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Minutes for February 19, 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>    </u>
Gov. Mills	<u>    </u>
Gov. Robertson	<u>    </u>
Gov. Balderston	<u>    </u>
Gov. Shepardson	<u>    </u>
Gov. Mitchell	<u>    </u>
Gov. Daane	<u>    </u>

Minutes of the Board of Governors of the Federal Reserve System on Friday, February 19, 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. Sherman, Secretary  
Mr. Kenyon, Assistant Secretary  
Mr. Noyes, Adviser to the Board  
Mr. Molony, Assistant to the Board  
Mr. Fauver, Assistant to the Board  
Mr. Solomon, Director, Division of Examinations  
Mrs. Semia, Technical Assistant, Office  
of the Secretary  
Mr. Morgan, Staff Assistant, Board Members'  
Offices  
Mr. Furth, Consultant

Messrs. Brill, Holland, Koch, Partee, Solomon,  
Axilrod, Bernard, and Eckert of the Division  
of Research and Statistics

Messrs. Hersey, Katz, Reynolds, and Baker of  
the Division of International Finance

Money market review. Comments by Mr. Bernard regarding the Government securities market were followed by a review by Mr. Baker of developments in foreign exchange markets and related matters. Various points were illustrated by reference to tables showing retail distribution of Treasury bonds following recent advance refundings, interest rate developments, and perspective on the money market and bank reserve utilization. The staff then responded to a number of questions by members of the Board relating to the operation of

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international financial mechanisms, including the Euro-dollar market, with particular reference to the President's program to improve the U. S. balance of payments position. Chairman Martin suggested that it would be helpful for Mr. Katz to update his informative paper on the Euro-dollar market.

All members of the staff then withdrew except Messrs. Sherman, Kenyon, and Solomon (Examinations), and Mrs. Semia and the following entered the room:

Mr. Hackley, General Counsel  
Mr. Hooff, Assistant General Counsel  
Mr. Daniels, Assistant Director, Division of Bank  
Operations  
Mr. Leavitt, Assistant Director, Division of  
Examinations  
Mr. Thompson, Assistant Director, Division of  
Examinations  
Mr. Egertson, Supervisory Review Examiner, Division  
of Examinations

Discount rates. The establishment without change by the Federal Reserve Banks of New York, Philadelphia, and San Francisco on February 18, 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.

Report on competitive factors (Charlotte-Tryon, North Carolina). A report to the Comptroller of the Currency on the competitive factors involved in the proposed merger of Tryon Bank & Trust Company, Tryon, North Carolina, into North Carolina National Bank, Charlotte, North Carolina, was approved unanimously for transmittal to the Comptroller. The conclusion read as follows:

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There appears to be no competition between Tryon Bank & Trust Company and North Carolina National Bank, Charlotte. While the proposed merger would not alter National's competitive capabilities in the areas in which it currently operates nor alter its position in relation to other banks in the State, it would expand National's geographic coverage into another county and constitute a further step in North Carolina toward the grouping of banks into large aggregations with a consequent decline of locally headquartered banking outlets.

Applications re holding company affiliate status (Item No. 1).

There had been distributed a memorandum dated February 15, 1965, from the Division of Examinations recommending approval of applications of Mercantile-Commerce Company and Mercantile Trust Company National Association, both of St. Louis, Missouri, for determinations exempting them from all holding company affiliate requirements except those in section 23A of the Federal Reserve Act. A draft of letter that would grant the requested determinations was attached to the memorandum.

After background comments by Mr. Solomon and response by the staff to various questions asked by members of the Board, the letter was approved, Governor Robertson abstaining. A copy of the letter is attached as Item No. 1.

Mr. Thompson then withdrew from the meeting.

Kansas City building program (Item No. 2). There had been distributed a memorandum dated February 18, 1965, from the Division of Bank Operations regarding a request from the Federal Reserve Bank

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of Kansas City for authorization to proceed with the preparation of detailed plans and specifications for an addition to the Bank's building. In December 1962 the Board had approved the purchase of land upon which an addition might be constructed. The memorandum, which described the general nature of the building called for by the preliminary plans and outline specifications that the Bank had submitted, expressed reservations as to the contemplated provisions for vault space, fallout shelter facilities, and future expansion of the garage area. Attached to the memorandum was a draft of letter that would grant the requested authorization subject to consideration by the Bank of the need for adjustment of those provisions.

Discussion disclosed a consensus that the questions raised by the Division of Bank Operations were valid ones and that the letter to the Kansas City Bank should not indicate firm approval of the preparation of final plans for the building addition until the Bank had explored those questions and advised the Board of its findings.

Unanimous approval was given to a letter to the Federal Reserve Bank of Kansas City that would reflect the tenor of the discussion. A copy of the letter in the form transmitted to the Bank is attached as Item No. 2.

The meeting then adjourned.

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

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Letter to the Federal Reserve Bank of New York (attached Item No. 3) approving the appointment of Vincent A. Scola as assistant examiner.

Letter to the Federal Reserve Bank of Kansas City (attached Item No. 4) approving the appointment of Marshall Edwin Talbot as assistant examiner.

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

Salary increase

Dolores Ann Winkler, Secretary, Office of the Secretary, from \$5,000 to \$5,505 per annum, effective February 23, 1965.

Acceptance of resignations

Michael A. Gomez, Economist, Division of International Finance, effective at the close of business February 25, 1965.

Ann W. Walka, Digital Computer Programmer, Division of Data Processing, effective at the close of business February 26, 1965.

Permission to engage in outside activity

Judith S. Scully, Secretary, Division of Personnel Administration, to type at home for a local hotel.

Governor Shepardson today noted on behalf of the Board a memorandum from the Division of Personnel Administration advising that application for retirement had been filed by Madeleine E. Benton, Secretary to Governor Mills, effective at the close of business February 28, 1965.

  
Secretary

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 1  
2/19/65

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

February 19, 1965

Mr. K. R. Cravens, Vice President,  
Mercantile-Commerce Company,  
721 Locust Street,  
St. Louis, Missouri. 63101

Mr. K. R. Cravens, Chairman of the Board,  
Mercantile Trust Company National Association,  
St. Louis, Missouri.

Dear Mr. Cravens:

This refers to the requests contained in your letters dated January 6, 1965, and February 5, 1965, submitted through the Federal Reserve Bank of St. Louis, for determinations by the Board of Governors of the Federal Reserve System as to the status of Mercantile-Commerce Company and the Mercantile Trust Company National Association as holding company affiliates.

From the information presented, the Board understands that Mercantile-Commerce Company is a holding company affiliate as defined by section 2(c)(1) of the Banking Act of 1933 (12 U.S.C. 221a) by reason of the fact that it owns 3,260 of the 3,500 outstanding shares of capital stock of Mercantile-Commerce National Bank, St. Louis, Missouri; that the Mercantile Trust Company National Association is also a holding company affiliate as defined by section 2(c)(2) of such Act by reason of the fact that all of the stock of Mercantile-Commerce Company is held by five trustees for the benefit of the stockholders of Mercantile Trust Company National Association; and that neither Mercantile-Commerce Company, nor the Mercantile Trust Company National Association, directly or indirectly, owns or controls any stock of, or manages or controls, any other banking institution.

In view of these facts, the Board has determined that neither Mercantile-Commerce Company nor Mercantile Trust Company National Association is engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling banks, banking associations, savings banks, or trust companies



Mr. K. R. Cravens

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within the meaning of section 2(c) of the Banking Act of 1933 (12 U.S.C. 221a); and, accordingly, they are not deemed to be holding company affiliates except for the purposes of section 23A of the Federal Reserve Act and do not need voting permits from the Board of Governors in order to vote the bank stock which they own or control.

If, however, the facts should at any time indicate that Mercantile-Commerce Company or the Mercantile Trust Company National Association might be deemed to be so engaged, this matter should again be submitted to the Board. The Board reserves the right to rescind these determinations and make further determination of this matter at any time on the basis of the then existing facts, including additional acquisitions of bank stock even though not constituting control.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,  
Assistant Secretary.



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 2  
2/19/65



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

February 19, 1965.

Mr. George H. Clay, President,  
Federal Reserve Bank of Kansas City,  
Kansas City, Missouri. 64106

Dear Mr. Clay:

This refers to Vice President Boysen's letter of January 29, 1965, in which authorization is requested to proceed with the preparation of final plans and specifications for the proposed addition to the Kansas City head office building.

Subject to your consideration and advice regarding the following suggestions, the Board authorizes your Bank to proceed with the preparation of final plans and specifications for the addition to the Kansas City Bank building in accordance with the preliminary plans and specifications submitted with Mr. Boysen's letter:

It is believed that the provisions for emergency heating, the installation of special filters, and any additional protection against blast except for the shelter for the cooling towers on the roof need not be provided in plans for the fallout shelter.

Consideration should also be given to constructing at this time any additional space likely to be needed for the foreseeable future. Accordingly, it is suggested that estimated costs for one or both of the additional parking floors contemplated, for which structural provision has been made in the preliminary plans and specifications, be obtained as an alternate in the final plans.

Due to the expected expansion in currency operations and the possibility of having to hold large supplies of coin in the foreseeable future, consideration should be given to enlarging the proposed new vault or constructing an auxiliary or coin vault.

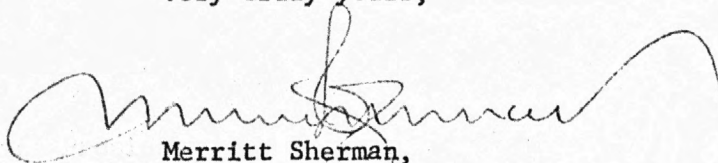
The Board would appreciate receiving advice of the action taken on these suggestions prior to preparation of final plans and specifications. This does not mean that the architect could not go

Mr. George H. Clay

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ahead with all phases of such work other than those that would be affected by the necessary decisions.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Merritt Sherman", written in dark ink. The signature is fluid and extends across the width of the page.

Merritt Sherman,  
Secretary.



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

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Item No. 3  
2/19/65

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

February 23, 1965

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

Dear Mr. Crosse:

In accordance with the request contained in your letter of February 15, 1965, the Board approves the appointment of Vincent A. Scola as an assistant examiner for the Federal Reserve Bank of New York, effective today.

It is noted that Mr. Scola is indebted to the following banks:

Clark State Bank, Clark, New Jersey (State member)  
Millburn-Short Hills Bank, Millburn, New Jersey  
(State member)  
First National Iron Bank of Morristown, Morristown,  
New Jersey.

Accordingly, the Board's approval of the appointment of Mr. Scola is given with the understanding that he will not participate in any examination of the bank(s) to which his indebtedness remains unliquidated.

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. 4  
2/19/65

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

February 19, 1965

Mr. George D. Royer, Jr., Vice President,  
Federal Reserve Bank of Kansas City,  
Kansas City, Missouri. 64106

Dear Mr. Royer:

In accordance with the request contained in your letter of February 15, 1965, the Board approves the appointment of Marshall Edwin Talbot as an assistant examiner for the Federal Reserve Bank of Kansas City. Please advise the salary rate and effective date of the appointment.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,  
Assistant Secretary.

