

Minutes for February 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	<u>(M)</u>
Gov. Mills	<u></u>
Gov. Robertson	<u>R</u>
Gov. Balderston	<u>CCB</u>
Gov. Shepardson	<u>SS</u>
Gov. Mitchell	<u>MM</u>
Gov. Daane	<u>DD</u>

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

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

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Young, Adviser to the Board and Director,
Division of International Finance
Mr. Noyes, Adviser to the Board
Mr. Cardon, Legislative Counsel
Mr. Fauver, Assistant to the Board
Mr. Hackley, General Counsel
Mr. Brill, Director, Division of Research
and Statistics
Mr. Farrell, Director, Division of Bank
Operations
Mr. Solomon, Director, Division of Examinations
Mr. Johnson, Director, Division of Personnel
Administration
Mr. Hexter, Assistant General Counsel
Mr. O'Connell, Assistant General Counsel
Mr. Shay, Assistant General Counsel
Mr. Conkling, Assistant Director, Division
of Bank Operations
Mr. Daniels, Assistant Director, Division of
Bank Operations
Mr. Goodman, Assistant Director, Division of
Examinations
Mr. Thompson, Assistant Director, Division of
Examinations
Mr. Sprecher, Assistant Director, Division of
Personnel Administration
Mr. Spencer, General Assistant, Office of the
Secretary
Mr. Robinson, Attorney, Legal Division
Messrs. Egertson and McClintock, Supervisory
Review Examiners, Division of Examinations
Messrs. Donovan, Lyon, and Smith, Review Examiners,
Division of Examinations

2/8/65

-2-

Discount rates. The establishment without change by the Federal Reserve Banks of New York, Philadelphia, and San Francisco on February 4, 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 those Banks.

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 instance except that Governors Mitchell and Daane abstained from participating in the action on Item No. 8:

	<u>Item No.</u>
Letter to City Trust Company, Bridgeport, Connecticut, approving the establishment of a branch in the Hardy Shopping Center, Town of Trumbull.	1
Letter to Hempstead Bank, Hempstead, New York, approving the establishment of branches at (1) 728-734 Fulton Avenue and (2) 265 North Franklin Street.	2
Letter to Reading Trust Company, Reading, Pennsylvania, approving the establishment of a branch in the Shillington Shopping Center or the vicinity thereof, Shillington.	3
Letter to Bank of the Commonwealth, Detroit, Michigan, approving the establishment of a branch at 7720-7724 Michigan Avenue.	4
Letter to The Peoples State Bank of Holland, Holland, Michigan, approving the establishment of a branch at 697 Maple Avenue.	5
Letter to Bamerical International Financial Corporation, New York, New York, approving an amendment to the Corporation's Articles of Association.	6

2/8/65

-3-

	<u>Item No.</u>
Letter to the Federal Reserve Bank of Philadelphia approving the payment of salary to the Bank's Medical Director at a specified rate.	7
Letter to the Federal Reserve Bank of Minneapolis agreeing that the service of Frederick L. Deming as Under Secretary of the Treasury for Monetary Affairs is for a purpose deemed in the public interest within the meaning of section 5A of the Rules and Regulations of the Retirement System of the Federal Reserve Banks, the resolutions adopted and approved under such section, and the Board's letter S-1802 of August 4, 1961.	8
Letter to Economic Consultants Incorporated, Coral Gables, Florida, regarding the application by Capital Bancshares, Inc., Miami, Florida, for permission to vote the shares it owns and controls of Capital National Bank of Miami, Miami, Florida.	9
Letter to Northwest Bancorporation, Minneapolis, Minnesota, interposing no objection to the proposed acquisition of shares of an agricultural credit corporation. (The letter as approved reflects several changes of an editorial nature agreed upon during a discussion of the draft.)	10
Letter to Norfolk County Trust Company, Brookline, Massachusetts, approving the establishment of a branch at 68-84 North Main Street, Randolph.	11

Prior to approval of Item No. 11, there was a discussion in which it was pointed out that during the Massachusetts Board of Bank Incorporation's hearings on applications by Norfolk County Trust Company and Dedham Trust Company (Dedham), for branches in Randolph, Quincy Trust Company (Quincy) had opposed the applications. After several hearings, however, the applications were approved. Following State approval, Quincy Trust filed a protest with the Board. Its opposition

2/8/65

-4-

was based on the premise that the three banking offices and two thrift institutions already in the Randolph area provided adequate banking services and that two additional commercial banking facilities would pose a threat to the successful operation of its Randolph office.

Governor Mills indicated that he had some sympathy for the position of Quincy Trust Company, because the bank's office in Randolph was rather new, and because it was being confronted with the competitive strength of a much larger bank.

Governor Mitchell noted that he had somewhat the same concern. The question seemed to come down to the assertion by the Reserve Bank that the Randolph area would not be overbanked. Quincy Trust Company's objection was quite strong, and should have been refuted with more evidence than he could find in the record. In summary, he had an uneasy feeling about the matter but would be disposed to approve the application.

Governor Robertson spoke of resolving his doubts as to the advisability of approving the application on the basis of the fact that after several hearings the Board of Bank Incorporation had approved the application. All parties had had an opportunity to appear at those hearings.

During further discussion, consideration was given to the recent and potential population growth of the Randolph area, which seemed to indicate that the area could adequately support additional commercial banking facilities without unduly affecting the branch

2/8/65

-5-

office of Quincy Trust Company that had now been open for nearly ten months. In view of this, and in view of the fact that the Board of Bank Incorporation had approved the branch after a series of hearings, it was generally agreed that it would be hard to find a sound basis for saying that the application of Norfolk County Trust Company should be denied.

Messrs. Johnson and Sprecher then withdrew from the meeting.

Report on competitive factors (Roanoke-Lexington, Virginia).

There had been distributed a draft of report to the Comptroller of the Currency on the competitive factors involved in the proposed merger of The Peoples National Bank of Lexington, Lexington, Virginia, into The First National Exchange Bank of Virginia, Roanoke, Virginia.

Following a discussion of the draft conclusion, as measured against comments on the proposed merger contained in the report received from the Richmond Reserve Bank, it was understood that the Division of Examinations would review the draft conclusion and resubmit the report to the Board for further consideration.

Application by First National Corporation. There had been distributed a memorandum from the Division of Examinations dated January 26, 1965, and supporting papers, with respect to the application of First National Corporation, Appleton, Wisconsin, to become a bank holding company through the acquisition of shares of First National Bank of Appleton, Appleton, Wisconsin, and Valley National Bank, Appleton, Wisconsin, a proposed new bank. The Division's recommendation was favorable.

2/8/65

-6-

At the Board's request, Mr. Lyon commented on the application, basing his summary on the information presented in the January 26 memorandum.

In supplementary comment, Mr. Solomon observed that the Federal Reserve Bank of Chicago had recommended that the application be denied. Because the Bank recommended denial, the case was considered very carefully by the Division of Examinations. In effect, the holding company mechanism was being used here to attempt to establish a de novo branch, because branch banking was prohibited in Wisconsin. If a branch application were before the Board involving similar circumstances, it probably would be approved. And the Board had indicated when approving the Whitney Holding Corporation (New Orleans, Louisiana) application in 1962 that where a large bank wished to set up a holding company simply, in effect, to establish a de novo branch, the Board would regard the application in much the same manner as a normal application for a de novo branch.

At the conclusion of Mr. Solomon's comments, the views of the members of the Board were expressed.

Governor Mills stated that he would approve the application. As he saw this case, it was rather neutral. There were no persuasive reasons that argued either for or against approval. The proposed transaction really would not accomplish more than enable the holding company to establish an outlet in the outskirts of Appleton, which

2/8/65

-7-

banking office could supply a useful banking service. It seemed that the availability of banking facilities in the Fox Cities area was ample, taking into consideration population characteristics, so the factor of concentration of banking resources did not appear definitely adverse.

Governor Robertson said that he would disapprove the application. First National Bank of Appleton now held over 55 per cent of the deposits of banks in its primary service area. Through the holding company mechanism First National was seeking, in effect, to establish a branch. In his opinion, this was simply a method of evading the State branch banking laws. He did not base his opposition to the application primarily on this aspect of the case, however. He was of the opinion that approval of the application would amount to condoning the use of the holding company device to bring about an undue concentration of local power in one organization--a concentration of power that should be viewed from the standpoint of its future implications for competition in the locality. Moreover, if the application were approved, this would be contrary to the recommendation of the Reserve Bank. In this connection, Governor Robertson cited certain views that had been expressed by the Chicago Bank critical of the management of First National Bank of Appleton.

Governor Shepardson indicated that he thought the Reserve Bank's analysis of the case probably was correct. He was inclined to agree with the Bank's recommendation for denial.

2/8/65

-8-

Governor Mitchell said that he would approve the application. He thought the situation in the instant case closely paralleled that in the Whitney Holding Corporation case, which the Board had approved. He doubted that an application of similar character would be denied if it only involved the establishment of a branch bank. He did not think the reasons given by the Chicago Reserve Bank for recommending denial were too persuasive; the Bank probably was influenced to some degree by its adverse reaction to the chief executive officer of First National Bank of Appleton.

Governor Daane said that he would deny the application. He felt that the convenience factor had been given too much weight. In his opinion, the only real convenience resulting from the establishment of Valley National Bank would be that it might save a customer a few minutes of travel time, and this factor alone was not sufficiently important to justify approval. He subscribed to the reasons expressed by Governor Robertson in addition to his own view on the convenience factor.

Governor Balderston favored approval of the application, which seemed to him on all fours with the Whitney case. He was also influenced to some degree by the view expressed on the application by the Commissioner of Banks for the State of Wisconsin. The Commissioner had expressed the opinion that the proposal would not be detrimental to the public interest or to the interest of other banks in the Appleton area.

2/8/65

-9-

Chairman Martin said that he would approve the application. This was a close case, but it seemed to him to parallel the Whitney case, in addition to which he felt that banking services probably would be generally improved through consummation of the proposed transaction.

Thereupon, the application of First National Corporation was approved, Governors Robertson, Shepardson, and Daane dissenting. It was understood that an order and statement reflecting this decision would be prepared for the Board's consideration.

Messrs. Egertson, McClintock, Donovan, Lyon, and Smith then withdrew from the meeting.

Cincinnati Branch building. Since receipt of a letter of August 17, 1964, from the Federal Reserve Bank of Cleveland regarding a proposed new building for the Cincinnati Branch, consideration had been given to the proposal at several Board meetings, including a meeting on December 2, 1964, with Chairman Hall of the Cleveland Bank and Vice Presidents Kiel and Morrison. Following discussion at the Board meeting on December 8, 1964, a letter was sent to the Cleveland Bank informing it that the Board had deferred final action on the request for authority to obtain an option to purchase real estate for the proposed new building and to have the architects proceed with preliminary building plans. The letter also indicated the Board's desire to have the Bank explore the feasibility and cost

2/8/65

-10-

of constructing needed additional vault and security areas at the present Branch location through acquisition of adjacent property.

There now had been distributed under date of January 22, 1965, a memorandum from the Division of Bank Operations with regard to the Bank's reply of January 14, 1965, wherein the Bank advised that, as requested, the architects for the Cincinnati Branch had made a preliminary exploration regarding expansion at the present location. It was apparent that expanding the present Branch building would be expensive and might approach half the cost of the proposed new building. Further, it might result in an inadequate and makeshift structure.

The memorandum went on to point out that on the basis of the preliminary cost estimates and the obvious disadvantages of an annex as contrasted with a new building in the Core Renewal Plan area of Cincinnati, the Bank's Board of Directors had again requested authorization to acquire property in the Core area and authorization to proceed with preliminary building plans. Alternatively, the Bank's directors requested authorization to make a detailed study of expanding the present building. The Reserve Bank had indicated that such a study would take two or three months to complete, and there was a risk that during such period the Bank might lose the opportunity to secure a location in the Core area.

During discussion, Mr. Farrell cited certain projections of coin production and related these figures to the amount of vault

2/8/65

space that might be required at the Reserve Banks and branches. As to the Cincinnati Branch, this raised the question how long the proposed building would be adequate to meet requirements for vault space, and the building could not be expanded laterally in a manner that would solve such a problem due to the limited dimensions of the site presently under consideration.

Governor Mitchell felt that it was desirable to retain the confidence of the Bank's directors in working out a satisfactory solution to the building problem. The Board should be as responsive as possible. However, it was important to recognize that two of the functions of Federal Reserve Bank branches--coin and currency operations--seemed with some certainty to increase in volume in the future. The directors should see that an adequate site was obtained so that future requirements could be met as the need arose. In general terms, he felt that the site for a new building in Cincinnati should run in the area of 100,000 square feet. A building might be constructed that would occupy around 35 or 40 per cent of the land area, with the remainder of the site available for future expansion as needs might dictate.

As discussion proceeded, there were inquiries by members of the Board as to the possibility of the Bank acquiring a site in the redevelopment area that would be large enough to permit the construction of a building that could be expanded to meet possible future

2/8/65

-12-

requirements. It was indicated that if the Bank looked into this matter and found it could obtain an appropriate site, the Board would be willing to authorize the acquisition of such a plot in the Core area.

After further discussion, it was understood that Mr. Farrell would discuss the matter with the management of the Cleveland Bank, indicating why it was the Board's view that the Bank should explore the possibility of acquiring property in the Core Renewal Area of Cincinnati with a minimum of 90,000 square feet of space.

Draft statement on certificates of deposit. Pursuant to the understanding at the Board meeting on January 26, 1965, there had been distributed under date of February 3, 1965, a draft of proposed language relating to the use of negotiable certificates of deposit by the banking system that might be used as a Board statement or in testimony. Recently two banks, San Francisco National Bank of San Francisco, California, and Brighton National Bank of Brighton, Colorado, had been declared insolvent by the Comptroller of the Currency and were placed in receivership. This situation had prompted questions by members of Congress about the manner in which the use of negotiable certificates of deposit apparently had contributed to the San Francisco bank's problems and also about the use of such certificates generally by the banking system. The draft of statement had been prepared with the expectation that in the near future Congressional hearings might be called.

2/8/65

-13-

Governor Daane felt that the tone and flavor of the draft language seemed to imply that any problems that might exist in the use of negotiable certificates had been solved. He suggested that it would be injudicious to give such an impression.

It was understood that a revision of the draft language would be prepared in the light of Governor Daane's comment, that any additional suggestions for changes would be discussed directly with the Director of the Division of Examinations, and that a further draft would then be made available.

Request related to Toledo's reserve city classification.

There had been circulated a memorandum dated January 8, 1965, from the Division of Bank Operations with regard to a letter of November 12, 1964, from The Toledo Trust Company, Toledo, Ohio, requesting that the Board terminate the designation of Toledo as a reserve city.

The memorandum noted that Toledo was one of the two remaining reserve cities originally classified as such under the so-called "grandfather clause" of the Board's 1947 ruling regarding classification of reserve cities. A portion of that ruling read that "...the Board is willing that such cities be continued as reserve cities if all the member banks request that this be done." The Federal Reserve Bank of Cleveland, which transmitted the present request, had ascertained that the other two member banks in Toledo (The National Bank of Toledo and The Ohio Citizens Trust Company) wished the city to retain its reserve classification.

2/8/65

-14-

The request of Toledo Trust Company was further complicated by its size in relation to the other two member banks in Toledo. In terms of demand deposits, Toledo Trust was more than twice the size of either National Bank of Toledo or Ohio Citizens Trust Company. Moreover, the demand deposits of Toledo Trust were much larger than a number of banks classified as reserve city banks in other cities.

After describing several alternative courses of action that the Board might consider, the memorandum recommended informing Toledo Trust Company that action on its request was being deferred pending the results of a broad study the Board was making of reserve classification standards.

At the Board's request, Mr. Farrell commented in supplementation of the information presented in the January 8 memorandum, following which there was a general discussion.

It was pointed out that when the Board published its 1947 rule regarding classification of cities for reserve purposes, Toledo retained its reserve city status only as the result of a request by all of the member banks in the city. At the time of the Board's subsequent reviews of reserve city classifications, Toledo was again retained as a reserve city under the so-called "grandfather clause." Under the 1947 rule, as amended in 1962, the Board could terminate the reserve city classification if one bank so requested. However, the other two member banks in Toledo seemed reluctant to have the city's classification changed. When

2/8/65

-15-

contacted in connection with the request of Toledo Trust, they had expressed the hope that Toledo's reserve city classification might be retained in order to preserve correspondent banking business and in order to continue membership in the Association of Reserve City Bankers.

Doubt was expressed by some of the members of the Board whether the circumstances warranted refusal of Toledo Trust Company's request, which meant that the bank must continue against its will to observe the higher reserve requirements applicable to reserve city banks. However, the problem posed by the mixed views of the Toledo member banks was recognized. Accordingly, agreement was expressed with a suggestion by Governor Robertson that President Hickman of the Federal Reserve Bank of Cleveland be requested to explore the matter with the three Toledo member banks and, in the light of such discussion, to submit a recommendation.

Mr. Conkling then withdrew from the meeting and Mr. Molony, Assistant to the Board, and Mrs. Sette, Chief, Economic Editing, Division of Research and Statistics, entered the room.

Bank holding company legislation. Under date of February 2, 1965, there had been distributed a memorandum from the Legal Division relating to the provisions of a bill amending the Bank Holding Company Act that the Board might recommend to the Congress.

The memorandum noted that at its meeting on January 18, 1965, the Board considered a draft of letter to the Senate and House Banking

2/8/65

-16-

and Currency Committees that would transmit a relatively short bill covering what the Board regarded as the more important desirable changes in the present bank holding company law, although the letter would reiterate the Board's 1958 recommendation for enactment of a number of additional changes. During discussion, it had developed to be the consensus that the staff should explore the merits of an amendment recently suggested by Congressman St Germain that would exempt from the "one-bank" definition of a holding company mutual savings banks that, on the date of the amendment, owned a majority of the stock of a single bank. Final action by the Board authorizing the transmittal of proposed legislation to the Congressional Committees was to await the results of the further staff study.

The memorandum went on to indicate that in addition to the St Germain proposal, certain other possible changes in the Board's proposed bill had been given further consideration by the Legal Division. The amendment proposed by Congressman St Germain, as well as other possible changes in the short bill recommended by the Legal Division, were then discussed.

It was pointed out that an amendment in the form recommended in the memorandum enclosed with Congressman St Germain's letter of December 29, 1964, would be difficult to justify on logical grounds, for reasons cited in the Legal Division's memorandum. As an alternative,

2/8/65

-17-

it was suggested that the Board might consider an amendment that would avoid any appearance of a special exemption--one that would exclude from section 23A of the Federal Reserve Act any transaction with an insured bank that was a majority-owned subsidiary of the lending or investing member bank. Such an amendment would appear to meet the most substantial point made in the St Germain proposal.

After describing the other changes in the proposed legislation that were being recommended, the Legal Division memorandum observed that the additions to the Board's "short" bill could blur the distinction between that bill and the comprehensive bill recommended in 1958. However, with the hope that such proposals might enhance the likelihood of legislation, it was recommended that the Board's letter to Congress and the "short" bill be revised. A revised draft of letter to the Senate and House Banking and Currency Committees and a proposed bill had been prepared and were attached to the memorandum.

At the Board's request, Mr. Hackley commented upon the changes that were being recommended for incorporation into the proposed "short" bill.

There followed a general discussion that touched first upon the proposed amendment recommended by Congressman St Germain, discussion then turning to the alternative amendment recommended by the Legal Division. The consensus was that the alternative amendment should be included in the proposed legislation. It was noted in this connection

2/8/65

-18-

that the alternative amendment seemed to be a reasonable solution to the problem presented by Congressman St Germain.

Governor Robertson observed that, as expanded in the foregoing and other respects, the so-called "short" bill would differ little in length from the legislation proposed in the Board's special report to Congress in 1958. He suggested, therefore, that the changes recommended in 1958 (with the exception of one proposal later withdrawn) be included in the bill to be submitted to the Congressional Committees.

There was agreement with Governor Robertson's suggestion.

At the conclusion of further discussion, it was understood that the several draft bills constituting the Board's "legislative package" would not be transmitted to the Congressional Committees until the revised draft bill on bank holding company legislation had been prepared. It was also understood that certain proposed letters responding to inquiries relating to various aspects of bank holding company legislation, drafts of which were attached to the Legal Division's memorandum of February 2, would not be sent until the draft bills constituting the Board's legislative package had been sent to the Congress. It was further understood that the material to be included in the Board's Annual Report for 1964 regarding bank holding company legislation would be modified in conformity with the procedural action on such legislation agreed upon at today's meeting.

2/8/65

-19-

The meeting then adjourned.

Secretary's Notes: Governor Shepardson approved on behalf of the Board on February 5, 1965, a letter to Dr. Frederic D. Chapman, Washington, D. C., confirming arrangements for the annual physical examination of all employees in the Board's cafeteria, at a fee of \$125.

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

Memorandum from Mr. Brill, Director of the Division of Research and Statistics, dated February 1, 1965, recommending that John Jewett, retired Senior Vice President of The Prudential Insurance Company of America, be appointed as a Consultant to the Division of Research and Statistics for a period not expected to exceed 20 days in 1965, with compensation at the rate of \$75 per day, it being understood that Mr. Jewett would be asked to furnish a "Statement of All Other Employment and Financial Interests" prior to his appointment.

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

Appointment

Phillip M. Wiggins as Messenger, Division of Administrative Services, with basic annual salary at the rate of \$3,385, effective the date of entrance upon duty.

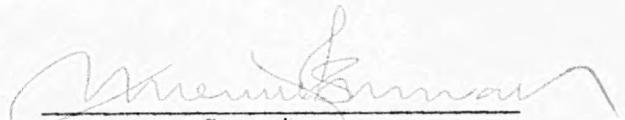
Salary increases, effective February 14, 1965

David M. Duren, Statistical Clerk, Division of Research and Statistics, from \$4,275 to \$4,410 per annum.

Irwin W. Robinson, Federal Reserve Examiner, Division of Examinations, from \$10,250 to \$10,605 per annum.

Ann W. Raybold, Employment Technician, Division of Personnel Administration, from \$6,250 to \$6,450 per annum.

Audrey L. Litman, Statistical Clerk, Division of Data Processing, from \$4,780 to \$4,930 per annum.


Secretary

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

Item No. 1
2/8/65

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 8, 1965



**Board of Directors,
City Trust Company,
Bridgeport, Connecticut.**

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by City Trust Company, Bridgeport, Connecticut, of a branch in the Hardy Shopping Center on Quality Street between Main Street and Church Hill Road, Town of Trumbull, Fairfield County, Connecticut, 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

437
Item No. 2
2/8/65

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 8, 1965

Board of Directors,
Hempstead Bank,
Hempstead, New York.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Hempstead Bank, Hempstead, New York, of in-town branches at (1) 728-734 Fulton Avenue and (2) 265 North Franklin Street, provided the branches are established within one year from the date of this letter.

It is the Board's understanding that plans are now in process for the strengthening of the bank's capital structure.

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 each 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 25, D. C.

Item No. 3⁴³⁸
2/8/65

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 8, 1965

Board of Directors,
Reading Trust Company,
Reading, Pennsylvania.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Reading Trust Company, Reading, Pennsylvania, of a branch in the Shillington Shopping Center, or the vicinity thereof, 530 East Lancaster Avenue, Shillington, Berks 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 25. D. C.

Item No. 4
2/8/65



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 8, 1965

Board of Directors,
Bank of the Commonwealth,
Detroit, Michigan.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Bank of the Commonwealth, Detroit, Michigan, of a branch at 7720-7724 Michigan Avenue, Detroit, Michigan, 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. 5
2/8/65



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 8, 1965

Board of Directors,
The Peoples State Bank of Holland,
Holland, Michigan.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by The Peoples State Bank of Holland, Holland, Michigan, of a branch at 697 Maple Avenue, Holland, Michigan, provided the branch is established within six months 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

Item No. 6
2/8/65

WASHINGTON, D. C. 20551



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 8, 1965

Bamerical International Financial Corporation,
41 Broad Street,
New York, New York 10015.

Gentlemen:

Reference is made to your letter of January 21, 1965, transmitted through the Federal Reserve Bank of New York, requesting approval of an amendment, pursuant to a resolution adopted by the shareholders of your Corporation on January 18, 1965, to Article FIFTH of your Articles of Association to provide for a Board of Directors consisting of not less than five nor more than twenty-five members. It is noted that the purpose of amendment is to obtain a greater diversification and flexibility in the composition of your Board of Directors.

In accordance with your request and pursuant to the provisions of Section 211.3(a) of Regulation K, as revised effective September 1, 1963, the Board of Governors approves the amendment to the first sentence of Article FIFTH of your Articles of Association to read:

"The Board of Directors shall consist of not less than five nor more than twenty-five members."

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. 7
2/8/65



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 8, 1965

CONFIDENTIAL (FR)

Mr. Robert N. Hilkert,
First Vice President,
Federal Reserve Bank of Philadelphia,
Philadelphia, Pennsylvania 19101.

Dear Mr. Hilkert:

The Board of Governors approves the payment of salary to the Medical Director of the Federal Reserve Bank of Philadelphia, who works on a regular part-time basis, at the rate of \$7,500 per annum effective April 5, 1965. The Board understands that, when converted to a full-time basis, this salary exceeds the maximum of the grade to which his position is assigned.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 8
2/8/65



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 8, 1965

Mr. M. H. Strothman, Jr.,
First Vice President,
Federal Reserve Bank of Minneapolis,
Minneapolis, Minnesota 55440.

Dear Mr. Strothman:

Reference is made to your letter of January 18, 1965,
regarding Mr. Frederick L. Deming, formerly President of the
Federal Reserve Bank of Minneapolis.

The Board of Governors agrees that Mr. Deming's
service as Under Secretary of the Treasury for Monetary Affairs,
beginning February 1, 1965, is for a purpose deemed in the pub-
lic interest within the meaning of Section 5A of the Rules and
Regulations of the Retirement System of the Federal Reserve
Banks, the resolutions adopted and approved under such Section,
and the Board's letter of August 4, 1961 (S-1802).

Very truly yours,
(Signed) Merritt Sherman

Merritt Sherman,
Secretary.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

144
Item No. 9
2/8/65

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 8, 1965

Mr. John W. Beck, Vice President,
Economic Consultants Incorporated,
2146 Ponce de Leon Boulevard,
Coral Gables 34, Florida.

Dear Mr. Beck:

This refers to your letter of January 14, 1965, in which you made inquiry regarding the application filed by Capital Bancshares, Inc., on December 7, 1964, for permission to vote the shares it owns and controls of the National Bank of Miami.

Actually, the application received by the Board of Governors and dated December 7, 1964, was submitted by Capital Bancshares, Inc., Miami, Florida, for a permit to vote shares owned or controlled, directly or indirectly, of Capital National Bank of Miami, Miami, Florida. Notice of receipt of this application was published in the Board's publication H.2, No. 50 (copy enclosed).

Capital Bancshares' application was filed pursuant to the Board's Regulation P, a copy of which is enclosed. Information contained in such applications is considered by the Board to be confidential and is not made available to the public. When the Board has taken final action on the subject application, notice of such will be published in the Board's publication H.2. However, the Board did issue Capital Bancshares, Inc., permission to vote the shares it owned of Capital National Bank of Miami at that bank's 1965 annual shareholders' meeting.

Your letter of inquiry made reference to Capital Bancshares, Inc., as a bank holding company. Capital Bancshares does not meet the definition of a bank holding company as contained in the Bank Holding Company Act of 1956 (see the Board's Regulation Y, a copy of which is enclosed), but does meet the definition of a holding company affiliate as defined in the Board's Regulation P.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

Enclosures.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

445
Item No. 10
2/8/65

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 8, 1965.



Mr. John A. Sweeney, Vice President,
Northwest Bancorporation,
Minneapolis, Minnesota. 55440

Dear Mr. Sweeney:

This refers to your letter of January 22, 1965, in which you requested the Board's opinion on the question whether Northwest Bancorporation may lawfully acquire the voting shares of a proposed agricultural credit corporation.

The Board understands that Northwest proposes to acquire all of the capital stock of an agricultural credit corporation which it would organize and incorporate under the laws of Minnesota. The proposed credit corporation would be operated as a wholly-owned nonbanking subsidiary which would engage in the business of purchasing agricultural loan paper from the holding company's subsidiary banks.

Section 4(c)(4) of the Bank Holding Company Act permits a bank holding company to acquire stock of the kinds and in the amounts eligible for investment by national banks. Section 5136 of the Revised Statutes prohibits national banks from purchasing corporate stocks except as permitted by that section or as "otherwise permitted by law". Section 23A of the Federal Reserve Act restricts investments by member banks, including national banks, in stock of their affiliates, but specifically exempts investments in stock of any affiliate engaged solely in the business of an agricultural credit corporation. Thus, section 23A has been regarded as impliedly recognizing the authority of national banks to purchase stock of such a corporation. The Comptroller of the Currency has ruled that under section 5136 of the Revised Statutes and section 23A of the Federal Reserve Act a national bank may invest in the stock of an agricultural credit corporation.

Accordingly, it is the Board's view that Northwest Bancorporation's acquisition of such shares would be exempted from the prohibitions of section 4 of the Bank Holding Company Act by virtue of section 4(c)(4) of that Act, and the Board would have no objection to consummation of your proposal.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 11
2/8/65

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 8, 1965



Board of Directors,
Norfolk County Trust Company,
Brookline, Massachusetts.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Norfolk County Trust Company, Brookline, Massachusetts, of a branch at 68-84 North Main Street, Randolph, Massachusetts, 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.)