

13609

Minutes for February 23, 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

Gov. Robertson

R

Gov. Balderston

ccsB

Gov. Shepardson

[Signature]

Gov. Mitchell

[Signature]

Gov. Daane

[Signature]

Minutes of the Board of Governors of the Federal Reserve System on Tuesday, February 23, 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. Noyes, Adviser to the Board
Mr. Molony, Assistant to the Board
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. Kakalec, Controller
Mr. Hexter, Assistant General Counsel
Mr. O'Connell, Assistant General Counsel
Mr. Shay, Assistant General Counsel
Mr. Hooff, Assistant General Counsel
Mr. Leavitt, Assistant Director, Division of Examinations
Mr. Bass, Assistant Controller
Mr. Spencer, General Assistant, Office of the Secretary
Mr. Shuter, Attorney, Legal Division
Messrs. Egertson and McClintock, Supervisory Review Examiners, Division of Examinations
Mr. Poundstone, Review Examiner, Division of Examinations
Mr. Waller, Supervisory Accountant, Office of the Controller

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

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	<u>Item No.</u>
Letter to Bankers Trust Company, New York, New York, approving the establishment of a branch in Jericho, Town of Oyster Bay.	1
Letter to Manufacturers and Traders Trust Company, Buffalo, New York, approving the establishment of a branch in North Tonawanda.	2
Letter to Girard Trust Bank, Philadelphia, Pennsylvania, approving the establishment of a branch at 5522-24 North 5th Street.	3
Letter to The Elyria Savings & Trust Company, Elyria, Ohio, approving the establishment of a branch in Avon Lake.	4
Letter to Wells Fargo Bank, San Francisco, California, approving an extension of time to establish a branch at Fresno and Van Ness Streets, Fresno, provided branch operations conducted at 1440 Fulton Street are discontinued simultaneously with the opening of this branch.	5
Letter to the Federal Reserve Bank of Chicago regarding the status of The Greater Iowa Corporation, Des Moines, Iowa, as a holding company affiliate of First National Bank, Cedar Falls, Iowa.	6
Memorandum of February 18, 1965, from the Legal Division recommending that Federal Reserve Banks be requested to notify member banks concerned of certain procedures to be followed under Regulation F, Securities of Member State Banks, in connection with stockholders' meetings; letter to the Federal Reserve Bank of Boston reflecting this recommendation. (The letter as approved incorporated certain changes agreed upon during a discussion of the draft.) (It was understood that similar letters would be sent to the other Federal Reserve Banks, except Minneapolis. A copy of the letter sent to the Minneapolis Reserve Bank is attached as <u>Item No. 9.</u>)	7-9

Technical advisory committee. Governor Robertson reported that in connection with the program for voluntary restraint on foreign

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lending by American banks, a technical advisory committee was being established to assist the Board's staff in formulating suitable guidelines for the conduct of the program. The committee would be made up of approximately five people from the banking community familiar with many of the problems that might arise. It was contemplated that a meeting of the committee would be held in Washington beginning Monday, March 1, 1965, which might last two to five days.

Governor Robertson recommended that the Board authorize defraying the actual expenses of the members of the committee and paying each member a fee in accordance with the Board's normal fee schedule for consultants.

Governor Robertson's recommendation was approved unanimously.

Request for certain documents relating to San Francisco National Bank. Mr. Solomon stated that a telegram had been received from the Federal Reserve Bank of San Francisco requesting the Board's view as to the procedure it should follow with respect to a request from a staff member of the Permanent Subcommittee on Investigations of the Senate Committee on Government Operations for a copy of a report submitted by the Reserve Bank to the Board in 1961 in connection with the application to organize San Francisco National Bank, San Francisco, California.

The document in question was actually one of several on the same subject, Mr. Solomon said. Included in the material he referred

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to was the report of the Reserve Bank examiner who made an investigation in connection with the charter application, a letter of September 14, 1961, from the Reserve Bank submitting the examiner's report to the Board, and a memorandum that had been prepared on the basis of the foregoing material by the Board's Division of Examinations and addressed to the Board. Finally, there was the advisory letter that the Board had sent to the Comptroller of the Currency with regard to the charter application, in accordance with interagency procedures existing at the time.

Mr. Solomon noted that the request of the Subcommittee staff involved the principle of releasing internal documents of a confidential character. In his opinion, the release of such material would establish an unfortunate precedent. If the Board declined to make the requested document available, the Subcommittee might subpoena it. However, the Board's letter to the Comptroller of the Currency might serve the Subcommittee's purpose. Accordingly, he suggested that the Board might offer to make a copy of that letter available to the Subcommittee staff.

At the conclusion of a discussion of possible alternative procedures, it was understood that Mr. Solomon would advise the Federal Reserve Bank of San Francisco that, since the document requested was of an internal nature, the Board was unwilling to authorize its release, but that the Board would be willing to make

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available a copy of the letter that had been sent to the Comptroller of the Currency.

Messrs. Noyes, Hexter, Shay, Hooff, Leavitt, Shuter, Egertson, McClintock, and Poundstone then withdrew from the meeting.

Budget performance report for 1964. There had been distributed to the members of the Board a report dated February 5, 1965, from the Office of the Controller reviewing the performance under the Board's budget for the calendar year 1964.

The 1964 budget was \$8,448,000; expenses totaled \$8,747,000, resulting in an overexpenditure of \$299,000. The principal factors contributing to the overexpenditure were the purchase of an IBM 1410 computer and the cost of a Consumer Finances Balance Sheet Survey undertaken at the request of the Council of Economic Advisers. While nearly all account overexpenditures had been approved before year end, certain accounts totaling \$13,069 were not submitted for approval prior to December 31, 1964. In the opinion of the Controller these expenditures were reasonably unavoidable, and it was recommended that acceptance of the budget performance report be considered as approval of the remaining overexpenditures.

At the request of the Board, Mr. Kakalec commented on the budget performance report and summarized significant reasons for the total overexpenditure, following which he responded to several questions by members of the Board. It was understood, in line with a

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request by Governor Mitchell, that a memorandum would be prepared indicating the cost of various projects run in 1964 on the IBM 1410 computer.

At the conclusion of the discussion, the budget performance report was accepted and the overexpenditures in certain account classifications totaling \$13,069 that had not been submitted to the Board prior to December 31, 1964, were approved.

Report of audit (Items 10 and 11). There had been distributed copies of a report by Haskins & Sells dated February 4, 1965, covering its examination of the financial statements of the Board of Governors for the year ended December 31, 1964, together with a report by that firm on the scope of its examination. There also had been distributed a memorandum from the Office of the Controller dated February 15, 1965, relating to the audit report.

The audit report was accepted, it being understood that copies would be transmitted to the Chairmen of the Senate and House Banking and Currency Committees. Copies of the transmittal letters are attached as Items 10 and 11.

Letter to Budget Bureau regarding H. R. 3818 (Item No. 12).

Unanimous approval was given to a letter to the Bureau of the Budget recommending approval of enrolled bill H. R. 3818, "To eliminate the requirement that Federal Reserve banks maintain certain reserves in gold certificates against deposit liabilities." A copy is attached as Item No. 12.

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Report by Governor Daane. Governor Daane presented a brief report on the meeting he had attended last week in Paris, France, of the Economic Policy Committee of the Organization for Economic Cooperation and Development. He noted that Mr. Young had reported earlier on the meeting of Working Party 3.

At this point all of the members of the staff except Mr. Sherman withdrew from the meeting.

Division of Examinations staff. Governor Shepardson stated that he had been reviewing with Mr. Solomon, Director of the Division of Examinations, plans for staff succession during the next year or so when at least one and perhaps two retirements of officers in the Division would occur. He stated that he would like to have the Board's reaction as to whether it would be desirable to strengthen the officer staff by bringing in a mature, experienced person from one of the Reserve Banks, if such a person could be obtained, or whether in the alternative it would be preferable to rely upon promotions of younger men now in the Division. He went on to say that some of the younger men in the Division seemed to be developing but that in his opinion the more immediate needs might be met most effectively by the addition from outside of an older, more seasoned person, with the expectation, of course, that the younger men now in the Division would be promoted as their development warranted.

During a general discussion of the questions raised by Governor Shepardson it became evident that the Board felt strongly

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that steps should be taken promptly for strengthening supervision in the Division, that there was almost unanimous feeling that this should include the addition of at least one seasoned person with examination experience from outside, and that more aggressive attention should be given to developing persons within the present staff. At the conclusion of the discussion Governor Shepardson was requested to discuss the matter further with Mr. Solomon with a view to pursuing a program along the lines indicated.

The meeting then adjourned.

Secretary's Notes: On February 18, 1965, Governor Shepardson approved on behalf of the Board a memorandum dated February 16, 1965, from Mr. Schwartz, Director, Division of Data Processing, recommending that a new position of statistician at the junior or intermediate level be established in that Division, it being understood that the position would be regarded as established when the statistician was hired.

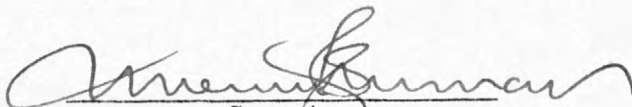
Governor Shepardson today approved on behalf of the Board memoranda recommending the following actions relating to the Board's staff:

Military leave

Kenneth L. Johnson, Draftsman-Trainee, Division of Data Processing, for the period necessary to fulfill his military obligation, beginning February 24, 1965.

Permission to engage in outside activity

Ella M. Dear, Teletype Operator, Division of Administrative Services, to work as a flexowriter operator for the American Chemical Society.


Secretary



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 1
2/23/65

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 23, 1965

Board of Directors,
Bankers Trust Company,
New York, New York.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Bankers Trust Company, New York, New York, of a branch at 333 North Broadway in the unincorporated area of Jericho, Town of Oyster Bay, Nassau County, New York, provided the branch is established within six months from the date of this letter.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
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

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Item No. 2
2/23/65

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 23, 1965

Board of Directors,
Manufacturers and Traders Trust Company,
Buffalo, New York.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Manufacturers and Traders Trust Company, Buffalo, New York, of a branch at 525 Division Street, North Tonawanda, Niagara County, New York, 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.)


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

Item No. 3
2/23/65

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 23, 1965



Board of Directors,
Girard Trust Bank,
Philadelphia, Pennsylvania.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Girard Trust Bank, Philadelphia, Pennsylvania, of a branch at 5522-24 North 5th Street, Philadelphia, Pennsylvania, 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
WASHINGTON 25. D. C.

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Item No. 4
2/23/65

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 23, 1965

Board of Directors
The Elyria Savings & Trust Company,
Elyria, Ohio.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by The Elyria Savings & Trust Company, Elyria, Ohio, of a branch at the intersection of Walker Road and Ohio Route 76, Avon Lake, Ohio, 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.

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Item No. 5
2/23/65

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 23, 1965

Board of Directors,
Wells Fargo Bank,
San Francisco, California.

Gentlemen:

The Board of Governors of the Federal Reserve System extends to March 14, 1966, the time within which Wells Fargo Bank, San Francisco, California, may establish a branch at the northeast corner of the intersection of Fresno and Van Ness Streets, Fresno, California, provided that operations at the bank's existing office located at 1440 Fulton Street are discontinued simultaneously with the opening of the new office.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

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Item No. 6
2/23/65

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 23, 1965

Mr. Leland Ross, Vice President,
Federal Reserve Bank of Chicago,
Chicago, Illinois. 60690

Dear Mr. Ross:

This refers to your letter of February 3, 1965, with respect to the Board's determination of January 4, 1965, as to the status of The Greater Iowa Corporation as a holding company affiliate of First National Bank, Cedar Falls, Iowa. Your letter states that in reviewing a report of examination of Midway Bank & Trust, Cedar Falls, Iowa, it was disclosed that the Corporation was the owner of record of one share of that bank's stock, although the information submitted by the Corporation, when requesting the determination, included a statement that it neither owned nor controlled stock in any bank other than First National Bank.

Please advise the Corporation that the Board does not consider this a material variance from the statement contained in the application, and the ownership of this one share of stock will not affect the Board's determination of January 4, 1965.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

February 18, 1965

Board of Governors

Subject: Annual meeting dates of banks

Legal Division (Bruce D. Shuter) that must comply with Regulation F.

As the Board is aware, about one hundred member State banks will register securities with the Board by April 30, 1965, and the number will increase two years later. After registration, these banks must comply with section 206.5 of Regulation F, which requires them to prepare, file, and distribute an annual report and a so-called "proxy statement" prior to each annual meeting. Some of the affected banks customarily hold their annual meetings early in the year, but under the new rules they may find it convenient, or even necessary, to change this practice to allow sufficient time to comply with the required procedures.

Accordingly, there is attached for consideration a draft letter to be sent to each Reserve Bank requesting them to notify the member banks concerned of the existence of this time problem, so that they may take appropriate and timely action.

In some States the problem may be complicated because the date for annual meetings is governed by statute or regulation. The draft letter suggests that the Reserve Banks determine whether such problems exist and to aid affected banks in seeking corrective legislation or regulatory action, where necessary. In the case of States as to which the Legal Division is aware of a "troublesome" statutory provision regarding the annual meeting date, a specific reference thereto will be included in the letter to the Reserve Bank concerned.

Attachment

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Item No. 8
2/23/65

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 24, 1965.



Mr. George H. Ellis, President,
Federal Reserve Bank of Boston,
Boston, Massachusetts. 02106

Dear Mr. Ellis:

As you know, under the Securities Exchange Act of 1934 and Federal Reserve Regulation F, "Securities of Member State Banks", each member State bank with assets of \$1 million and 750 or more "holders of record" of any class of equity security must register that security with the Board by April 30, 1965. After such registration has become effective, the bank must furnish to its shareholders a written proxy statement a few weeks prior to each shareholders' meeting at which shares are entitled to be voted (Reg. F, § 206.5). Proposed soliciting material must be filed with the Board at least 10 days prior to the date the definitive Statement is supplied to shareholders and, if directors are to be elected, an annual report must precede or accompany the Statement. In some cases, these requirements may compel a change in annual meeting dates of affected banks, in order to allow sufficient time for preparing, filing, and distributing these reports and Statements.

It appears that some member State banks in your District that are (or will be) subject to the above-mentioned registration requirements customarily hold their annual meetings early in the year. The Board believes it would be advisable for your Bank to bring this matter to the attention of those banks with 500 or more "holders of record" (which will be the controlling figure after December 1966), so that they may consider amendment of the bank's bylaws, or comparable action.

In some States, however, the solution to this problem may be more difficult, because the time for annual meetings is prescribed by State law or regulation. If this is found to be the case in any State in your District, it is hoped that the Reserve Bank will be able

Mr. George H. Ellis

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to bring the matter to the attention of the banks concerned and to offer assistance, so as to provide the maximum opportunity for prompt action. In that event, it may be advisable also to seek the cooperation of the State bank supervisor.

The Board will appreciate being informed of developments.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 9
2/23/65



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 26, 1965.

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

Dear Mr. Strothman:

For your information and records, enclosed are copies of self-explanatory letters from the Board to the Federal Reserve Bank of Boston and the Federal Reserve Bank of San Francisco. Similar letters, varying only in detail, have been sent to the other nine Reserve Banks. No similar letter is being sent to your Bank in view of your report that no member State banks in your District have 500 or more shareholders. However, the problem described and the suggestions in these letters are called to your attention because similar situations may arise in your District hereafter.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

Enclosures.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 10
2/23/65

OFFICE OF THE CHAIRMAN

February 23, 1965

The Honorable A. Willis Robertson,
Chairman,
Committee on Banking and Currency,
United States Senate,
Washington 25, D. C.

Dear Mr. Chairman:

In accordance with the practice followed for the past several years, there are enclosed copies of the reports made by the firm of public accountants that audited the accounts of the Board of Governors of the Federal Reserve System for the year ended December 31, 1964. These include

- (1) Financial Statements and Accountants' Opinion and
- (2) Report on Scope of Examination of Financial Statements.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.

Enclosures 2



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 11
2/23/65

OFFICE OF THE CHAIRMAN

February 23, 1965

The Honorable Wright Patman,
Chairman,
Committee on Banking and Currency,
House of Representatives,
Washington 25, D. C.

Dear Mr. Chairman:

In accordance with the practice followed for the past several years, there are enclosed copies of the reports made by the firm of public accountants that audited the accounts of the Board of Governors of the Federal Reserve System for the year ended December 31, 1964. These include

- (1) Financial Statements and Accountants' Opinion and
- (2) Report on Scope of Examination of Financial Statements.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.

Enclosures 2



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 12
2/23/65

OFFICE OF THE CHAIRMAN

February 23, 1965

Mr. Phillip S. Hughes,
Assistant Director for
Legislative Reference,
Bureau of the Budget,
Washington, D. C. 20503

Dear Mr. Hughes:

This is to advise, in response to your communication of February 19, 1965, that the Board recommends approval by the President of the enrolled bill, H. R. 3818, "To eliminate the requirement that Federal Reserve banks maintain certain reserves in gold certificates against deposit liabilities."

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.