

Minutes for April 14, 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

WM

Gov. Robertson

CCB

Gov. Balderston

Gov. Shepardson

BSH

Gov. Mitchell

Gov. Daane

DD

Minutes of the Board of Governors of the Federal Reserve System on Wednesday, April 14, 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. Noyes, Adviser to the Board  
Mr. Molony, Assistant to the Board  
Mr. Cardon, Legislative Counsel  
Mr. Fauver, Assistant to the Board  
Mr. Hackley, General Counsel  
Mr. Brill, Director, Division of Research and Statistics  
Mr. Solomon, Director, Division of Examinations  
Mr. Hexter, Assistant General Counsel  
Mr. O'Connell, Assistant General Counsel  
Mr. Shay, Assistant General Counsel  
Mr. Sammons, Adviser, Division of International Finance  
Mr. Goodman, Assistant Director, Division of Examinations  
Mr. Leavitt, Assistant Director, Division of Examinations  
Mrs. Semia, Technical Assistant, Office of the Secretary  
Messrs. Plotkin and Young, Senior Attorneys, Legal Division  
Messrs. Robinson and Shuter, Attorneys, Legal Division  
Mr. Egertson, Supervisory Review Examiner, Division of Examinations  
Mr. Hart, Assistant to the Director, Division of Personnel Administration

Discount rates. The establishment without change by the Federal Reserve Bank of Boston on April 12, 1965, of the rates on discounts and advances in its existing schedule was approved unanimously, with the understanding that appropriate advice would be sent to that Bank.

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Circulated or distributed 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 Lincoln Rochester Trust Company, Rochester, New York, approving the establishment of a branch in the Town of Chili.  | 1   |
| Letter to Puritan Bank and Trust Company, Meriden, Connecticut, approving the establishment of a branch in Wallingford, provided that the bank's capital stock is increased.   | 2   |
| Letters to United California Bank, Los Angeles, California, approving extensions of time to establish a branch near Market and Polk Streets, San Francisco, and to relocate a branch in Susanville.  | 3-4 |
| Letter to International Banking Corporation, New York, New York, granting an extension of time to purchase stock of a proposed Spanish finance company.  | 5   |
| Letter to First Pennsylvania Overseas Finance Corporation, Philadelphia, Pennsylvania, granting permission to purchase stock of Corporacion Financiera Colombiana de Desarrollo Industrial, Bogota, Colombia, and additional shares of ADELA Investment Company, S.A., Luxembourg. | 6   |
| Letter to The Farmers and Merchants Bank, Boswell, Indiana, waiving the requirement of six months' notice of withdrawal from membership in the Federal Reserve System.   | 7   |
| Letter to Mazon State Bank, Mazon, Illinois, waiving the requirement of six months' notice of withdrawal from membership in the Federal Reserve System.  | 8   |

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Item No.

Letter to The First State Bank, Hawkins, Texas, waiving the requirement of six months' notice of withdrawal from membership in the Federal Reserve System.

9

Letter to the Federal Reserve Bank of New York approving the payment of salary to David E. Bodner as Manager, assigned to the Foreign Department, at the rate fixed by the Bank's Board of Directors.

10

Letter to the Federal Reserve Bank of Chicago approving the payment of salary at specified rates to the Bank's painters.

11

Letter to the Bureau of the Budget reporting on a draft bill to amend various provisions of the law administered by the Farm Credit Administration.

12

Letter to the Presidents of all Federal Reserve Banks concurring in certain amendments to the cash and noncash collection circulars of the Reserve Banks.

13

Letters to the Federal Reserve Bank of Atlanta regarding questions under the Bank Holding Company Act with respect to proposed transactions between (1) Citizens & Southern Holding Company and Citizens & Southern National Bank, both of Savannah, Georgia, and (2) Atlantic Trust Company and Atlantic National Bank of Jacksonville, both of Jacksonville, Florida.

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Application of First Trust Company of Albany (Items 16-17).

There had been distributed drafts of an order and statement reflecting the Board's approval on April 6, 1965, of the application of First Trust Company of Albany, Albany, New York, to merge with The National Bank of Windham, Windham, New York.



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The issuance of the order and statement was authorized. Copies of the documents are attached as Items 16 and 17.

Messrs. Shay, Goodman, Robinson, Young, Egertson, and Hart then withdrew from the meeting.

Interpretation of "held of record" (Item No. 18). At a meeting on April 7, 1965, the available members of the Board discussed, but deferred for further consideration, the question presented in a distributed memorandum dated April 5, 1965, from the Legal Division regarding the interpretation of the term "held of record" in section 206.2(j) of the Board's Regulation F, Securities of Member State Banks, issued pursuant to the Board's responsibilities under the Securities Acts Amendments of 1964, which had extended to bank stocks the requirements of the Securities Exchange Act relating to disclosure of information. The Board was authorized to define the term "held of record" and in Regulation F had taken the position that a bank's stock shall be deemed to be held of record by each person identified on the bank's records as an owner of such stock, thus counting as holders of record the individual accounts held by trustees, administrators, brokers, etc. The question was of significance in determining whether or not a bank was required to file a registration statement under Regulation F. Under the 1964 legislation, any bank with a class of stock "held of record" by 750 or more persons was required to file a registration statement by April 30, 1965; as of December 31, 1966, registration would be required if a bank had 500 or more holders of record.

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Bank of Commerce, Newark, New Jersey, had requested a determination as to whether or not its shares were to be considered "held of record" by one person (1) where one adult held shares as custodian or trustee for different minors in separate accounts, and (2) where an individual owned shares in his own name and also jointly with another with the right of survivorship. The bank's number of shareholders of record would shift above or below 750 according to the determination made.

The memorandum reviewed the statutory background and the circumstances cited by the State member bank in support of its view that there was only one holder of record in each situation of the type it had described. The conclusion of the Legal Division was that the definition in the Regulation required that the same person acting as custodian or trustee for different persons must be considered a separate holder of record with respect to each account, and that where a person held stock for himself individually and also as co-owner with another, the situation should be considered as involving two holders of record. The Division noted that the definition in Regulation F had been adopted as an appropriate standard for ease of determination and was consistent with the Congressional intent embodied in the Securities Exchange Act; also that the definition in Regulation F was identical to that adopted by the Federal Deposit Insurance Corporation and substantially the same as that of the Securities and Exchange Commission. A draft of letter to

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the Federal Reserve Bank of New York that would respond to the member bank's question in terms of the Legal Division's conclusion was attached to the memorandum. The Division suggested that the substance of the Board's reply be transmitted to the other Federal Reserve Banks, the Federal Deposit Insurance Corporation, and the Securities and Exchange Commission.

In summarizing the question presented, Mr. Plotkin noted it was the member bank's position, in the situations described, that there was only a single family or economic interest to be protected and that it was the purpose of the law to require disclosure only where there were at least 750 economic interests. In the view of the Legal Division, it was necessary to look to the Congressional intent. The Congress had adopted the "holders of record" test as indicating the minimum number that would represent sufficient investor interest to justify extension to over-the-counter companies of the public disclosure and other requirements of the Securities Exchange Act of 1934. The staff believed the legislative history of the 1964 amendments led to the conclusion that the Congress did not intend companies to count separate economic interests in order to determine whether registration was necessary. If it had so intended, the term "beneficial owner" (used in other sections of the statute) would have been used instead of "held of record." Accordingly, the fact that there might be only one economic interest to be protected was irrelevant since the number of holders was intended only as a measure of market activity and the significant figure was the number

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of accounts appearing on the corporate records. After the statute was passed, three of the affected agencies adopted a common definition of "holder of record." The standard was practical and easily applied, and it would yield uniform results in determining the necessity for registration.

Governor Mitchell said he felt that the Board, in putting this new Regulation into effect, ought to try to avoid exposing smaller banks unnecessarily to the burden of filing complicated registration statements and reports. When this matter was discussed before the Regulation was adopted, it was found that some relatively small banks probably were going to be subjected to this procedure. The possibility was discussed of devising some short form of registration statement, but this alternative was rejected. He did not object to standards that were easy to administer, but in this instance they would pull in a bank that there might be insufficient reason to cover. The purpose of the requirement for the disclosure of information was to aid persons trying to decide whether the stock of a particular bank should or should not be purchased, and investors were primarily interested in the stocks of larger banks. There seemed little purpose to be served in subjecting banks with less than \$100 million of deposits to the registration and reporting requirements. (Bank of Commerce had deposits of about \$56 million.)

Mr. Plotkin replied that the statute provided relief for smaller banks with a limited number of stockholders. In such cases the Board

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was authorized to grant an exemption from the registration requirement, but in this case the member bank had not applied for an exemption. The solution did not lie in trying to stretch the legislative intent. If a bank felt that it should not be covered, it should apply for an exemption and give the reasons. In this particular case, material was not available that would be relevant to a determination.

Mr. Hexter pointed out that the Congress, in connection with banks, had specifically fixed what it regarded as an appropriate standard of size and number of shareholders. For the Board to take a different position might be regarded as flying in the face of a Congressional directive.

Governor Mitchell commented that he was simply suggesting that the Board, looking at the theory and rationale behind the statute, ought to move in the direction of making it possible to exempt banks from the registration procedure if there was no public purpose to be served thereby.

At the conclusion of the discussion approval was given to a letter to the Federal Reserve Bank of New York in the form attached as Item No. 18.

Messrs. Plotkin and Shuter then withdrew from the meeting.

Bank supervisory arrangements (Item No. 19). There had been distributed a draft of reply to a letter of April 1, 1965, from Chairman Patman of the House Banking and Currency Committee requesting a report on H. R. 6885, which would vest Federal bank supervisory functions in



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the Secretary of the Treasury, and H. R. 107, which would vest them in a new Federal Banking Commission. The draft reply reflected the agreement reached by the Board at the conclusion of its discussion on April 6, 1965, regarding the position that should be taken at this time on proposals for the unification of such functions.

After discussion the letter was approved unanimously; a copy is attached as Item No. 19.

Mr. Hexter then withdrew from the meeting.

Chinese banking difficulties. Governor Robertson reported on information received by the Department of State from its Consul General in Hong Kong regarding difficulties experienced by certain Chinese banks in Hong Kong and measures taken or proposed to alleviate such difficulties. The possibility of seeking support through standby lines of credit from American banks with branches in Hong Kong had been mentioned, and question was raised whether any voluntary foreign credit restraints tending to deter extension of such standby lines of credit or similar action by U. S. banks might be waived, at least for the present. It had been suggested that the home offices of U. S. banks with branches in Hong Kong (primarily First National City Bank and The Chase Manhattan Bank, both of New York City, and Bank of America National Trust and Savings Association, San Francisco) might be informed that the U. S. Government had a sympathetic interest in the economic well-being of Hong Kong and was ready to cooperate as appropriate in case standby credits were requested.



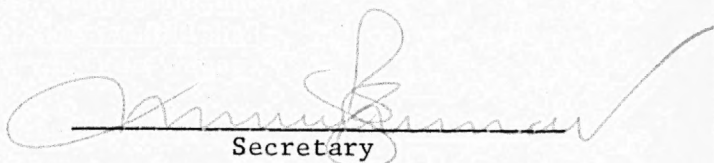
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Governor Robertson stated that in his judgment the Board should not at this stage tender any exemption from the guidelines of the voluntary foreign credit restraint effort, at least in the absence of more detailed information regarding the situation in Hong Kong and specific requests from the U. S. banks involved. His thought was to inform the State Department that the Board was not inclined at the present time to exempt from the foreign credit restraint program any standby credits extended by U. S. banks to the Hong Kong banks experiencing difficulty.

Discussion disclosed unanimous agreement with the type of response suggested by Governor Robertson. It was understood that Governor Robertson would keep the Board informed of any significant developments in the matter.

The meeting then adjourned.



Secretary


1201

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

Item No. 1  
4/14/65

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 14, 1965.



Board of Directors,  
Lincoln Rochester Trust Company,  
Rochester, New York.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Lincoln Rochester Trust Company, Rochester, New York, of a branch at 4390 Buffalo Road, Town of Chili (unincorporated area), Monroe County, New York, provided the branch is established within one year 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

1202  
Item No. 2  
4/14/65

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 14, 1965.

Board of Directors,  
Puritan Bank and Trust Company,  
Meriden, Connecticut.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Puritan Bank and Trust Company, Meriden, Connecticut, of a branch in a shopping center on North Turnpike Road near the junction of Wilbur Cross Highway and North Turnpike Road, Wallingford, Connecticut, provided that the branch is established within six months from the date of this letter, and that, prior to establishment of the branch, the bank's capital stock is increased to the amount required by Paragraph 3 of Section 9 of the Federal Reserve Act and related Federal statutes. The amount required in this instance cannot be less than \$300,000.

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

Item No. 3  
4/14/65

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 14, 1965.

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

Gentlemen:

The Board of Governors has approved an extension until October 25, 1966, of the time within which United California Bank may establish a branch in the vicinity of the intersection of Market and Polk Streets, San Francisco, California. The establishment of this branch was authorized in a letter dated October 25, 1963.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,  
Assistant Secretary.





BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 4  
4/14/65

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 14, 1965.

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

Gentlemen:

The Board of Governors has approved an extension until June 24, 1966, of the time within which United California Bank may relocate a branch in Susanville, California, from the intersection of Main and Gay Streets to the vicinity of the intersection of Main Street and Grand Avenue. The relocation of this branch was authorized in a letter dated June 24, 1964.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,  
Assistant Secretary.





BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 5  
4/14/65

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 14, 1965.

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

Gentlemen:

In accordance with the request contained in your letter of January 28, 1965, transmitted through the Federal Reserve Bank of New York, and on the basis of the information furnished, the Board of Governors extends for a period of one year the time specified in the Board's letter of March 20, 1964, within which your Corporation may purchase and hold capital stock of a proposed Spanish finance company in an amount not to exceed US\$1,000,000.

The foregoing extension has 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 investment in the proposed Spanish finance company, will not exceed the guidelines established under the voluntary foreign credit restraint effort now in effect.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,  
Assistant Secretary.





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

Item No. 6  
4/14/65

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 14, 1965.

First Pennsylvania Overseas Finance Corporation,  
Packard Building,  
Philadelphia 5, Pennsylvania.

Gentlemen:

In accordance with the request contained in your letter of January 21, 1965, transmitted through the Federal Reserve Bank of Philadelphia, and on the basis of the information furnished, the Board of Governors grants consent for First Pennsylvania Overseas Finance Corporation ("FPOFC"), to purchase and hold capital stock of Corporacion Financiera Colombiana de Desarrollo Industrial ("CFCDI"), Bogota, Colombia, at a cost of approximately US\$350,000, provided such stock is acquired within one year from the date of this letter.

The Board also approves the purchase and holding of shares of CFCDI within the terms of the above consent in excess of 10 per cent of your Corporation's capital and surplus.

In accordance with the request contained in your letter of February 11, 1965, transmitted through the Federal Reserve Bank of Philadelphia, the Board of Governors also grants consent for FPOFC to purchase and hold an additional 25 ordinary shares, par value US\$10,000 each, of ADELA Investment Company, S.A., Luxembourg, at a cost of approximately US\$250,000, provided such stock is acquired within one year from the date of this letter.

The Board also approves the purchase and holding of shares of ADELA Investment Company, S.A. within the terms of the above consent in excess of 10 per cent of your Corporation's capital and surplus.

The foregoing consents are given with the understanding that the foreign loans and investments of FPOFC, combined with those of The First Pennsylvania Banking and Trust Company, including the investments in CFCDI and ADELA now being approved, will not exceed the guidelines established under the voluntary foreign credit restraint effort now in effect.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,  
Assistant Secretary.

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

Item No. 7  
4/14/65



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 14, 1965.

Board of Directors,  
The Farmers and Merchants Bank,  
Boswell, Indiana.

Gentlemen:

The Federal Reserve Bank of Chicago has forwarded to the Board of Governors Vice President and Cashier Day's letter dated March 25, 1965, together with the accompanying resolutions dated February 5, 1965, signifying your intention to withdraw from membership in the Federal Reserve System and requesting waiver of the six months' notice of such withdrawal.

The Board of Governors waives the requirement of six months' notice of withdrawal. 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 that notice of intention to withdraw from membership was given. Upon surrender to the Federal Reserve Bank of Chicago of the Federal Reserve stock issued to your institution, such stock will be cancelled and appropriate refund will be made thereon.

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

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,  
Assistant Secretary.

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

Item No. 8  
4/14/65



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 14, 1965.

Board of Directors,  
Mazon State Bank,  
Mazon, Illinois.

Gentlemen:

The Federal Reserve Bank of Chicago has forwarded to the Board of Governors Cashier Wallin's letter dated March 24, 1965, together with the accompanying resolutions dated March 23, 1965, signifying your intention to withdraw from membership in the Federal Reserve System and requesting waiver of the six months' notice of such withdrawal.

The Board of Governors waives the requirement of six months' notice of withdrawal. 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 that notice of intention to withdraw from membership was given. Upon surrender to the Federal Reserve Bank of Chicago of the Federal Reserve stock issued to your institution, such stock will be cancelled and appropriate refund will be made thereon.

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

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,  
Assistant Secretary.

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BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 9  
4/14/65

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD



April 14, 1965.

Board of Directors,  
The First State Bank,  
Hawkins, Texas.

Gentlemen:

The Federal Reserve Bank of Dallas has forwarded to the Board of Governors a letter dated February 26, 1965, signed by President Leon Cates and Cashier Thomas Herring, signifying your intention to withdraw from membership in the Federal Reserve System and requesting waiver of the six months' notice of such withdrawal.

The Board of Governors waives the requirement of six months' notice of withdrawal. 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 that notice of intention to withdraw from membership was given. Upon surrender to the Federal Reserve Bank of Dallas of the Federal Reserve stock issued to your institution, such stock will be cancelled and appropriate refund will be made thereon.

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

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,  
Assistant Secretary.



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

1210

Item No. 10  
4/14/65

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 14, 1965.

CONFIDENTIAL (FR)

Mr. William F. Treiber,  
First Vice President,  
Federal Reserve Bank of New York,  
New York, New York 10045.

Dear Mr. Treiber:

The Board of Governors approves the payment of salary to Mr. David E. Bodner as Manager at the Federal Reserve Bank of New York for the period April 1 through December 31, 1965, at the rate of \$17,000 per annum, which is the rate fixed by your Board of Directors as reported in your letter of April 1.

The Board has also noted the change in duties for Assistant Vice President Peter Fousek.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

1211

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

Item No. 11  
4/14/65



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 14, 1965.

CONFIDENTIAL (FR)

Mr. C. J. Scanlon, President,  
Federal Reserve Bank of Chicago,  
Chicago, Illinois 60690.

Dear Mr. Scanlon:

As requested in your letter of April 2, the Board of Governors approves the payment of salary to painters at the Federal Reserve Bank of Chicago at the rates shown below, effective retroactive to April 1, 1965. It is noted that these annual rates are above the maximums of the grades in which the positions are classified, and that these rates were accepted by the Building Managers Association of Chicago.

<u>Title</u>	<u>Annual Salary</u>
Head Painter	\$9,152.00
Painter	8,236.80

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.





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

1212  
Item No. 12  
4/14/65

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 14, 1965.

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

Dear Mr. Hughes:

This is in response to your letter of April 6, 1965,  
requesting the Board's views on a draft bill proposed by the Farm  
Credit Administration "To amend various provisions of the law  
administered by the Farm Credit Administration to improve operations  
thereunder, and for other purposes."

This is to advise that the provisions of the proposed  
legislation are not closely related to the work of the Federal Reserve  
System or the responsibilities of the Board of Governors, and the  
Board has no comments to offer with respect to them.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.



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

1213  
Item No. 13

4/14/65

S-1950

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 14, 1965.

Dear Sir:

The Board of Governors concurs in the approval by the Conference of Presidents at its meeting on March 1, 1965, of recommendations contained in the report of the Subcommittee of Counsel on Collections, dated January 25, 1965, that the following changes be made in the cash and noncash circulars and letters of the Federal Reserve Banks:

1. That the uniform paragraph under the heading "Endorsements" in the operating circulars and letters of the Federal Reserve Banks relating to the collection of cash items be amended to read as follows:

"All cash items sent to us, or to another Federal Reserve Bank direct for our account, should be endorsed without restriction to, or to the order of, the Federal Reserve Bank to which sent, or endorsed to, or to the order of, any bank, banker, or trust company, or endorsed with equivalent words or abbreviations thereof. Cash items will be accepted by us and by other Federal Reserve Banks only upon the understanding and condition that all prior endorsements are guaranteed by the sending bank. The act of sending or delivering a cash item to us or to another Federal Reserve Bank will be deemed and understood to constitute a guaranty of all prior endorsements on such item. The endorsement of the sending bank should be dated and should show the A.B.A. transit number of the sending bank in prominent type on both sides."

2. That the following uniform paragraph be added, under the heading "Endorsements," in the operating circulars and letters of the Federal Reserve Banks relating to the collection of cash items:

"The act of a Federal Reserve Bank in forwarding a cash item to a collecting or remitting bank or to another Federal Reserve Bank will be deemed and understood to constitute a guaranty of all prior endorsements on such item."

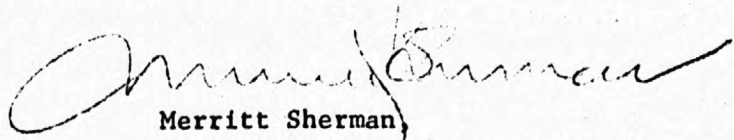
3. That the following uniform paragraph, with the heading "Endorsements," be inserted at an appropriate place in the operating circulars and letters of the Federal Reserve Banks relating to the collection of noncash items:

"The act of a Federal Reserve Bank in forwarding a noncash item to a collecting or remitting bank or to another Federal Reserve Bank will be deemed and understood to constitute a guaranty of all prior endorsements on such item."

The report of the Subcommittee of Counsel above referred to suggested that this uniform paragraph and heading be inserted in the noncash items circulars and letters following the uniform paragraphs that now appear under the heading "Procedure to be followed by sending banks."

It is assumed that the above changes will be made by the Reserve Banks in their operating circulars and letters to become effective at such time as may be specified by each Reserve Bank.

Very truly yours,



Merritt Sherman,  
Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS



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

Item No. 14  
4/14/65

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 14, 1965.

Mr. George Hibbert, Assistant Counsel,  
Federal Reserve Bank of Atlanta,  
Atlanta, Georgia. 30303

Dear Mr. Hibbert:

This is in response to your letter of January 28 regarding the proposed transaction between Citizens & Southern Holding Company ("Citizens Company") and Citizens & Southern National Bank ("Citizens Bank").

Citizens Company is a bank holding company under section 2(a)(1) of the Bank Holding Company Act of 1956 ("the Act").

Citizens Bank holds all the shares of Citizens Company, a bank holding company, in trust for the benefit of Citizens Bank's shareholders. Consequently Citizens Bank is a bank holding company under section 2(a)(3) of the Act, because all the shares of a bank holding company are held in trust for the benefit of its shareholders.

It is understood that Citizens Bank proposes that its shareholders donate to it their beneficial interest in the stock of Citizens Company. Since Citizens Bank already had legal title to those shares, legal ownership and beneficial ownership would merge, thereby terminating the trust.

The Board recognizes that, literally, under the present proposal, Citizens Bank would "acquire" beneficial ownership of stock of a nonbanking bank holding company.

However, section 2(a)(3) of the Act is based on the legislative view that where stock of a bank holding company (or of banks) is held in trust for the benefit of another company's shareholders a special relationship results under which the company should be regarded and treated as though it already owned and/or controlled such stock. That is the situation in the instant case, so that Citizens Bank, by definition, already is a bank holding company.



Mr. George Hibbert

-2-

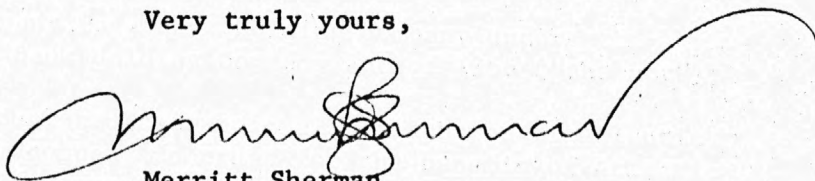
Consequently, viewed realistically, consummation of the described proposal by Citizens Bank would not involve an acquisition of ownership or control of the kind that Congress intended to forbid under section 4(a), and for similar reasons the transaction would not result in acquisition of ownership or control of bank stock that would require the Board's approval under section 3(a)(2) of the Act.

Since the ownership of the stock involved would be transferred without consideration, there appears to be no "purchase" as that term is used in R. S. 5136. Accordingly, the prohibition of that section would not be applicable.

In the opinion of the Board, therefore, neither the statutes cited nor any other provisions of Federal banking laws present any impediment to consummation of the Citizens Bank's proposal.

Please communicate the substance of these views to the companies concerned.

Very truly yours,

A large, flowing handwritten signature in dark ink, which appears to read 'Merritt Sherman'. The signature is written in a cursive style with a long, sweeping tail that extends to the right.

Merritt Sherman,  
Secretary.

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

Item No. 15  
4/14/65

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 14, 1965.



Mr. R. M. Stephenson, Vice President,  
Federal Reserve Bank of Atlanta,  
Atlanta, Georgia. 30303

Dear Mr. Stephenson:

This is in response to your letter of March 9 regarding the proposed transaction between Atlantic Trust Company ("Atlantic Company") and Atlantic National Bank of Jacksonville ("Atlantic Bank").

Atlantic Company is a bank holding company under section 2(a)(1) of the Bank Holding Company Act of 1956 ("the Act").

Three individual trustees hold all the shares of Atlantic Company, a bank holding company, in trust for the benefit of Atlantic Bank's shareholders. Consequently, Atlantic Bank is a bank holding company under section 2(a)(3) of the Act because all the shares of a bank holding company are held in trust for the benefit of its shareholders.

It is understood that Atlantic Bank proposes that the three trustees who have legal title to shares of Atlantic Company terminate the present trust by donating those shares to Atlantic Bank. Such a termination by donation is expressly permitted by the trust instrument.

The Board recognizes that, literally, under the present proposal, Atlantic Bank would "acquire" both beneficial and legal ownership and control of the stock of a nonbanking bank holding company.

However, section 2(a)(3) of the Act by virtue of which Atlantic Bank presently is a bank holding company is based on the legislative law that where stock of a bank holding company (or of banks) is held in trust for the benefit of another company's shareholder, a special relationship results under which that company should be regarded and treated as though it already owned and/or controlled



## BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Mr. R. M. Stephenson

-2-

such stock. In such cases it is immaterial for purposes of section 2(a)(3) whether the trustee is the company itself or others. The significant and determinative fact, present in the instant case, is that the stock of another company that is a bank holding company is held in trust for the benefit of Atlantic Bank's shareholders. Because of this fact, Atlantic Bank, by definition, is a bank holding company.

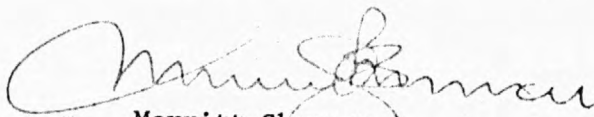
Consequently, viewed realistically, consummation of the described proposal by Atlantic Bank would not involve an acquisition of ownership or control of the kind that Congress intended to forbid under section 4(a), and for similar reasons, the transaction would not result in acquisition of ownership or control of bank stock that would require the Board's approval under section 3(a)(2) of the Act.

Since the ownership of the stock involved would be transferred without consideration, there appears to be no "purchase" as that term is used in R. S. 5136. Accordingly, the prohibition of that section would not be applicable.

In the opinion of the Board, therefore, neither the statutes cited nor any other provisions of Federal banking laws present any impediment to consummation of Atlantic Bank's proposal.

Please communicate the substance of these views to the companies concerned.

Very truly yours,



Merritt Sherman,  
Secretary.

Item No. 16  
4/14/65

UNITED STATES OF AMERICA  
BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTON, D. C.

-----  
In the Matter of the Application of  
FIRST TRUST COMPANY OF ALBANY  
for approval of merger with  
The National Bank of Windham  
-----

ORDER APPROVING MERGER OF BANKS

There has come before the Board of Governors, pursuant to the Bank Merger Act of 1960 (12 U.S.C. 1828(c)), an application by First Trust Company of Albany, Albany, New York, a State member bank of the Federal Reserve System, for the Board's prior approval of the merger of that bank and The National Bank of Windham, Windham, New York, under the charter and title of First Trust Company of Albany. As an incident to the merger, the two offices of The National Bank of Windham would become branches of the resulting bank. Notice of the proposed merger, in form approved by the Board, has been published pursuant to said Act.

Upon consideration of all relevant material in the light of the factors set forth in said Act, including reports furnished by the Comptroller of the Currency, the Federal Deposit Insurance Corporation,

-2-

and the Department of Justice on the competitive factors involved in the proposed merger,

IT IS HEREBY ORDERED, for the reasons set forth in the Board's Statement of this date, that said application be and hereby is approved, provided that said merger shall not be consummated (a) within seven calendar days after the date of this Order or (b) later than three months after said date.

Dated at Washington, D. C., this 14th day of April, 1965.

By order of the Board of Governors.

Voting for this action: Unanimous, with all members present.

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

(SEAL)

Item No. 17  
4/14/65

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
APPLICATION OF FIRST TRUST COMPANY OF ALBANY  
FOR APPROVAL OF MERGER WITH  
THE NATIONAL BANK OF WINDHAM

STATEMENT

First Trust Company of Albany, Albany, New York ("First Trust"), with total deposits of about \$100 million, has applied, pursuant to the Bank Merger Act of 1960 (12 U.S.C. 1828(c)), for the Board's prior approval of the merger of that bank and The National Bank of Windham, Windham, New York ("Windham National"), with total deposits of about \$3.5 million.<sup>1/</sup> The banks would merge under the charter and name of First Trust Company of Albany, a State member bank of the Federal Reserve System. As an incident to the merger, the two offices of Windham National would become branches of First Trust, increasing to 10 the number of its banking offices.

Under the Act, the Board is required to consider, as to each of the banks involved, (1) its financial history and condition, (2) the adequacy of its capital structure, (3) its future earnings prospects, (4) the general character of its management, (5) whether its corporate powers are consistent with the purposes of 12 U.S.C., Ch. 16 (the Federal Deposit Insurance Act), (6) the convenience and needs of the community

<sup>1/</sup> Deposit figures are as of June 30, 1964.



to be served, and (7) the effect of the transaction on competition (including any tendency toward monopoly). The Board may not approve the transaction unless, after considering all of these factors, it finds the transaction to be in the public interest.

Banking factors. - The financial histories of First Trust and Windham National are satisfactory. The asset condition of each of the banks is good, and both have adequate capital structures and favorable future earnings prospects. The management of Windham National is satisfactory. The resulting bank, which would be under the competent management of First Trust, would have a sound asset condition, an adequate capital structure, and favorable earnings prospects.

There is no evidence that the corporate powers of the banks are, or would be, inconsistent with the purposes of 12 U.S.C., Ch. 16.

Convenience and needs of the community. - First Trust has six offices in or near Albany, which is the State capital and situated on the west bank of the Hudson River about 150 miles north of New York City. The bank's two other offices are located, respectively, about 45 miles northwest of Albany in Johnstown, the seat of Fulton County, and in Broadalbin, a small community approximately 10 miles east of Johnstown. Consummation of the merger would have no appreciable effect on the convenience and needs of the areas now served by First Trust.

Windham, with an estimated population of about 1,300, is situated in Greene County about 57 miles southwest of Albany. Tannersville, the location of Windham National's only branch, has a population of about 600 and is situated 14 miles southeast of Windham. Windham National is

the only bank in its service area<sup>2/</sup> which lies in a resort region in the northern part of the Catskill Mountains. The population of the Windham-Tannersville area, with about 5,000 local residents, increases substantially during the summer months. This area is being developed to attract both winter and summer resort business. The credit needs of the community are increasing, particularly those of resort operators. Many loan applications have exceeded the bank's lending limit of \$20,000, and the resources of the bank have enabled it to finance only a small percentage of the mortgage loans on property in the Windham-Tannersville area. The needs of many local borrowers can be met only by turning to larger banks outside the Windham-Tannersville area.

The resulting bank, with a basic lending limit of around \$700,000, would be in a position to meet these credit needs and, in addition, it would provide a number of services not available from Windham National, including trust services for which there is some local demand.

Competition. - As noted above, the nearest offices of First Trust and Windham National are about 57 miles apart. The service areas of the two banks do not overlap, and there is no significant competition between them.

The State Bank of Albany (one of the two largest banks in the Fourth Banking District of New York) has a branch at Cairo, approximately 15 miles east of Windham. Conversion of Windham National's offices to branches of First Trust would provide more effective banking competition

<sup>2/</sup> That area from which a bank derives 75 per cent or more of its deposits of individuals, partnerships, and corporations.



in the Windham-Tannersville area for State Bank of Albany. The three other commercial banks headquartered in Greene County and the five commercial banks (other than State Bank of Albany) headquartered in adjacent or other counties that compete in various degrees in the Windham-Tannersville area would not be adversely affected by consummation of the proposal. One of these banks, like State Bank of Albany, is much larger than First Trust, and the others are well-established institutions serving chiefly areas separate and distinct from the Windham-Tannersville area.

Summary and conclusion. - The proposed replacement of the two offices of Windham National with offices of First Trust would not eliminate any significant competition, while banking competition in the area served by Windham National would be stimulated without any adverse effect on other banks. Bank customers in the developing area served by Windham National would have ready access to a bank of sufficient resources to meet most of the credit demands that are presently not being satisfied locally. They would also be provided with a broader range of banking services than are now available in the Windham-Tannersville area.

Accordingly, the Board finds the proposed merger to be in the public interest.

April 14, 1965.



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

1225  
Item No. 18

4/14/65

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 14, 1965.

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

Re: Bank of Commerce, Newark, New Jersey--  
Interpretation of § 206.2(j) of Regulation F.

Dear Mr. Crosse:

Reference is made to your letter of March 8, 1965, with which you forwarded a request of a member State bank for a Board ruling with respect to the definition of "held of record" in § 206.2(j) of Federal Reserve Regulation F, "Securities of Member State Banks".

The question presented is whether shares of stock are "held of record" by one person, or by more than one, in the following situations:

1. Where one adult holds shares as custodian or trustee for different minors, in separate stockholder accounts.
2. Where an individual owns shares in his own name and also jointly with another, in separate stockholder accounts.

As you know, section 12(g) of the Securities Exchange Act of 1934 in effect requires each member State bank with a class of equity securities "held of record" by 750 or more persons on December 31, 1964, to register such security by filing a registration statement with the Board by April 30, 1965. (After December 31, 1966, registration will be required if a bank has 500 or more record holders.) Pursuant to authority contained in the Act, the Board has adopted the definition of "held of record" contained in § 206.2(j) of Regulation F.

The Board has concluded that in each of the situations presented, each stockholder account should be regarded as constituting a separate holder of record.

Mr. Howard D. Crosse

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In reaching this conclusion, the Board was of the opinion that Congress intended the minimum number of record holders specified in the statute to be a test for determining investor interest and market activity sufficient to justify the burden of registration and reporting. Accordingly, the significant figure, except in certain circumstances enumerated in § 206.2(j), in determining holders of record is the number of accounts that appear on the corporate records.

Although not involved in this situation, it should be noted that the definition contained in § 206.2(j) will require a counting of beneficial owners where "the form of holding securities of record is used principally to circumvent the provisions of section 12(g)(1) of the Act" and where securities are held pursuant to a voting trust agreement.

It will be appreciated if your Bank will convey the Board's views to the member bank making the inquiry.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON

1227  
Item No. 19  
4/14/65

OFFICE OF THE CHAIRMAN

April 14, 1965.

The Honorable Wright Patman,  
Chairman,  
Committee on Banking and Currency,  
House of Representatives,  
Washington, D. C. 20515.

Dear Mr. Chairman:

This is in reply to your letter of April 1 requesting a report on H. R. 6885, which would vest Federal bank supervisory functions in the Secretary of the Treasury, and H. R. 107, which would vest these functions in a new Federal Banking Commission.

In the Board's judgment, while a strong case can be made for unification of Federal bank supervisory functions, further time is needed to explore alternatives. Some progress has already been made in achieving much-needed improvement in relations among the supervisory agencies, and the new Secretary of the Treasury is adding his efforts to those of the agencies in seeking further improvement. Public discussion of a variety of proposals for consolidation or reorganization over the years has not produced any consensus as to the need for such a move or the form it should take. Before taking a position on H. R. 6885 or H. R. 107 the Board desires to give further consideration to the means best suited for carrying out a consolidation of functions, and to the possibilities of achieving the same objectives through less controversial methods.

Sincerely yours,

*Wm. McC. Martin, Jr.*

Wm. McC. Martin, Jr.