

Minutes for March 24, 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

M

Gov. Robertson

R

Gov. Balderston

CB

Gov. Shepardson

SS

Gov. Mitchell

MM

Gov. Daane

DD

Minutes of the Board of Governors of the Federal Reserve System on Wednesday, March 24, 1965. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Cardon, Legislative Counsel
Mr. Fauver, Assistant to the Board
Mr. Hackley, General Counsel
Mr. Farrell, Director, Division of Bank Operations
Mr. Solomon, Director, Division of Examinations
Mr. Johnson, Director, Division of Personnel Administration
Mr. O'Connell, Assistant General Counsel
Mr. Hooff, Assistant General Counsel
Mr. Sammons, Adviser, Division of International Finance
Mr. Daniels, Assistant Director, Division of Bank Operations
Mr. Kiley, Assistant Director, Division of Bank Operations
Mr. Goodman, Assistant Director, Division of Examinations
Mr. Leavitt, Assistant Director, Division of Examinations
Mr. Smith, Assistant Director, Division of Examinations
Mr. Sprecher, Assistant Director, Division of Personnel Administration
Mrs. Semia, Technical Assistant, Office of the Secretary
Miss Hart, Senior Attorney, Legal Division
Messrs. Forrestal and Shuter, Attorneys, Legal Division
Messrs. Egertson and McClintock, Supervisory Review Examiners, Division of Examinations
Messrs. Maurer, Poundstone, and Smith, Review Examiners, Division of Examinations

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Discount rates. The establishment without change by the Federal Reserve Bank of Atlanta on March 22, 1965, and by the Federal Reserve Bank of Minneapolis on March 23, 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 case except that Governor Robertson dissented on Item No. 7:

	<u>Item No.</u>
Letter to United California Bank, Los Angeles, California, approving the establishment of a branch at 5418 South Crenshaw Boulevard, branch operations now conducted at 2600 West Fifty-fourth Street to be discontinued simultaneously.	1
Letter to the Federal Deposit Insurance Corporation regarding the application of Cass Bank & Trust Company, St. Louis, Missouri, for continuation of deposit insurance after withdrawal from membership in the Federal Reserve System.	2
Letter to the Federal Deposit Insurance Corporation regarding the application of Arnold Savings Bank, Arnold, Missouri, for continuation of deposit insurance after withdrawal from membership in the Federal Reserve System.	3
Letter to The Nashville State Bank, Nashville, Indiana, waiving the requirement of six months' notice of withdrawal from membership in the Federal Reserve System.	4

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	<u>Item No.</u>
Letter to Community State Bank of Beloit, Beloit, Wisconsin, approving its application for membership in the Federal Reserve System.	5
Letter to the Federal Reserve Bank of New York approving the payment of salary to certain employees at rates below the minimums of the grades in which their positions are classified.	6
Letter to Counsel for Rushmore Credit Corporation, Huron, South Dakota, granting a determination exempting the corporation from all holding company affiliate requirements except those in section 23A of the Federal Reserve Act.	7
Letter to the Securities and Exchange Commission in response to a request for information regarding the activities of the so-called "Baird Foundations."	8
Letter to International Banking Corporation, New York, New York, granting permission to purchase additional stock of The Mercantile Bank of Canada and International Trust Company, both of Montreal, Canada; also a transmittal letter to President Hayes of the Federal Reserve Bank of New York.	9-10
Letter to Chase Manhattan Overseas Banking Corporation, New York, New York, granting permission to amend the Corporation's Articles of Association and to purchase shares of a banking corporation to result from the merger of The Standard Bank Limited and Bank of West Africa Limited, both of London, England; also a transmittal letter to President Hayes of the Federal Reserve Bank of New York.	11-12

During discussion of Items 9 and 11 there was agreement that Governor Robertson and the staff would work out language for inclusion in the letters to express the understanding that the foreign loans and investments of the applicant in each case, combined with those of its

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parent bank, and including the investments here approved, would not exceed the guidelines established under the voluntary foreign credit restraint effort, or that steps had been established to bring total claims on foreigners to a level consistent with the guidelines within a reasonable length of time. The letters in the form attached contain such language. Item No. 11, as transmitted, also reflects language agreed upon during discussion regarding the understanding as to permissible activities in the United States of the bank resulting from the merger of Standard Bank Limited and Bank of West Africa Limited, or of subsidiary banks or affiliated companies. At Governor Robertson's suggestion the letters of approval were transmitted to President Hayes of the Federal Reserve Bank of New York (as indicated in Items 10 and 12) with a request for personal discussion with the applicants to verify conformity with the guidelines of the foreign credit restraint program.

Secretary's Note: The letters were subsequently transmitted to the applicants by President Hayes.

Reports on competitive factors. After discussion, the following reports on competitive factors were approved unanimously for transmittal to the parties indicated, in form in which the conclusions were stated as follows:

To the Federal Deposit Insurance Corporation
regarding the proposed merger of Dauphin Deposit
Trust Company, Harrisburg, Pennsylvania, and
Lemoyne Trust Company, Lemoyne, Pennsylvania

The proposed merger of Dauphin Deposit Trust Company, Harrisburg, and Lemoyne Trust Company, Lemoyne, would eliminate considerable competition, both existing and potential. Consummation of the proposed

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transaction would also add a significant volume of deposits and four offices to the now largest bank headquartered in Dauphin and Cumberland Counties. The effect of this merger on competition would be adverse.

To the Comptroller of the Currency regarding the proposed merger of Bank of Millvale, Millvale, Pennsylvania, into Western Pennsylvania National Bank, Pittsburgh, Pennsylvania

The proposed merger of Bank of Millvale, Millvale, Pennsylvania, into Western Pennsylvania National Bank, Pittsburgh, Pennsylvania, would eliminate the small amount of competition which exists between participants and further the trend in the area towards elimination of independent banks through merger or similar transaction.

To the Comptroller of the Currency regarding the proposed merger of Middletown State Bank, Incorporated, Middletown, Virginia, into Farmers and Merchants National Bank, Winchester, Virginia

The proposed merger of Middletown State Bank, Incorporated, Middletown, into Farmers and Merchants National Bank, Winchester, would eliminate existing and potential competition.

Messrs. Johnson, Sammons, Goodman, Sprecher, Forrestal, Shuter, Poundstone, and Smith (Review Examiner) then withdrew from the meeting and Mr. Noyes, Adviser to the Board, entered the room.

Clearing bureau operations (Item No. 13). There had been distributed a memorandum dated March 8, 1965, in which the Division of Bank Operations summarized a report by the Federal Reserve Bank of New York regarding the 1964 operations of the Nassau County and Bergen County check clearing bureaus. (The Board for some years had authorized the New York Reserve Bank to absorb two-thirds of their cost of handling interbank items up to a maximum of \$9.00 per thousand items.) The memorandum brought out that the total cost to the Reserve Bank of operations

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of the Nassau County bureau was \$394,000 in 1964, a 55 per cent increase over 1963, and the cost per thousand items was up to \$8.90, a 40 per cent increase. These increases were attributable to expenses and difficulties of converting the bureau's operations to high-speed equipment. The payments to the Bergen County bureau of \$108,000 represented an increase of 2 per cent but resulted in a thousand-item cost of \$5.32, or 6.5 per cent less than in 1963. The Reserve Bank felt that the two bureaus, in addition to contributing significant benefits to the participating banks and their depositors, continued to provide an efficient check collection service at a saving to the Reserve Bank, and recommended no change at this time in the arrangement. The Division of Bank Operations saw nothing in the current report that would point to revocation of the Board's approval of the arrangement. Attached to the memorandum was a draft of letter that would inform the Federal Reserve Bank of New York to such effect.

Governor Robertson commented that while he would not oppose continuation of the agreements, he had some misgivings. He hoped there was ample justification for subsidizing the bureaus' operations.

Mr. Farrell responded that a comprehensive review of such arrangements would probably be in order on the basis of a current study of the check collection mechanism by the Conference of Presidents of the Federal Reserve Banks. Subcommittees of the Committee on Collections and Accounting, in a report dated February 15, 1965, regarding the scope and probable

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fruitfulness of a proposed study had referred to the 1955 policy regarding regional check clearing bureaus, as approved by the Conference of Presidents. That policy indicated that the Federal Reserve Banks should favor but not initiate the development of regional check clearing arrangements. The subcommittees' discussion of the 1955 policy included the comment: "Expansion of such arrangements cannot be expected unless the Federal Reserve System decides to adopt a more aggressive policy which would authorize the Reserve Banks to promote actively the establishment of such arrangements, to organize and to operate them and, possibly, to pay a substantial part, if not all, of their costs of operation."

The rationale for regional clearing bureaus, Mr. Farrell continued, was that they not only provided faster check collection service but also kept a substantial volume of checks out of the Reserve Banks. The Federal Reserve Bank of New York, for example, was inadequately equipped to handle the volume that now came to it. If the New York Bank had to handle the additional volume now processed by the Nassau and Bergen County clearing bureaus, there would be a holdover problem. An alternative arrangement might be the establishment of limited-power Federal Reserve branches to handle checks, but the chances were that such branches would cost more than the subsidies paid to check clearing bureaus.

After further discussion the letter to the New York Reserve Bank was approved unanimously. A copy is attached as Item No. 13.

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Kansas City building addition (Item No. 14). On February 19, 1965, the Board authorized the Federal Reserve Bank of Kansas City to proceed with the preparation of final plans and specifications for the construction of an addition to the Bank's building at an estimated cost of \$3,340,246, including a 10 per cent reserve for contingencies. There had now been distributed a memorandum dated March 22, 1965, from the Division of Bank Operations regarding a request from the Bank for authority to invite bids for excavation work and relocation of underground utilities at an estimated cost of \$332,746, including a proportionate share of the contingent reserve. If this work could be undertaken while work was progressing on the remaining specifications and detailed plans, the Bank believed that all underground construction could be completed before hard winter weather began. Attached to the memorandum was a draft of telegram to the Bank that would approve the request.

After discussion the telegram was approved unanimously, subject to a minor change in the draft; a copy is attached as Item No. 14.

Application of Commercial State Bank (Item No. 15). On February 26 and March 10, 1965, the Board considered the application on behalf of Commercial State Bank, Boise, Idaho (newly organized and not yet operating), for membership in the Federal Reserve System, questions at issue being nondisclosure to State authorities of the true ownership of the bank and inadequacy of the proposed capital structure. By letter of March 12, 1965, the Board informed the organization committee of the bank that the membership application was denied but that further consideration would be given

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to the matter if more adequate capital was provided and if the actual ownership of the bank was revealed to State authorities.

In a telegram of March 15 the Federal Reserve Bank of San Francisco informed the Board of an amendment to Commercial State Bank's Articles of Incorporation under which capital of \$750,000 would be provided. The amended Articles of Association, which would be filed with the Commissioner of Finance of Idaho, would also contain full disclosure of the ownership of Commercial State Bank. In a distributed memorandum dated March 17, 1965, the Division of Examinations recommended that the Board approve the application subject to the two standard conditions of membership and a further condition that the bank would open with a capital structure of not less than \$750,000.

After a discussion during which Mr. Leavitt stated, in response to a question by Governor Robertson, that disclosure of ownership reportedly had already been made verbally to the Idaho State authorities by a representative of the proposed bank, the application on behalf of Commercial State Bank for membership in the Federal Reserve System was approved unanimously, subject to the conditions recommended by the Division of Examinations. A copy of the letter informing the organization committee of the Board's approval is attached as Item No. 15.

Messrs. Daniels, Kiley, Egertson, and McClintock then withdrew from the meeting.

Rulings of Comptroller of the Currency (Item No. 16). There had been distributed a memorandum dated March 18, 1965, from the Division

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of Examinations indicating that it had been learned that the Comptroller of the Currency had issued a number of rulings regarding collective investment funds since the publication of the May 1964 supplement to the Comptroller's Manual for Representatives in Trusts. Some, possibly all, of these rulings were referred to in recent issues of the National Banking Review, but the Federal Reserve System had not been officially notified. Since the transfer of authority over collective investment trusts from the Board to the Comptroller, State member banks had been subject to the Comptroller's Regulation 9 and related rulings. Notice of such rulings was therefore necessary in order that Reserve Banks and State member banks might be properly informed. The Division recommended that the Board ask the Comptroller to furnish the rulings; a draft of letter for that purpose was attached to the memorandum.

During discussion it was suggested that there might be other areas in which complete information regarding rulings of the Comptroller was lacking, and therefore that the letter should be broadened into a more general request. It was brought out that the Board furnished to the Comptroller copies of all of its rulings or interpretations of general application, and it would be appropriate for the Board's request to contemplate receipt of the Comptroller's rulings or interpretations on an equivalent basis.

Unanimous approval was then given to a letter to the Comptroller in the broader terms that had been suggested. A copy of the letter subsequently sent to the Comptroller is attached as Item No. 16.

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Mr. Hooff, Miss Hart, and Mr. Maurer then withdrew and Mr. Young, Adviser to the Board and Director, Division of International Finance, and Mr. Brill, Director, Division of Research and Statistics, entered the room.

Inventory of Open Market Account portfolio. At the meeting on March 15, 1965, there had been preliminary discussion of a letter from Chairman Patman of the House Committee on Banking and Currency indicating that he was asking the Comptroller General of the United States to conduct a complete physical inventory of the investment portfolio of the Federal Open Market Committee for the purpose of reporting on the status, location, and activity within the portfolio. There had now been distributed a draft of reply to Chairman Patman.

Various suggestions were made for changes in the draft letter in the interest of clarity, emphasis, and completeness, after which it was understood that a revised draft would be prepared in light of these suggestions.

Mr. Smith then withdrew and Mr. Morgan, Staff Assistant, Board Members' Offices, entered the room.

Southgate Bank litigation (Item No. 17). There had been distributed a memorandum dated March 23, 1965, from the Legal Division regarding a request by the Assistant Attorney General of the State of Michigan on behalf of the Michigan Banking Commissioner that personnel of the Examination Department of the Federal Reserve Bank of Chicago

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testify in court in a suit instituted against the Commissioner by Southgate Bank, Southgate, Michigan. The suit sought to compel the Commissioner to approve applications he had denied for a change in the bank's location and an increase in its capital stock. If the testimony was authorized by the Board, the Reserve Bank expected to designate as its witness Vice President Ross (in charge of the Bank Examination Department). The general nature of his direct testimony would be intended to sustain the reasonableness of the Commissioner's action in denying the requests made by Southgate Bank. The memorandum continued with background information regarding the suit and a discussion of problems that might arise if the testimony of a witness from the Federal Reserve Bank was authorized.

After supplementary and explanatory comments by Mr. O'Connell, the various implications of the matter were discussed at some length. It was agreed, however, not to interpose objection to the appearance of a witness from the Federal Reserve Bank of Chicago. It was understood that the Board's staff would offer any assistance that might be feasible in preparation for the appearance. A copy of the letter to the Federal Reserve Bank of Chicago reflecting the Board's action is attached as Item No. 17.

Foreign travel by Mr. Wood. The Board approved unanimously the recommendation by Mr. Young in a memorandum dated March 22, 1965, that Mr. Wood, Associate Adviser in the Division of International Finance,

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be authorized to travel, on an actual expense basis, to Paris, France, beginning about March 28 for a meeting of a task group organized by Working Party 3 of the Organization for Economic Cooperation and Development to make a special study of the balance of payments adjustment process. Since it was expected that Mr. Wood's service on the task group would require one or more additional trips to Paris between now and the fall of 1965, Governor Shepardson was authorized to approve Mr. Wood's travel for such purpose.

Foreign travel by Mr. Katz. Unanimous approval was given to recommendations by Mr. Young in a memorandum of March 22, 1965, that Mr. Katz, Adviser in the Division of International Finance, be authorized to travel to Basle, Switzerland, to attend a meeting on April 9, 1965, organized by the Bank for International Settlements to explore the question of establishing at the international level an office for the regular centralization of information on short-term credit to nonresidents; and that Mr. Katz be authorized to spend the week of April 12 in London at the Bank of England.

Directors Day program. There was a brief discussion of the arrangements for the program tonight and tomorrow for new directors of Federal Reserve Banks and branches, during which Mr. Morgan responded to questions from members of the Board. It was indicated that the arrangements were satisfactory.

The meeting then adjourned.

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Secretary's Notes: On March 23, 1965, Governor Shepardson approved on behalf of the Board the following items:

Memorandum from the Division of Examinations dated March 16, 1965, submitting a list of 48 persons from the Board and the Board's staff to be extended invitations to attend a dinner at a local hotel to be given in connection with the conference of representatives of Bank Examination Departments of the Federal Reserve Banks on March 29 and 30, 1965.

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

Salary increases, effective March 28, 1965

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
	<u>Research and Statistics</u>		
Paul F. McGouldrick, Economist		\$10,960	\$11,315
	<u>Administrative Services</u>		
Helen M. Lasko, Cafeteria Helper		3,500	3,615
Grace R. MacVean, Reservations Clerk		6,430	6,615
Roger M. Painter, Chauffeur (Station Wagon)		4,742	4,971
John D. Smith, Assistant to the Director		12,075	12,495
Clayton B. Stinson, Messenger		3,385	3,500
Marie Willard, Cafeteria Helper		3,385	3,500

Acceptance of resignation

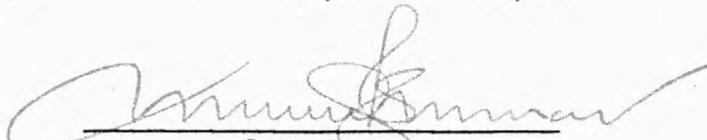
Rita D. Brinley, Secretary, Division of International Finance, effective at the close of business April 2, 1965.

Governor Shepardson today approved on behalf of the Board memoranda recommending increases in the basic annual salaries of the following persons on the Board's staff, effective March 28, 1965:

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<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
	<u>Legal</u>		
Jacqueline L. Gillmore, Stenographer		\$ 4,005	\$ 4,480
	<u>Examinations</u>		
James K. Sanford, Review Examiner		12,380	13,335
Robert G. Sundberg, Review Examiner		12,735	13,755



 Secretary

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 1
3/24/65

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 24, 1965.

Board of Directors,
United California Bank,
Los Angeles, California.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch by United California Bank at 5418 South Crenshaw Boulevard, Los Angeles, California, provided the branch is established within one year from the date of this letter and provided further that branch operations now conducted at 2600 West Fifty-fourth Street, Los Angeles, California, are discontinued simultaneously with the opening of the new branch.

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. 2
3/24/65

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 24, 1965.



The Honorable Joseph W. Barr, Chairman,
Federal Deposit Insurance Corporation,
Washington, D. C. 20429.

Dear Mr. Barr:

Reference is made to your letter of March 4, 1965,
concerning the application of Cass Bank & Trust Company, St. Louis,
Missouri, for continuance of deposit insurance after withdrawal
from membership in the Federal Reserve System.

There have been no corrective programs urged upon the
bank, or agreed to by it, which have not been fully consummated,
and there are no such programs that the Board would advise be
incorporated as conditions of admitting the bank to membership
in the Corporation as a nonmember of the Federal Reserve System.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

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



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 24, 1965.

The Honorable Joseph W. Barr, Chairman,
Federal Deposit Insurance Corporation,
Washington, D. C. 20429.

Dear Mr. Barr:

Reference is made to your letter of March 4, 1965, concerning the application of Arnold Savings Bank, Arnold, Missouri, for continuance of deposit insurance after withdrawal from membership in the Federal Reserve System.

There have been no corrective programs urged upon the bank, or agreed to by it, which have not been fully consummated, and there are no such programs that the Board would advise be incorporated as conditions of admitting the bank to membership in the Corporation as a nonmember of the Federal Reserve System.

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
3/24/65

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 24, 1965.

Board of Directors,
The Nashville State Bank,
Nashville, Indiana.

Gentlemen:

The Federal Reserve Bank of Chicago has forwarded to the Board of Governors President Lillehaugen's letter dated March 1, 1965, together with the accompanying resolutions dated February 13, 1965, signifying your intention to withdraw from membership in the Federal Reserve System and requesting waiver of the six months' notice of withdrawal.

In accordance with your request, the Board of Governors waives the requirement of six months' notice of withdrawal. Upon surrender to the Federal Reserve Bank of Chicago of the Federal Reserve Bank stock issued to your institution, such stock will be canceled and appropriate refund will be made thereon. Under the provisions of Section 208.10(c) of the Board's Regulation H, your institution may accomplish termination of its membership at any time within eight months from the date the notice of intention to withdraw from membership was given.

It is requested that the certificate of membership be returned to the Federal Reserve Bank of Chicago.

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
3/24/65



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 24, 1965.

Organization Committee,
Community State Bank of Beloit,
Beloit, Wisconsin.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the application made on behalf of Community State Bank of Beloit, Beloit, Wisconsin, for stock in the Federal Reserve Bank of Chicago, effective if and when the bank opens for business under appropriate State authorization, subject to the numbered conditions hereinafter set forth.

1. Such bank at all times shall conduct its business and exercise its powers with due regard to the safety of its depositors, and, except with the permission of the Board of Governors of the Federal Reserve System, such bank shall not cause or permit any change to be made in the general character of its business or in the scope of the corporate powers exercised by it at the time of admission to membership.
2. The net capital and surplus funds of such bank shall be adequate in relation to the character and condition of its assets and to its deposit liabilities and other corporate responsibilities.
3. At the time of admission to membership, such bank shall have paid-in and unimpaired capital stock of not less than \$150,000, and other capital funds of not less than \$202,500.

In connection with the foregoing conditions of membership, particular attention is called to the provisions of the Board's Regulation H, regarding membership of State banking institutions in the Federal Reserve System, with especial reference to Section 208.7 thereof. A copy of the regulation is enclosed.

It is noted that upon receiving permission from the State Banking Department the bank may exercise fiduciary powers; however, it is understood that the bank does not plan to exercise such powers upon admission to membership. Should the bank at any future time desire to exercise any powers not exercised at the time of admission to membership it will be necessary, under condition of membership numbered 1, to obtain permission of the Board of Governors.

If at any time a change in or amendment to the bank's charter is made, the bank should advise the Federal Reserve Bank, furnishing copies of any documents involved, in order that it may be determined whether such change affects in any way the bank's status as a member of the Federal Reserve System.

Acceptance of the conditions of membership contained in this letter should be evidenced by a resolution adopted by the board of directors after the bank's charter has been issued and a certified copy of such resolution should be transmitted to the Federal Reserve Bank. Arrangements will thereupon be made to accept payment for an appropriate amount of Federal Reserve Bank stock, to accept the deposit of the required reserve balance, and to issue the appropriate amount of Federal Reserve Bank stock to the bank.

The time within which admission to membership in the Federal Reserve System in the manner described may be accomplished is limited to six months from the date of this letter, unless the bank applies to the Board and obtains an extension of time. When the Board is advised that all of the requirements have been complied with and that the appropriate amount of Federal Reserve Bank stock has been issued to the bank, the Board will forward to the bank a formal certificate of membership in the Federal Reserve System.

The Board of Governors sincerely hopes that you will find membership in the System beneficial and your relations with the Reserve Bank pleasant. The officers of the Federal Reserve Bank will be glad to assist you in establishing your relationships with the Federal Reserve System and at any time to discuss with representatives of your bank means for making the services of the System most useful to you.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

Enclosure.

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

Item No. 6
3/24/65



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 24, 1965

CONFIDENTIAL (FR)

Mr. Walter H. Rozell, Jr.,
Vice President,
Federal Reserve Bank of New York,
New York, New York. 10045.

Dear Mr. Rozell:

As requested in your letter of March 5 and because of circumstances reported therein, the Board of Governors approves the payment of salary to the eighteen employees concerned at rates which are below the minimums of the grades in which their positions are classified. It is understood that salaries will be increased or other appropriate action effected no later than June 24, 1965.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 7
3/24/65



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 24, 1965.

Mr. Raymond E. Dana,
Dana, Golden, Moore & Rassmussen,
Attorneys at Law,
131 North Main Avenue,
Sioux Falls, South Dakota. 57102

Dear Mr. Dana:

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

From the information presented, the Board understands that Rushmore Credit Corporation, either directly or through its subsidiary companies, is engaged principally in instalment loan financing and in the making of direct consumer loans; that it is a holding company affiliate by reason of its ownership of voting trust certificates representing 62,742 of the 110,000 outstanding shares of First National Bank in Sioux City, Sioux City, Iowa; and that it does not, directly or indirectly, own or control any stock of, or manage or control, any other banking institution.

In view of these facts, the Board has determined that Rushmore Credit Corporation is not engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling banks, banking associations, savings banks, or trust companies within the meaning of section 2(c) of the Banking Act of 1933 (12 U.S.C. 221a); and, accordingly, it is not deemed to be a holding company affiliate except for the purposes of Section 23A of the Federal Reserve Act and does not need a voting permit from the Board of Governors in order to vote the bank stock which it owns.

Mr. Raymond E. Dana

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If, however, the facts should at any time indicate that Rushmore Credit Corporation might be so engaged, this matter should again be submitted to the Board. The Board reserves the right to rescind this determination and make further determination of the matter at any time on the basis of the then existing facts, including additional acquisitions of bank stocks even though not constituting control.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 8
3/24/65



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 24, 1965.

Securities and Exchange Commission,
Office of Enforcement,
425 Second Street,
Washington, D. C. 20549

Attention: Mr. William H. Joseph

Gentlemen:

Pursuant to the request in Commissioner Woodside's letter of March 11, 1965, enclosed are copies of certain reports on Form FR 728 ("Confidential Report of Securities Credit Extended by Lender Other Than a Bank or Banker") that the so-called "Baird Foundations" filed with the Board of Governors, through the New York Reserve Bank, on July 13 and 15, 1964, and related correspondence.

In this connection, attention is directed to the Board's Rules Regarding Information, Submittals, and Requests (12 CFR 261.2(c)), which provide that as to unpublished information released to other agencies of the United States: ". . . no person, agency, or authority to whom the information is made available, or any officer, director, or employee thereof, shall disclose any such information except in published statistical material that does not disclose the affairs of any individual or corporation."

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

Enclosures

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 9
3/24/65

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 24, 1965.

International Banking Corporation,
399 Park Avenue,
New York 22, New York.

Gentlemen:

In accordance with your request contained in a letter of January 25, 1965, transmitted through the Federal Reserve Bank of New York, and on the basis of the information furnished, the Board of Governors grants consent for your Corporation to make an additional capital investment in The Mercantile Bank of Canada, Montreal, Canada, in the amount of approximately Can.\$5,000,000 (approximately US\$4,650,000 equivalent).

The Board also approves the purchase and holding of shares of The Mercantile Bank of Canada within the terms of the above consent in excess of 15 per cent of your Corporation's capital and surplus.

In accordance with your request contained in a letter of January 25, 1965, transmitted through the Federal Reserve Bank of New York, and on the basis of information furnished, the Board of Governors grants consent for your Corporation to make an additional investment in International Trust Company, Montreal, Canada, in the amount of approximately Can.\$1,200,000 (approximately US\$1,116,000 equivalent).

The foregoing consents have been given with the understanding that the foreign loans and investments of International Banking Corporation, combined with those of First National City Bank, including the investments now being approved, will not exceed the guidelines established under the voluntary foreign credit restraint effort now in effect, or that steps have been established to bring total claims on foreigners to a level consistent with the guidelines within a reasonable length of time.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.



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

981
Item No. 10
3/24/65

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 24, 1965.

Mr. Alfred Hayes,
President,
Federal Reserve Bank of New York,
New York, New York 10045.

Dear Mr. Hayes:

Enclosed is the Board's letter of this date addressed to International Banking Corporation, New York, a wholly-owned subsidiary of First National City Bank, granting consent for International Banking Corporation to make additional investments in The Mercantile Bank of Canada and International Trust Company, both of Montreal, Canada, which letter we are requesting you to forward to International Banking Corporation.

The reason for transmitting the consent letter in this manner is to enable you to make these investments the focal point for discussion with appropriate officials of First National City Bank to determine whether there are any factors involved, with respect to the program for voluntary curtailment of foreign credit, which we may have overlooked. If, after such discussion, you believe that the consent should not be granted, please return the letter to us with your views regarding the matter for further consideration. On the other hand, if, after discussion, you believe that the consents granted are appropriate, you may feel free to transmit the letter to International Banking Corporation, advising the Board when that has been done so that we may furnish a copy to the Comptroller of the Currency. A copy of the letter is enclosed for your files.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

Enclosures

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 11
3/24/65

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 24, 1965.

Chase Manhattan Overseas Banking Corporation,
1 Chase Manhattan Plaza,
New York, New York 10005.

Gentlemen:

In accordance with the request contained in your letter of February 26, 1965, transmitted through the Federal Reserve Bank of New York, and pursuant to the provisions of Section 211.3(a) of Regulation K, the Board of Governors approves the amendment to Article SEVENTH of the Articles of Association of your Corporation to provide that the capital stock of Chase Manhattan Overseas Banking Corporation shall be \$10,310,000 divided into 10,310 shares of the par value of \$1,000 each.

The Board of Governors also grants consent for Chase Manhattan Overseas Banking Corporation to purchase and hold, either directly or indirectly, not more than 20 per cent of the shares of an overseas banking corporation which will result from the merger of Standard Bank Limited, London, England, and Bank of West Africa Limited, London, England ("SBL-BWA"), at a cost not to exceed US\$25,000,000, provided such shares are acquired within one year from the date of this letter.

The Board also approves the purchase and holding of shares of SBL-BWA within the terms of the above consent in excess of 15 per cent of your Corporation's capital and surplus.

Upon completion of the proposed acquisition, it is requested that the Board of Governors be furnished, through the Federal Reserve Bank of New York, with copies of the Articles of Association and By-Laws of SBL-BWA. If your Corporation acquires the stock of SBL-BWA through an intermediary corporation, please furnish pertinent details regarding the corporation, including copies of the Articles of Association and By-Laws and a list of officers and directors.

It is noted from your letter of February 26 that The Standard Bank Limited operates an agency in New York. The Board's

Chase Manhattan
Overseas Banking Corporation -2-

consent to the proposed purchase and holding of shares of SBL-BWA by your Corporation is granted subject to the condition that neither SBL-BWA nor any subsidiary bank or other affiliated company shall engage in any activity in the United States not permissible for a Corporation organized under Section 25(a) of the Federal Reserve Act engaged in banking.

The foregoing consents have been given with the understanding that the foreign loans and investments of Chase Manhattan Overseas Banking Corporation, combined with those of The Chase Manhattan Bank, including the investment in SBL-BWA now being approved, will not exceed the guidelines established under the voluntary foreign credit restraint effort now in effect, or that steps have been established to bring total claims on foreigners to a level consistent with the guidelines within a reasonable length of time.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 24, 1965.

Mr. Alfred Hayes,
President,
Federal Reserve Bank of New York,
New York, New York 10045.

Dear Mr. Hayes:

Enclosed is the Board's letter of this date addressed to Chase Manhattan Overseas Banking Corporation, New York, a wholly-owned subsidiary of The Chase Manhattan Bank, granting consent for Chase Manhattan Overseas Banking Corporation to amend its Articles of Association and to purchase shares of an overseas banking corporation which will result from the merger of Standard Bank Limited, London, and Bank of West Africa, London, which letter we are requesting you to forward to Chase Manhattan Overseas Banking Corporation.

The reason for transmitting the consent letter in this manner is to enable you to make this investment the focal point for discussion with appropriate officials of The Chase Manhattan Bank to determine whether there are any factors involved, with respect to the program for voluntary curtailment of foreign credit, which we may have overlooked. If, after such discussion, you believe that the consent should not be granted, please return the letter to us with your views regarding the matter for further consideration. On the other hand, if, after discussion, you believe that the consent granted is appropriate, you may feel free to transmit the letter to Chase Manhattan Overseas Banking Corporation, with a copy to The Chase Manhattan Bank, advising the Board when that has been done. A copy of the letter is enclosed for your files.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

Enclosures

Item No. 13
3/24/65

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

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 24, 1965.



Mr. Marcus A. Harris, Vice President,
Federal Reserve Bank of New York,
New York, New York. 10045.

Dear Mr. Harris:

Receipt is acknowledged of your February 25 letter reporting the 1964 operations of the Nassau County and Bergen County check clearing bureaus.

The Board notes particularly that the two bureaus continue to provide an efficient check collection service at a saving to the Reserve Bank, with significant benefits to the participating banks and their depositors, and agrees with the officers of your Bank that no change is necessary or desirable at this time in the basic agreements covering this service.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

T E L E G R A M
LEASED WIRE SERVICE

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON

March 24, 1965

CLAY - KANSAS CITY

Board will interpose no objection to your Bank's proceeding with necessary arrangements for excavation work and relocation of underground utilities in connection with Kansas City building addition, as described in Mr. Boysen's letter of March 17, 1965, and authorizes expenditures of approximately \$335,000 for this purpose.

(Signed) Merritt Sherman

SHERMAN

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 24, 1965.



Organization Committee,
Commercial State Bank,
Boise, Idaho.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the application made on behalf of Commercial State Bank, Boise, Idaho, for stock in the Federal Reserve Bank of San Francisco, effective if and when the bank opens for business under the appropriate State authorization, subject to the numbered conditions hereinafter set forth:

1. Such bank at all times shall conduct its business and exercise its powers with due regard to the safety of its depositors, and except with the permission of the Board of Governors of the Federal Reserve System, such bank shall not cause or permit any change to be made in the general character of its business or in the scope of the corporate powers exercised by it at the time of admission to membership.
2. The net capital and surplus funds of such bank shall be adequate in relation to the character and condition of its assets and to its deposit liabilities and other corporate responsibilities.
3. At the time of admission to membership, such bank shall have total capital funds of not less than \$750,000; apportioned as follows: common stock, \$500,000; surplus, \$150,000; and undivided profits, \$100,000.

In connection with the foregoing conditions of membership, particular attention is called to the provisions of the Board's Regulation H, regarding membership of State banking institutions in the Federal Reserve System, with especial reference to Section 208.7 thereof. A copy of the regulation is enclosed.

If at any time a change in or amendment to the bank's charter is made, the bank should advise the Federal Reserve Bank, furnishing copies of any documents involved, in order that it may be determined whether such change affects in any way the bank's status as a member of the Federal Reserve System.

Commercial State Bank

-2-

Acceptance of the conditions of membership contained in this letter should be evidenced by a resolution adopted by the board of directors after the bank's Certificate of Authority to Commence Business has been issued. A certified copy of such resolution, together with advice of compliance with the provisions of condition numbered 3, should be transmitted to the Federal Reserve Bank of San Francisco. Arrangements will thereupon be made to accept payment for an appropriate amount of Federal Reserve Bank stock, to accept the deposit of the required reserve balance, and to issue the appropriate amount of Federal Reserve Bank stock to the bank.

The time within which admission to membership in the Federal Reserve System in the manner described may be accomplished is limited to 90 days from the date of this letter, unless the bank applies to the Board and obtains an extension of time. When the Board is advised that all of the requirements have been complied with and that the appropriate amount of Federal Reserve Bank stock has been issued to the bank, the Board will forward to the bank a formal certificate of membership in the Federal Reserve System.

The Board of Governors sincerely hopes that you will find membership in the System beneficial and your relations with the Reserve Bank pleasant. The officers of the Federal Reserve Bank will be glad to assist you in establishing your relationships with the Federal Reserve System and at any time to discuss with representatives of your bank means for making the services of the System most useful to you.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

Enclosure.

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

Item No. 16
3/24/65



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 30, 1965.

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

Dear Mr. Saxon:

In connection with the Board's supervisory responsibilities for State member banks, it has been noted that several rulings of your Office regarding collective investment funds are referred to in the September and December 1964 issues of The National Banking Review. As these rulings apparently were made subsequent to issuance of your May 1964 supplement to the Comptroller's Manual for Representatives in Trusts, it would be appreciated if you would arrange to send us copies of such rulings as soon as possible so that they can be forwarded by us to the Reserve Banks. Further, we would appreciate current advice of any future interpretations regarding the collective investment of trust funds.

We would also appreciate any rulings or interpretations of a general nature as, for example, those with respect to your regulation on investment securities, which may be applicable to State member banks or of interest to the Board in connection with its supervisory responsibilities.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

Item No. 17

3/24/65

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 24, 1965.

Mr. C. J. Scanlon, President,
Federal Reserve Bank of Chicago,
P. O. Box 834,
Chicago, Illinois. 60690

Dear Mr. Scanlon:

This refers to your letter of March 15, 1965, addressed to Mr. Solomon, Director of the Board's Division of Examinations, transmitting a letter of March 12, 1965, addressed to you by Assistant Attorney General Maurice M. Moule of the State of Michigan. Mr. Moule's letter refers to the suit entitled Southgate Bank v. Commissioner of Banking, scheduled for trial in Detroit on March 29, 1965, in the Wayne County Circuit Court. In reference to this suit, Mr. Moule as counsel for and on behalf of Michigan Banking Commissioner Charles D. Slay requests the Board's consent to the appearance of either Vice President Ross or Examiner M. F. Lynch of your Bank as a witness in the pending suit.

On the basis of Mr. Moule's letter and conversations had between and among Mr. Moule, Mr. Gordon Lamphere, Assistant General Counsel of your Bank, and Mr. O'Connell of the Board's staff, it is understood that the Commissioner desires, if possible, the appearance of Mr. Ross, and that it is intended that Mr. Ross's testimony support the Commissioner's action in denying Southgate Bank's application for a change in location from Southgate to Warren, Michigan, as well as the Commissioner's action in denying the bank's application to increase its capital stock. Although the Board has not been informed of the precise nature of the testimony which it is proposed Mr. Ross would give, it is understood that the Commissioner will testify as to his reliance upon the contents of a loan investigation report of the Southgate Bank prepared by your Bank as of October 26, 1964, and that, presumably, Mr. Ross's testimony will be expected to deal with at least this report. It is further understood that the Commissioner and his counsel take the position that the ability of the Commissioner to sustain his administrative action in denying the applications filed by Southgate Bank is believed largely dependent upon the supporting testimony requested of your Bank's representative.

Mr. C. J. Scanlon

-2-

The Board authorizes the appearance of Vice President Ross or, in his place, either Examiner Lynch or Examiner Wolfe as a witness for the purpose of giving such testimony as may be reasonably related and calculated to support the administrative action taken by the Commissioner in respect to Southgate Bank. While the Board has no desire to place restrictions on the authorization herein given that might impede the Commissioner's ability to justify his actions, the Board believes it highly desirable that such testimony as may be given by your Bank's representative be limited to the fullest extent possible to expressions of judgment or opinion based upon evidence adduced during trial. Thus, assuming that evidence is introduced through the Commissioner identifying the factual bases upon which his administrative action of denial was based, it is hoped that the testimony of your Bank's witness might take the form of expert witness testimony premised upon facts of record introduced or referred to during trial, or made available to the witness for purposes of preparing his testimony. Hopefully such a procedure might make unnecessary any reference by your Bank's witness to bank examination data in the possession of your Bank.

Should it be necessary for your Bank's witness to testify as to facts coming to his knowledge from examination of the Southgate Bank or from reports of examination prepared by your Bank, the authorization herein granted contemplates that such testimony will be limited, if possible, to the loan investigation report of the Southgate Bank as of October 26, 1964, and to the open section of any report of examination of the Southgate Bank prepared by your Bank. The authorization does not contemplate voluntary reference by your Bank's witness to any report of examination of any bank other than Southgate Bank. Further, the Board assumes that both counsel for the Commissioner and your Bank's counsel, Mr. Gordon Lamphere, will exercise the utmost diligence in protecting from disclosure, other than as herein authorized, unpublished information of the Board. In the event disclosures of a nature not contemplated by this authorization appear imminent, you are requested to have Mr. Lamphere take whatever steps are necessary to apprise the Board of such developments and to seek whatever authorization may then appear necessary.

In view of the limited time remaining before the scheduled trial date, a copy of this letter is being forwarded directly to Mr. Lamphere.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.