

71609

Minutes for April 9, 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>W</u>
Gov. Robertson	<u>R</u>
Gov. Balderston	<u>CB</u>
Gov. Shepardson	<u>SS</u>
Gov. Mitchell	<u>M</u>
Gov. Daane	<u>D</u>

Minutes of the Board of Governors of the Federal Reserve System
on Friday, April 9, 1965. The Board met in the Board Room at 12:00 noon.

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

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Hackley, General Counsel
Mr. Solomon, Director, Division of Examinations
Mr. Leavitt, Assistant Director, Division of Examinations
Mr. Egertson, Supervisory Review Examiner, Division of Examinations

Ratification of actions. Actions taken at the meeting of the available members of the Board on April 7, 1965, as recorded in the minutes of that meeting, were ratified by unanimous vote.

Discount rates. The establishment without change by the Federal Reserve Banks of Cleveland, Richmond, Atlanta, Chicago, St. Louis, and Dallas on April 8, 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 items. The following items, copies of which are attached to these minutes under the respective item numbers indicated, were approved unanimously:

Item No.

Letter to Marine Midland Trust Company of New York, New York, New York, approving the establishment of a branch at 107-40 Queens Boulevard, Forest Hills.

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Item No.

Letter to United California Bank, Los Angeles, California, authorizing the Bank to continue escrow operations at its present temporary branch location at 23522 Paseo de Valencia, Orange County, after the permanent branch to be located near El Toro Road and Paseo de Valencia has opened for business. 2

Letter to the Federal Deposit Insurance Corporation regarding the application of The Citizens Bank & Trust Company, Washington, Indiana, for continuation of deposit insurance after withdrawal from membership in the Federal Reserve System. 3

Report on competitive factors (Kalamazoo-Lawrence, Michigan).

There had been distributed a draft of report to the Comptroller of the Currency on the competitive factors involved in the proposed purchase of assets and assumption of liabilities of The Home State Bank of Lawrence, Lawrence, Michigan, by The American National Bank and Trust Company of Kalamazoo, Kalamazoo, Michigan. The suggested conclusion would have stated that while little competition existed between the two banks, area banking resources and offices would be further concentrated in two large Kalamazoo banks and the overall effect of the proposed transaction on competition would be adverse.

During discussion Governor Mitchell expressed doubt that the effect of the proposed transaction on competition would be adverse. There appeared to be little, if any, competition between the two banks involved, and consummation of the proposed transaction would simply substitute a branch of the Kalamazoo bank for a small unit bank, which

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was the only bank now serving the Lawrence community. He was not impressed that the addition of the resources of the small Lawrence bank to those of American National would alter the existing competitive situation in the area to any extent.

Several other members of the Board also expressed reservations as to whether the effects of the proposed transaction on competition would be particularly adverse. However, they agreed with Governor Robertson that the proposed transaction would have the effect of eliminating an alternative source of credit for persons in the Lawrence community, who presently had the choice of dealing with the local bank or with one of the Kalamazoo banks, including American National. It was suggested that the conclusion submitted by the Federal Reserve Bank of Chicago pointed up the situation more precisely than the conclusion in the draft report that had been distributed. Accordingly, approval was given to the transmittal to the Comptroller of a report in which the conclusion read as follows:

The proposed purchase of assets and assumption of liabilities of The Home State Bank of Lawrence by The American National Bank and Trust Company of Kalamazoo would eliminate another small unit bank and an alternative source of banking services. Banking resources and offices would be further concentrated in the Kalamazoo banks, and the small unit banks in Bangor, Decatur, and Hartford would be placed in direct competition with an office of a much larger bank. Therefore, it is concluded that the effects of the proposed transaction on competition would be adverse.

Governor Mitchell disagreed, for the reasons he had expressed, with the statement that the effects of the proposed transaction on competition would be adverse.

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Mr. Egertson then withdrew from the meeting.

Orange Empire National Bank. Mr. Solomon reported for the Board's information telephone conversations that he had had yesterday with President Swan of the Federal Reserve Bank of San Francisco concerning questions presented by advice received from the Orange Empire National Bank of Anaheim, California, that it might want to borrow as much as \$500,000 from the Reserve Bank today. Mr. Solomon's report included a recitation of a conversation that President Swan and Vice President Merritt had had with the Regional Comptroller of the Currency in San Francisco, along with a summary of certain pertinent information contained in the report of examination of the national bank made as of a February date. Among the factors involved were an expression of doubt by the Regional Comptroller concerning the bank's solvency and an indication that the Regional Comptroller favored a merger of the Orange Empire National Bank with a national bank in San Diego, which merger reportedly was now under consideration by the management of the Orange Empire National Bank.

It was pointed out that the purpose of President Swan's telephone calls was primarily to keep the Board advised rather than to solicit an opinion on whether the Orange Empire National Bank should be accommodated through the discount window if it sought to borrow. The members of the Board observed that in any event the information available to the Board was not complete enough to warrant exercising

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a judgment, and that a decision would have to be reached by President Swan and other officers of the Reserve Bank in light of all of the information presented by the Orange Empire National Bank if it applied for discount accommodation. The Board indicated, however, that it would like to be kept informed of developments.

Secretary's Note: Mr. Solomon reported further on this matter at the Board meeting on April 12, 1965. The Orange Empire National Bank had not applied on Friday for accommodation at the discount window; the merger with the national bank in San Diego reportedly had been rejected; President Swan was told by the Regional Comptroller that the Orange Empire National Bank had been placed in conservatorship; but no story to such effect apparently had yet appeared in the press.

Voluntary foreign credit restraint effort. Governor Robertson reported on a meeting he had attended this morning in the office of the Secretary of the Treasury at which representatives of the State Department and the Agency for International Development expressed concern about the effect on less-developed countries, including those in Latin America, of the voluntary foreign credit restraint effort, particularly if banks were not adhering to the priorities set forth in the guidelines. However, exploration of certain specific cases that were mentioned revealed misunderstanding concerning the application of the guidelines. It was pointed out, among other things, that long-term loans to Latin America during the first three months of this year amounted to more than one-third of total credits extended during the full year 1964.

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It was understood at the conclusion of the meeting at the Treasury that the problem would be followed closely, that Governor Robertson would be informed of any complaints received, and that he would provide appropriate answers upon investigation of the circumstances involved.

The meeting then adjourned.

Secretary's Notes: On April 8, 1965, Governor Shepardson approved on behalf of the Board the following items:

Memorandum from the Office of the Controller dated April 8, 1965, recommending that the position of Secretary to the Assistant Controller be re-established and that the position of Disbursing Clerk be abolished.

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

Appointment

David S. Staiger as Senior Economist, Division of Data Processing, with basic annual salary at the rate of \$17,030, effective the date of entrance upon duty.

Acceptance of resignation

Leonard A. Lupo, Economist, Division of International Finance, effective at the close of business April 10, 1965.

Governor Shepardson today approved on behalf of the Board payment of one-half of the cost of a dinner given on March 25, 1965, in honor of Mr. A. F. W. Plumptre, Assistant Deputy Minister of Finance of Canada and an Executive Director of the International Monetary Fund, it being understood that the remainder of the cost was being paid by the Treasury Department.

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Governor Shepardson also approved today on behalf of the Board the following items:

Appointment

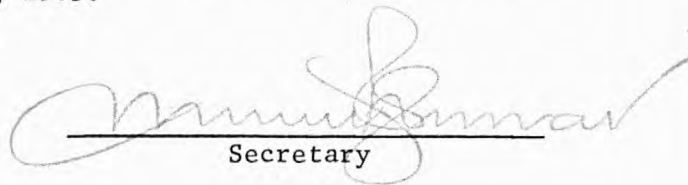
Bonnie J. Stampley as Stenographer, Division of Research and Statistics, with basic annual salary at the rate of \$4,630 effective the date of entrance upon duty.

Salary increases

Mary Elizabeth Mehall, Statistical Clerk, Division of Research and Statistics, from \$4,780 to \$5,165 per annum, with a change in title to Statistical Assistant, effective April 11, 1965.

Carl H. Stem, Economist, Division of International Finance, from \$9,535 to \$10,250 per annum, effective April 11, 1965.

Bert Harvey, Messenger-Driver, Division of Administrative Services, from \$3,805 to \$3,994 per annum, with a change in title to Chauffeur (Station Wagon), effective April 11, 1965.


Secretary

Item No. 1
4/9/65

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



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 9, 1965.

Board of Directors,
Marine Midland Trust Company of New York,
New York, New York.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Marine Midland Trust Company of New York, New York, New York, of an in-town branch at 107-40 Queens Boulevard, Forest Hills, Borough of Queens, 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



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 9, 1965

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

Gentlemen:

Pursuant to authority contained in the Board's letter of September 4, 1963, United California Bank, Los Angeles, California, opened a branch at 23522 Paseo de Valencia, Orange County, California. It was understood that the branch would open in temporary quarters, which later would be moved to permanent quarters. The Board's permission to establish this branch was granted upon condition that operations at the temporary location would be discontinued when the permanent quarters were occupied. The Board has now been advised that the new permanent quarters to be located near the southeast corner of El Toro Road and Paseo de Valencia will be inadequate to house the expanded activities of the escrow department, and your bank has requested permission to continue operations in the present temporary quarters after the permanent quarters have been occupied.

Accordingly, the Board of Governors authorizes United California Bank to continue escrow operations at its present location at 23522 Paseo de Valencia after the permanent branch to be located near the southeast corner of El Toro Road and Paseo de Valencia has opened for business. In effect, this letter authorizes the establishment of two branches by United California Bank in or near the Laguna Hills Retirement Community in an unincorporated area in Orange County, California.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.

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Item No. 3

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON 25, D. C.



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 9, 1965

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

Dear Mr. Barr:

Reference is made to your letter of March 25, 1965, concerning the application of The Citizens Bank & Trust Company, Washington, Indiana, 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) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.