

71609

Minutes for April 6, 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. 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 Tuesday, April 6, 1965. The Board met in the Board Room at 9:30 a.m.

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

Mr. Sherman, Secretary  
Mr. Kenyon, Assistant Secretary  
Mr. Young, Adviser to the Board and Director,  
Division of International Finance  
Mr. Noyes, Adviser to the Board  
Mr. Molony, Assistant to the Board  
Mr. Cardon, Legislative Counsel  
Mr. Fauver, Assistant to the Board  
Mr. Brill, Director, Division of Research and  
Statistics  
Mr. Farrell, Director, Division of Bank  
Operations  
Mr. Solomon, Director, Division of Examinations  
Mr. Schwartz, Director, Division of Data  
Processing  
Mr. Hexter, Assistant General Counsel  
Mr. O'Connell, Assistant General Counsel  
Mr. Shay, Assistant General Counsel  
Mr. Partee, Adviser, Division of Research  
and Statistics  
Mr. Sammons, Adviser, Division of International  
Finance  
Mr. Leavitt, Assistant Director, Division of  
Examinations  
Messrs. Forrester and Sanders, Attorneys, Legal  
Division  
Messrs. Egerton and McClintock, Supervisory  
Review Examiners, Division of Examinations  
Mr. Sanford, Review Examiner, Division of  
Examinations  
Mr. Veenstra, Chief, Financial Statistics Section,  
Division of Data Processing

Report on competitive factors (Delaware-Galena, Ohio). A report  
to the Federal Deposit Insurance Corporation on the competitive factors

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involved in the proposed merger of The Bank of Galena Company, Galena, Ohio, into The Delaware County Bank, Delaware, Ohio, was approved unanimously for transmittal to the Corporation. The conclusion read as follows:

While the proposed merger of The Delaware County Bank, Delaware, and The Bank of Galena Company, Galena, would eliminate such competition as exists between them and all potential for competition, the overall effect of the proposed transaction on competition would not be adverse.

Account for Banque du Liban (Item No. 1). Pursuant to the recommendation contained in a distributed memorandum from Mr. Sammons dated April 2, 1965, unanimous approval was given to a telegram to the Federal Reserve Bank of New York approving the opening and maintenance of an account in the name of Banque du Liban (the central bank of the Republic of Lebanon). A copy is attached as Item No. 1.

Supplementary information for condition report (Item No. 2). A distributed memorandum from the Division of Data Processing dated April 5, 1965, submitted for consideration Schedule FA--Supplementary Information on Time Certificates of Deposit--that had been prepared for use with the spring condition reports. The indication was that all three Federal bank supervisory agencies would use the same form to collect such data.

After discussion the use of the schedule as a supplement to the spring condition reports of State member banks was approved

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unanimously. A copy of the telegram sent to the Federal Reserve Banks pursuant to this action is attached as Item No. 2.

Chairman Martin noted that advice had been received indicating that the Comptroller of the Currency was prepared to reinstitute the use of the questionnaire on emergency preparedness measures in national bank examination reports. (This matter was the subject of a letter from Chairman Martin to the Secretary of the Treasury, as referred to at the Board meeting on March 30, 1965.) The Chairman suggested that the Board's staff proceed with consideration of the form of condition report that would provide data most useful for the Board's purposes and endeavor to work this out on an interagency basis, since the prospect for successful negotiations now appeared more promising.

Application of First Trust Company of Albany. In supplementation of material that had been distributed, including a memorandum from the Division of Examinations dated March 31, 1965, Mr. Egertson commented on various aspects of the application of First Trust Company of Albany, Albany, New York, for permission to merge with The National Bank of Windham, Windham, New York.

After discussion the application was approved unanimously, and it was understood that an order and statement reflecting this decision would be prepared for the Board's consideration.

Messrs. Schwartz, Sammons, Egertson, McClintock, Sanford, and Veenstra then withdrew from the meeting.

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Bank supervisory arrangements. There was a continuation at this time of the discussion at the meeting of the Board yesterday afternoon with respect to Federal bank supervisory arrangements. It had developed to be the unanimous view of the Board that consolidation of the responsibility for bank supervision at the Federal level would be justified. A majority of the Board concluded that, of the possible alternatives that had been mentioned, concentration of this responsibility in the Federal Reserve would be the preferable solution. Governor Robertson continued of the belief that assignment of the responsibility to a newly-organized Federal banking commission would be the most desirable procedure.

Against this background, consideration was given at today's meeting to the approach that should be followed in testifying next Monday, April 12, before the Subcommittee on Bank Supervision and Insurance of the House Banking and Currency Committee. The Subcommittee's hearings were concerned specifically with bills introduced by Congressman Patman and Congressman Multer, the first of which would consolidate responsibility for bank supervision in the Treasury and the second of which would establish a Federal banking commission along lines advocated by Governor Robertson. (The Board also had been asked to report by letter on these bills.) However, the Board, if it so desired, could of course present testimony going beyond its views on the Patman and Multer bills specifically.

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In a discussion of various alternative approaches, question was raised as to whether a definite Board position should be expressed on the occasion of the forthcoming hearings or withheld pending developments, including the possible submission of an Administration proposal. While the question was not finally resolved, there was a consensus against taking a strong stand at the hearings to urge concentration of bank supervisory responsibility in the Federal Reserve. However, it was thought that it might be appropriate to disclose the unanimity of opinion within the Board that consolidation of this responsibility in one place would be desirable, and Governor Robertson presumably would appear in support of the Multer bill, which he favored. Testimony on behalf of the Board, it was proposed, might outline the role that the Federal Reserve had played in bank supervision and indicate that this responsibility was believed to have been discharged satisfactorily, thus leaving the Subcommittee to consider, among other alternatives, the possibility of assigning additional responsibility to the Federal Reserve.

The discussion concluded with an understanding that the staff would begin to draft testimony somewhat along the foregoing lines, that Governor Robertson would present his own position to the Subcommittee, and that Chairman Martin would discuss the subject with Secretary of the Treasury Fowler, making clear to him the views that had developed from Board discussion.

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The meeting then recessed and reconvened in the Board Room at 3:00 p.m. with all of the members of the Board present, along with Messrs. Sherman and Cardon.

Chairman Martin reported further on the consideration he had been giving to the request that he and other members of the Board appear at hearings before the Subcommittee on Bank Supervision and Insurance on Monday, April 12, regarding the Multer and Patman bills. In his comments he stated reasons why he felt it would be undesirable for the Board to take a definite position on legislation in this area at the present time. However, in light of the presentations that had been made by Governor Robertson in the past few years regarding his proposal for a Federal banking commission, the Chairman thought it might be entirely appropriate for Governor Robertson to appear in connection with the Multer bill, which proposed legislation along the lines of Governor Robertson's proposal.

At the conclusion of the discussion, it was understood that Governor Robertson would plan to appear in connection with the Multer bill at the hearing on April 12, that his appearance would present his personal views and not those of the Board, and that if Chairman Martin appeared before the Subcommittee he would indicate in substance that because of the complex nature of the matter and in view of recent developments in the area of bank supervision the Board was not prepared at this time to present a definite position regarding the kind

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of legislation that might be desirable in connection with supervision of banks at the Federal level.

Secretary's Note: It subsequently developed that Chairman Martin would not appear before the Subcommittee on April 12.

Access to examination reports. The Secretary reported a telephone call to Mr. Solomon, Director of the Division of Examinations, from Vice President Wyrick of the St. Louis Federal Reserve Bank in which the latter stated that agents of the Federal Bureau of Investigation had called upon him with a request that examination reports (including the confidential sections and certain related documents) covering a certain member bank or banks in the St. Louis District be made available for their review in connection with an investigation being conducted into the activities of an individual who had been attempting to obtain control of banks and was believed to have been involved in improprieties and perhaps illegal actions. It was pointed out to the agents that access to such unpublished information could be authorized only by the Board.

Governor Robertson expressed the view that in the circumstances the Board could not appropriately withhold pertinent information that might assist the FBI in carrying forward its investigation.

There was unanimous agreement that Mr. Wyrick should be informed that the Board authorized him to make available to the FBI agents such



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examination reports and related documents as might be of assistance in providing leads or other information pertinent to their investigation. It would be understood, of course, that such information was not to be used as evidence in the event of a trial.


The meeting then adjourned.

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

Memorandum from the Division of Examinations dated March 31, 1965, recommending that the following new positions be created in that Division: two new positions of Accountant-Analyst and one new position of Clearing and Recording Clerk.

Memorandum from the Division of Data Processing recommending the appointment of Marion Hieber Vaughn as Computer Programmer in that Division, with basic annual salary at the rate of \$5,875, effective the date of entrance upon duty.

Governor Shepardson today noted on behalf of the Board a memorandum from the Office of the Controller advising that Kathleen J. O'Connor, Disbursing Clerk in that Office, had made application for disability retirement, effective April 1, 1965.

  
Secretary

1122  
Item No. 1  
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**T E L E G R A M**  
LEASED WIRE SERVICE

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTON

April 6, 1965.

SANFORD - NEW YORK

Your wire April 1. Board approves opening and maintenance of an account on the books of Federal Reserve Bank of New York in the name of the Banque du Liban, subject to the usual terms and conditions. It is understood that participation in this account will be offered to other Federal Reserve Banks.

(Signed) Merritt Sherman

SHERMAN

TELEGRAM  
LEASED WIRE SERVICE

1123  
Item No. 2  
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BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTON

April 6, 1965.

TO THE PRESIDENT OF EACH FEDERAL RESERVE BANK

Re Board let March 19 transmitting forms for spring call. The Board has approved use of Schedule FA to collect supplementary information on time certificates of deposit at the spring call. It is expected the same format reflecting breakdown by source, by size, and by maturity will be collected by all three Federal bank supervisory agencies. Four copies of this Schedule for each State member bank (two for reporting bank, one for Reserve Bank, and one for Board) will be forwarded to Examinations Department as soon as available, probably this week.

(Signed) Merritt Sherman

Sherman