

Minutes for February 11, 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

W

Gov. Mills

[Signature]

Gov. Robertson

R

Gov. Balderston

CCB

Gov. Shepardson

[Signature]

Gov. Mitchell

[Signature]

Gov. Daane

[Signature]

Minutes of the Board of Governors of the Federal Reserve System on Thursday, February 11, 1965. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary
 Mr. Kenyon, Assistant Secretary
 Mr. Noyes, Adviser to the Board
 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. Sammons, Adviser, Division of International Finance
 Mr. Kiley, Assistant Director, Division of Bank Operations
 Mr. Smith, Assistant Director, Division of Examinations
 Miss Hart, Senior Attorney, Legal Division
 Mr. McClintock, 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:

Item No.

Letter to the Federal Reserve Bank of San Francisco regarding the question whether the prohibitions of section 32 of the Banking Act of 1933, as amended, extend to a bank director who is a shareholder of a corporation that is or will be primarily engaged in section 32 business, but who is not a director, officer, or employee of such corporation.

1

2/11/65

-2-

	<u>Item No.</u>
Letter to the Comptroller of the Currency regarding the obtaining of copies of reports of changes in control of management of banks furnished to his Office under the provisions of Public Law 88-593.	2
Memorandum from Mr. Young dated January 28, 1965, regarding the furnishing of assistance to the Central Bank of the Philippines for a study of both systems and procedures and manpower requirements and utilization.	3

Messrs. Noyes, Sammons, and McClintock, and Miss Hart withdrew from the meeting at this point.

Examination of Richmond Bank. There had been circulated to the Board the report of examination of the Federal Reserve Bank of Richmond made by the Board's field examining staff as of November 2, 1964, together with related supplemental memoranda.

Mr. Smith reviewed the examination findings, and there developed to be no matters concerning which action by the Board at this time was deemed necessary. Among other things Mr. Smith commented on indebtedness to two brokerage firms reported by Lloyd B. Gee, an employee of the Money Department, and on recent verbal advice from the Reserve Bank's General Auditor indicating that the situation was currently being given renewed attention by the Bank's management with a view to receiving assurance that the employee's financial program was on a sound investment basis.

The meeting then adjourned.

2/11/65

-3-

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

Letter to the Federal Reserve Bank of Philadelphia (attached Item No. 4) approving the designation of Joseph R. Joyce as special assistant examiner.

Letter to the Federal Reserve Bank of Cleveland (attached Item No. 5) approving the designation of William F. Krech, Dennis E. Murray, and Richard Nicoloff as special assistant examiners.

Letter to the Federal Reserve Bank of San Francisco (attached Item No. 6) approving the appointment of Richard Ray as assistant examiner.

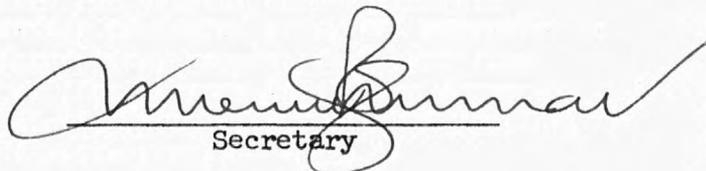
Memoranda recommending the following actions relating to the Board's staff:

Appointment

Judith S. Scully as Secretary, Division of Personnel Administration, with basic annual salary at the rate of \$5,165, effective the date of entrance upon duty.

Salary increase

Sandra H. Cook, Statistical Clerk, Division of Bank Operations, from \$3,680 to \$4,005 per annum, effective February 14, 1965.


Secretary

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

Item No. 1
2/11/65



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 11, 1965

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

Dear Mr. Hemmings:

Your letter of February 1, 1965, and its enclosures, presented the question whether the continued service of Mr. W. P. Fuller Brawner as a director of The Bank of California, N. A., San Francisco, California, may be contrary to the prohibition in section 32 of the Banking Act of 1933, as amended, because of his ownership of shares in Tappan-Smith & Co., Inc., and his membership in a group of five individuals who vote the stock of that company.

From the information presented, it seems clear that Tappan-Smith & Co., Inc., is to be regarded as primarily engaged in business of the kinds described in section 32. However, it is stated that Mr. Brawner is not an officer, director, or employee of that company and that he does not take any active part in its management. Apparently, his only relationship with the company arises from his ownership of one-half of its outstanding preferred stock and approximately 15 per cent of its Class B (nonvoting) common stock, and from the fact that he is one of a group of five persons holding an irrevocable proxy under which they will jointly vote all the Class A (voting) stock of the company for a period of seven years.

It does not seem from your letter and its enclosures that the group of five persons just mentioned is a partnership; if it were, the principles enunciated in 1964 Federal Reserve Bulletin 563 might apply, so that the interlocking service of a member of the group as a director of a member bank might be prohibited.

However, as the Board has indicated on previous occasions when the question has arisen, mere ownership of stock in a corporation primarily engaged in section 32 business does not preclude the person owning the stock from serving as a director, officer, or employee of a member bank. On the basis of the information submitted, outlined above,

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Mr. H. E. Hemmings

-2-

it would not appear that Mr. Brawner, either because of any activity by him in his individual capacity or because of any relationship he has with Tappan-Smith & Co., Inc., would be precluded by section 32 from continuing as a director of The Bank of California, N. A. This seems to be the view of your Bank.

However, if there should be further facts having a material bearing on the matter, or if there should be any substantial change in the situation as presented, further consideration of the matter might be required. In the circumstances, it would seem desirable for your Bank to review the matter from time to time.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 2
2/11/65

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 11, 1965.



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

Dear Mr. Saxon:

In the Board's letter of October 21, 1964, addressed to you in answer to Mr. Bloom's letter of October 1, 1964, the Board stated that it would appreciate obtaining copies of reports regarding changes in control of management of banks submitted to you in accordance with the provisions of Public Law 88-593. Mr. Bloom's letter stated that the Office of the Comptroller would be glad to make copies of these reports available to the Federal Reserve Board in Washington as they are received.

Our records reveal no instances where your office has furnished the Board with copies of reports received directly by you. The Board assumes your office continues to be agreeable to making such reports available, and it would like to reaffirm its desire to receive copies of reports as they are submitted to you.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Item No. 3
2/11/65

492

Office Correspondence

Date January 28, 1965

To Board of Governors

Subject: Assistance to the Central Bank

From Ralph A. Young

of the Philippines

Governor Castillo, of the Central Bank of the Philippines, has asked the Federal Reserve System to furnish assistance to the Central Bank for a study of both systems and procedures and manpower requirements and utilization. A copy of Governor Castillo's letter is attached. Vice President Sanford, of the Federal Reserve Bank of New York, contacted the Board with regard to an earlier verbal request by Governor Castillo and suggested that the Board consider arranging for this study to be made by two officials of the System.

This was discussed informally with Governor Robertson, who suggested that one of the officials selected be from the Board of Governors and recommended the Director of the Division of Personnel Administration at the Board, E. J. Johnson. It is recommended that Mr. Johnson be assigned to this study for the time necessary for completion.

With the thought that the other member on this assignment should preferably have Reserve Bank Planning Department experience, Jarvis M. Thayer, Jr., Cashier at the Federal Reserve Bank of Boston, is under consideration to accompany Mr. Johnson on this assignment. A review of his background is attached. Informal inquiry has been made of President Ellis, who has agreed to Mr. Thayer being selected for this assignment; however, he would prefer delaying formal agreement until he has the approval of the Board of Directors of that Bank. They will meet next Monday, February 1. It is recommended that the Board approve the selection of Mr. Thayer, if approved by the Board of Directors of the Boston Reserve Bank.

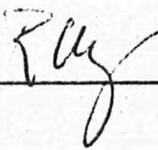
In addition, Everett B. Post, Manager of the Planning Department of the Federal Reserve Bank of New York, has been asked by the Central Bank of the Philippines to participate for a few weeks at the beginning of the study. Mr. Post has recently completed a five-month assignment there to institute a position classification plan.

It is expected, based upon Mr. Post's estimates and a broad analysis of Governor Castillo's request, that this study will approximate a period of three months' duration. First discussions covered a possible period of from three to six months; however, Mr. Post has indicated that, from his knowledge of the background of the request, three months would be closer to the required time, barring unforeseen problems. The expected beginning date would be about April 1.

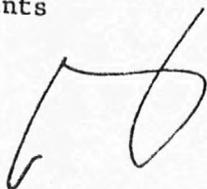
As to the financial arrangements, the Central Bank of the Philippines would expect to provide the cost of transportation, plus reasonable living expenses while in the Philippines. This is similar to the expense arrangements made with Mr. Post, and is recommended.

- 2 -

With regard to salary, the Central Bank of the Philippines would be willing to reimburse the Board and the Federal Reserve Bank concerned for the salaries of the study team. This was the arrangement with New York in connection with Mr. Post. However, Mr. Ellis mentioned that his Bank would prefer that the salary of Mr. Thayer be absorbed by the Reserve Bank, as in the loan of Mr. Latham to the State Bank of Ethiopia. Keeping in mind that this would be considered as assistance to another central bank, it is possible that the Board also might wish to absorb the salary of its representative, as is being done in Mr. Sammons' participation in a current mission to Honduras. It appears to me that it would be preferable to request reimbursement of out-of-pocket expense only, and this is recommended. In either case, it is assumed, of course, that all existing fringe benefits of the participants would be continued, with the present contributions by the participants toward the costs of these fringe benefits also to continue.



Attachments



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

194
Item No. 4
2/11/65

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 12, 1965



Mr. Joseph R. Campbell, Vice President,
Federal Reserve Bank of Philadelphia,
Philadelphia, Pennsylvania. 19101

Dear Mr. Campbell:

In accordance with the request contained in your letter of February 9, 1965, the Board approves the designation of Joseph R. Joyce as a special assistant examiner for the Federal Reserve Bank of Philadelphia for the purpose of participating in examinations of State member banks.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 5
2/11/65

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 11, 1965



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

Dear Mr. Huning:

In accordance with the request contained in your letter of February 8, 1965, the Board approves the designation of William F. Krech and Dennis E. Murray as special assistant examiners for the Federal Reserve Bank of Cleveland for the purpose of participating in examinations of State member banks.

The Board also approves the designation of Richard Nicoloff as a special assistant examiner for your bank for the purpose of participating in examinations of State member banks except The Cleveland Trust Company, Cleveland, Ohio. The authorization heretofore given your bank to designate Mr. Nicoloff on an unrestricted basis is hereby canceled.

The name of Frank Carrell has been deleted from our list of special assistant examiners.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 6
2/11/65

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 12, 1965

CONFIDENTIAL (FR)

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

Dear Mr. Galvin:

In accordance with the request contained in Mr. Cavan's letter of February 8, 1965, the Board approves the appointment of Richard Ray as an assistant examiner for the Federal Reserve Bank of San Francisco, effective today.

It is noted that Mr. Ray is indebted to Bank of America National Trust and Savings Association, San Francisco, California, and that his sister is employed by that bank. Accordingly, the Board's approval of the appointment of Mr. Ray is given with the understanding that he will not participate in any examination of that bank so long as his indebtedness remains unliquidated and his sister is employed by that institution.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

