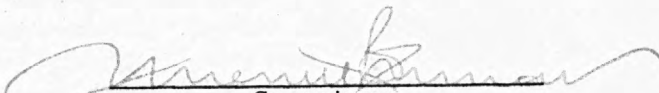
Ramona Kay Rao as Key Punch Operator, Division of Data Processing, with basic annual salary at the rate of \$4,410, effective the date of entrance upon duty.

Salary increase

James T. Jones, Operator (Mimeograph), Division of Administrative Services, from \$3,930 to \$4,326 per annum, effective February 14, 1965.

Acceptance of resignation

Barbara M. Clarke, Clearing Assistant, Office of the Secretary, effective at the close of business February 19, 1965.

  
Secretary





BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

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Item No. 1  
2/4/65

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

February 4, 1965

Board of Directors,  
Dauphin Deposit Trust Company,  
Harrisburg, Pennsylvania.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Dauphin Deposit Trust Company, Harrisburg, Pennsylvania, of a branch office on the Carlisle Pike (U.S. Route 11), west of the junction of U.S. Route 11 and Market Street and east of the Capitol Products Corporation plant, Hampden Township, Cumberland County, Pennsylvania, provided the branch is established within one year from the date of this letter.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,  
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  
2/4/65



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

February 4, 1965

Mr. Howard D. Crosse, Vice President,  
Federal Reserve Bank of New York,  
New York, New York. 10045

Dear Mr. Crosse:

This refers to Mr. Piderit's letter of December 31, 1964, with respect to investments in bank premises by Long Island Trust Company, Garden City, New York. It is stated that a recent examination disclosed an apparent violation of section 24A of the Federal Reserve Act, originating on September 30, 1963, when the bank sold seven of its properties to a wholly-owned affiliate. In order to pay for these properties, the affiliate borrowed from another source, and this indebtedness, when added to the bank's remaining investments in bank premises, exceeded the bank's capital stock.

In calculating whether Board approval is required, section 24A requires inclusion of any indebtedness incurred by a bank-premises affiliate of the bank. However, Board approval is required only for prospective investments in bank premises. In the present case, no proceeds of the loan appear to have been invested in bank premises; the buildings involved were complete and already owned, and this transaction amounted merely to an indirect method of borrowing money on the security of existing bank premises.

It is the Board's conclusion that no violation of section 24A occurred at that time. However, as previously stated, the subsidiary's indebtedness must be taken into account in determining whether future investments in bank premises by the bank or its subsidiary would require Board approval. As the aggregate of the present investment in bank premises by the bank and its subsidiary (including the bank's investment in said subsidiary), plus the subsidiary's indebtedness, now exceeds the bank's capital stock, any investment that the bank or its affiliate would now propose to make in bank

Mr. Howard D. Crosse

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premises falls within the purview of section 24A. Consequently, the proposed expenditure of approximately \$166,000 for bank premises during the coming year has been approved by the Board. \*

Enclosed is a letter addressed to the member bank containing the Board's approval for the proposed expenditure. Also enclosed is a copy of the letter for your records. Please deliver the original to the member bank.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,  
Assistant Secretary.

Enclosures.

\*The figure should have been \$100,000 rather than \$166,000 and a corrected letter was sent to the member bank on March 3, 1965.



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

Item No. 3  
2/4/65



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

February 4, 1965

Board of Directors,  
Long Island Trust Company,  
Garden City, New York.

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 by Long Island Trust Company of not to exceed \$166,000\* for miscellaneous improvements to such premises during the current year.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,  
Assistant Secretary.

\*The figure should have been \$100,000 rather than \$166,000 and a corrected letter was sent to the member bank on March 3, 1965.

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 4  
2/4/65



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

February 4, 1965

The Honorable,  
The Comptroller of the Currency,  
Treasury Department,  
Washington, D. C. 20220

Sir:

Reference is made to our letter of August 14, 1964, about the fiscal year 1965 printing order for Federal Reserve notes.

It is respectfully requested that you place a supplemental order with the Bureau of Engraving and Printing for printing 96,000,000 additional Federal Reserve notes (single units) of the 1963 Series in the \$1 denomination during the fiscal year ending June 30, 1965, in the numbers and amounts shown below for the various Federal Reserve Banks:

	<u>Number of notes</u>	<u>Dollar amount</u>
New York	7,040,000	\$ 7,040,000
Philadelphia	8,320,000	8,320,000
Cleveland	16,000,000	16,000,000
Atlanta	11,520,000	11,520,000
Chicago	31,360,000	31,360,000
St. Louis	1,280,000	1,280,000
Minneapolis	2,560,000	2,560,000
Kansas City	5,120,000	5,120,000
San Francisco	<u>12,800,000</u>	<u>12,800,000</u>
Total	<u>96,000,000</u>	<u>\$96,000,000</u>

Respectfully,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

Item No. 5  
2/4/65

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD



February 4, 1965

Mr. William F. O'Meara, Jr.,  
Secretary-Treasurer,  
Western Springs Investment Corporation,  
214 West Washington Street,  
Waukegan, Illinois.

Dear Mr. O'Meara:

This refers to the request contained in your letter of January 2, 1965, submitted through the Federal Reserve Bank of Chicago, for a determination by the Board of Governors of the Federal Reserve System as to the status of Western Springs Investment Corporation as a holding company affiliate.

From the information presented, the Board understands that Western Springs Investment Corporation is a holding company affiliate by reason of the fact that it owns 18,000 of the 30,000 outstanding shares of stock of The First National Bank of Western Springs, Western Springs, Illinois; 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 Western Springs Investment 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.

Mr. William F. O'Meara, Jr.

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If, however, the facts should at any time indicate that Western Springs Investment 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 stocks even though not constituting control.

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. 6  
2/4/65



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

February 4, 1965

Mr. William F. O'Meara, President,  
C. B. Investment Corporation,  
267 Harding Avenue,  
Waukegan, Illinois.

Dear Mr. O'Meara:

This refers to the request contained in your letter of December 31, 1964, submitted through the Federal Reserve Bank of Chicago, for a determination by the Board of Governors of the Federal Reserve System as to the status of C. B. Investment Corporation as a holding company affiliate.

From the information presented, the Board understands that C. B. Investment Corporation is a holding company affiliate by reason of the fact that it owns 19,000 of the 25,000 outstanding shares of stock of Western National Bank of Cicero, Cicero, Illinois; 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 C. B. Investment 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.



Mr. William F. O'Meara

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If, however, the facts should at any time indicate that C. B. Investment 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) Elizabeth L. Carmichael

Elizabeth L. Carmichael,  
Assistant Secretary.

2/4/65

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

S-1946

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

March 15, 1965.



Dear Sir:

In its letter of February 10, 1964 (S-1907), the Board restated the general principle that "officers and employees of a Federal Reserve Bank should refrain from placing themselves in any position that might embarrass the Bank or the Federal Reserve System as a whole in the conduct of its operations or result in any question being raised as to the independence of the individual's judgment or his ability to perform satisfactorily all of the duties of his position with the System."

As applied to examining personnel for the Federal Reserve Banks, it is felt that this principle necessarily includes a broader range of circumstances and relationships than might be the case with respect to employees of some departments of the Federal Reserve Banks whose day-to-day assignments do not bring them in direct contact with banks.

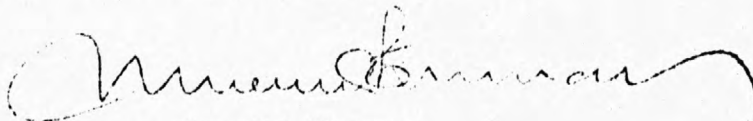
The Board has issued rulings relating directly or indirectly to the selection and approval of examining personnel (FRLS #9180-90; S-1680 and S-1729-a through j), some of which are, in fact, the application of the above general principle to specific circumstances and relationships. In view of the number of cases since the issuance of existing rulings which have involved factors differing from those cited, several of these rulings have been revised in order to broaden the scope of those that heretofore referred to specific cases, to provide that information regarding the existence of potentially embarrassing situations is obtained by the Reserve Bank, and to emphasize the relationship between the rulings with respect to the selection and approval of examining personnel and the above general principle so as to bring about a greater degree of uniformity in their interpretation and administration by the Banks.

In the course of the review that gave rise to these revisions and supplements, it was concluded that in the future Board letters of approval of examining personnel for the Federal Reserve Banks will not contain specific restrictions with respect to relationships existing at the time of approval. However, the Board continues to be of the opinion that no Reserve Bank officer or employee should be permitted to participate in the examination of any bank with which such individual has any relationship that might result in a conflict of interest. As in the past, it will be the responsibility of the Reserve Banks to make certain that examining assignments are in keeping with the general principle stated in the first paragraph of this letter.

The following enclosures will appear in the Federal Reserve Loose-Leaf Service with a date-reference to this letter, and will supplement or supersede previous "S" letters as noted:

- S-1946-a Designations of examining personnel of the Federal Reserve Banks and the Board of Governors of the Federal Reserve System.  
(Supersedes S-1729-a, February 15, 1960, FRLS #9181.)
- S-1946-b Use of examining personnel in the employ of other Federal Reserve Banks.  
(Supplements S-1729-g, February 15, 1960, FRLS #9187.)
- S-1946-c Ownership of bank stock by examining personnel.  
(Supersedes S-1729-i, February 15, 1960, FRLS #9189.)
- S-1946-d Family relationships of examining personnel with bank personnel.  
(Supersedes S-1729-j, February 15, 1960, FRLS #9190.)

Very truly yours,



Merritt Sherman,  
Secretary.

Enclosures.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Designations of examining personnel of the Federal Reserve Banks and the Board of Governors of the Federal Reserve System.

Persons employed by the Federal Reserve Banks and the Board of Governors of the Federal Reserve System who are approved or appointed by the Board to participate in the discharge of bank examination and bank supervisory responsibilities arising under the Federal Reserve Act or related statutes shall be designated as follows:

1. Employees of the Federal Reserve Banks who are assigned to the Bank Examination Department on a full-time basis, whether for temporary periods-- as in the case of rotational training programs-- or otherwise, shall be designated "Examiner" or "Assistant Examiner."
2. Employees assigned to other departments of the Federal Reserve Banks on a full-time basis who assist occasionally in examinations made by examiners for the Federal Reserve Banks shall be designated "Special Examiner" or "Special Assistant Examiner."
3. Employees of the Board of Governors of the Federal Reserve System shall be designated "Federal Reserve Examiner," "Assistant Federal Reserve Examiner," or "Special Assistant Federal Reserve Examiner."

Each employee so designated may be given a classification and title according to the plan in effect at his place of employment.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Use of examining personnel in the employ of other  
Federal Reserve Banks.

In keeping with the general principle reiterated by the Board in its letter of February 10, 1964 (S-1907), a Federal Reserve Bank, prior to lending a member of its examining staff to assist in examinations conducted by another Federal Reserve Bank, should exercise due care in determining that there exists no relationship between that individual and a bank in the other District that conceivably might result in embarrassment to the Federal Reserve Bank or the Federal Reserve System or in questions being raised as to the independence of the individual's judgment or his ability to perform satisfactorily the duties of his position.



S-1946-c

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

## Ownership of bank stock by examining personnel.

In keeping with the general principle outlined in the Board's letter of February 10, 1964 (S-1907), and with particular reference to the views expressed in that letter with respect to the acquisition and disposition of bank stock by a member of the staff of a Reserve Bank, it shall be the responsibility of the Federal Reserve Bank to obtain information as to ownership of stock, debentures, etc., of banks or bank affiliates by its examining personnel and to determine, on the basis of circumstances present in each individual case, the appropriate measures to be taken to avoid embarrassment to the Bank or the Federal Reserve System and to prevent questions being raised with respect to the independence of the individual's judgment or his ability to perform satisfactorily the duties of his position. The Federal Reserve Banks will continue to require examining personnel to submit periodic reports, at least annually, to the Board of directors regarding such holdings of stocks, debentures, etc., of banks or affiliates thereof, and will record for review by the Board's examiners the restriction(s) imposed on the examining activities of the individual reporting such holdings.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEMFamily relationships of examining personnel  
with bank personnel.

In keeping with the general principle outlined in the Board's letter of February 10, 1964 (S-1907), it shall be the responsibility of the Federal Reserve Bank to obtain information concerning family relationships, by blood or by marriage, between members of its examining staff and bank officers, directors, and employees, and to determine, on the basis of circumstances present in each individual case, the appropriate measures to be taken to avoid embarrassment to the Bank or the Federal Reserve System and to prevent questions being raised with respect to the independence of the individual's judgment or his ability to perform satisfactorily the duties of his position. The Federal Reserve Banks will require examining personnel to submit periodic reports, at least annually, to the Board of Directors outlining family relationships with personnel of banks or affiliates thereof, and will record for review by the Board's examiners the restriction(s) imposed on the examining activities of the individual reporting such relationships.