

Minutes for April 29, 1965.

To: Members of the Board

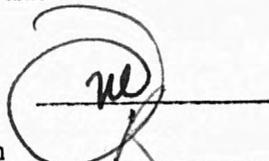
From: Office of the Secretary

Attached is a copy of the minutes of the Board of Governors of the Federal Reserve System on the above date.

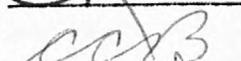
It is not proposed to include a statement with respect to any of the entries in this set of minutes in the record of policy actions required to be maintained pursuant to section 10 of the Federal Reserve Act.

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.

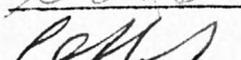
Chm. Martin



Gov. Robertson



Gov. Balderston



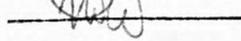
Gov. Shepardson



Gov. Mitchell



Gov. Daane



Minutes of the Board of Governors of the Federal Reserve System  
on Thursday, April 29, 1965. The Board met in the Board Room at 10:20 a.m.

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

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. Solomon, Director, Division of Examinations  
Mr. Hexter, Assistant General Counsel  
Mr. O'Connell, Assistant General Counsel  
Mr. Shay, Assistant General Counsel  
Mr. Holland, Associate Director, Division of  
Research and Statistics  
Mr. Daniels, Assistant Director, Division of  
Bank Operations  
Mr. Conkling, Assistant Director, Division of  
Bank Operations  
Mr. Spencer, General Assistant, Office of the  
Secretary  
Messrs. Plotkin, Sanders, Via, and Young, Senior  
Attorneys, Legal Division  
Mr. Collier, Assistant to the Director, Division  
of Bank Operations  
Messrs. Egertson and McClintock, Supervisory  
Review Examiners, Division of Examinations  
Mr. Hart, Assistant to the Director, Division  
of Personnel Administration

Branch application (Item No. 1). Unanimous approval was given  
to a letter to Montgomery County Bank and Trust Company, Norristown,  
Pennsylvania, approving the establishment of a branch in Plymouth Town-  
ship. A copy is attached as Item No. 1.

Report on competitive factors (Toledo-Rossford, Ohio). There  
had been distributed a draft of report to the Comptroller of the Currency

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on the competitive factors involved in the proposed merger of The Rossford Savings Bank, Rossford, Ohio, into The National Bank of Toledo, Toledo, Ohio.

Following discussion the report was approved unanimously for transmittal to the Comptroller in a form containing the following conclusion:

The proposed merger of The Rossford Savings Bank, Rossford, Ohio, into The National Bank of Toledo, Toledo, Ohio, would eliminate the small amount of competition existing between them and all potential for competition between them. The effect of the proposed transaction on other banks would be negligible.

Application of Wachovia Bank and Trust Company (Items 2-4).

There had been distributed drafts of an order and statement reflecting approval by the Board on April 19, 1965, of the application by Wachovia Bank and Trust Company, Winston-Salem, North Carolina, to merge into itself The Bank of Kernersville, Kernersville, North Carolina. A dissenting statement by Governor Robertson also had been distributed.

After a discussion during which certain changes in the language of the majority statement were agreed upon, the issuance of the order and statement was authorized. Copies of the documents, as issued, are attached as Items 2 and 3. A copy of Governor Robertson's dissenting statement is attached as Item No. 4.

Messrs. Shay, Via, Young, Egertson, and McClintock then withdrew from the meeting.

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Extension of time to file registration statements (Items 5-7).

A distributed memorandum from the Legal Division dated April 28, 1965, submitted drafts of letters to Pacific State Bank, Hawthorne, California; County Trust Company, Tenafly, New Jersey; and Old Kent Bank and Trust Company, Grand Rapids, Michigan, that would grant requested extensions of time to file registration statements pursuant to section 12(g) of the Securities Exchange Act of 1934 and Regulation F, Securities of Member State Banks.

The requests of Pacific State Bank, County Trust Company, and Old Kent Bank and Trust Company were approved unanimously. Copies of the letters sent to the respective banks are attached as Items 5, 6, and 7.

If other similar requests were received, the Board authorized advising the banks concerned of extension of time for filing of their registration statements without specific Board action in each case, with the understanding, however, that any case presenting unusual circumstances would be brought to the attention of the Board.

Secretary's Note: Pursuant to this authorization, the following banks subsequently were advised that extensions of time had been granted as indicated:

Peoples Union Bank and Trust Company, McKeesport,  
Pennsylvania, until June 29, 1965;  
Bank of the Commonwealth, Detroit, Michigan,  
until June 1, 1965;

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Texas Bank & Trust Company of Dallas, Dallas, Texas,  
until May 31, 1965;  
Bank of Passaic and Clifton, Passaic, New Jersey,  
until May 31, 1965.

Mr. Plotkin then withdrew from the meeting.

Termination of designation of Toledo as a reserve city (Items 8 and 9). At the meeting on February 8, 1965, there was discussion of a request by The Toledo Trust Company, Toledo, Ohio, for termination of Toledo's reserve city designation. Because it was not clear whether the three reserve city banks in Toledo were unanimous in desiring to have the present designation changed, it was understood that President Hickman of the Federal Reserve Bank of Cleveland would be requested to discuss the matter with the banks.

There now had been circulated a memorandum from the Division of Bank Operations dated April 16, 1965, summarizing a letter of March 31, 1965, from President Hickman wherein he commented on his discussion with the banks and recommended that the reserve city designation be terminated. Attached to the Division memorandum was a draft of letter to the Cleveland Reserve Bank that would state that the designation had been terminated, effective May 13, 1965. Also attached was a draft of notice for publication in the Federal Register.

Governor Robertson told of a recent conversation with a Toledo banker who apparently thought that the matter had been resolved in the direction of retaining the present reserve city classification. Governor

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Robertson suggested that inquiry be made of President Hickman for the purpose of being sure that there had been no significant change in the situation described in the March 31 letter.

Indication was given that the Board was prepared, on the basis of the facts before it, including the information related by President Hickman, to terminate Toledo's reserve city designation. However, it was understood that before the letter to the Cleveland Bank was transmitted, Governor Robertson would telephone President Hickman (with Mr. Molony present during the call) to determine whether there appeared to have been any recent change in the situation. If not, it was agreed unanimously to terminate the reserve city designation.

Question had been raised during this discussion as to the procedure for releasing to the press news of the termination of Toledo's designation, and it was understood that the details of this phase of the matter would be worked out by Governor Robertson with Mr. Molony in the light of the telephone discussion with President Hickman. It was also understood that the notice published in the Federal Register would not identify the bank that requested termination of the reserve city designation.

Secretary's Note: Subsequent to the meeting, the Secretary was informed that Governor Robertson had talked with President Hickman by telephone, and it was understood there was no significant change in the information presented by Mr. Hickman in his letter of

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March 31, 1965. Accordingly, the letter to the Federal Reserve Bank, informing it of the termination of Toledo's reserve city designation, was sent. A copy is attached as Item No. 8, and a copy of the notice sent to the Federal Register is attached as Item No. 9.

Messrs. O'Connell, Conkling, Daniels, and Collier then withdrew from the meeting.

Salary structure of Minneapolis Bank (Item No. 10). There had been circulated a memorandum from the Division of Personnel Administration dated April 22, 1965, with regard to a letter of April 16, 1965, from the Federal Reserve Bank of Minneapolis requesting approval of an upward adjustment of the employees' salary structure at the head office. The Bank also requested approval of a revision in the employees' salary structure of the Helena Branch, the effect of which would be to provide the same structure for the Branch as for the head office. The Division recommended approval of the proposed adjustments, and a draft of letter to the Minneapolis Bank was attached.

Mr. Hart commented in supplementation of the information presented in the April 22 memorandum, following which the letter to the Minneapolis Reserve Bank was approved unanimously. A copy is attached as Item No. 10.

Deposit insurance (Item No. 11). At the meetings on April 15 and 16, 1965, there was discussion of certain legislation proposed by the Federal Deposit Insurance Corporation on which the Bureau of the Budget had requested the views of the Board. The principal effect of the

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Corporation's legislative proposal would be to deprive money placed with an insured bank of Federal deposit insurance if the person placing the funds in the bank or the owner thereof received, directly or indirectly from the bank or anyone else, compensation for such money in excess of the maximum rate permitted by regulation of the Corporation or the Board of Governors. This would be accomplished by providing that receipt of excessive interest would convert a deposit into a non-deposit borrowing for insurance purposes.

At the Board meeting on April 16, approval was given to a letter to the Budget Bureau that questioned the desirability of the legislative proposal. The letter pointed out that to deprive funds placed with an insured bank, with the intention of making a deposit, of the protection of deposit insurance because of a violation by the bank of the rules governing the payment of interest could lead to public confusion and uncertainty as to the insured status of many purported "deposits." Such uncertainty would tend to impair the confidence in the banking system that Federal deposit insurance was designed to provide. The letter went on to suggest that alternative means of dealing with the problem be carefully explored and indicated that the Board's staff was prepared to participate in discussions with representatives of the other interested agencies.

There had now been distributed memoranda from the Legal Division dated April 27 and April 28, 1965. The memorandum of April 27 concerned

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a meeting held at the Budget Bureau at which a third draft of the Corporation's legislative proposal was discussed. It also summarized the objections to the proposal that had been presented at that meeting by Board representatives. The other memorandum discussed a fourth draft of the Corporation's legislative proposal that had been received on April 28 from the Budget Bureau with a request for views by telephone.

Mr. Hackley summarized the latest legislative proposal, indicating that the approach was no different in substance from that of previous drafts. The same objections therefore continued to be relevant. It was recommended that the Budget Bureau be advised that the reservations noted in the Board's letter of April 16 were reiterated and that the Board would not favor submitting the proposal to the Congress.

From a lengthy discussion that ensued, there developed to be unanimous agreement with the Legal Division's analysis. It was agreed that the Bureau of the Budget should be advised by letter of the Board's objections to the proposed legislation, and that copies of the letter should be sent to the Chairman of the Federal Deposit Insurance Corporation and the Treasury. It was understood that a request would be made by telephone that Budget Bureau action on the Corporation's proposal be deferred until receipt of the Board's letter. It was also understood that Governor Balderston would get in touch with the Chairman of the Federal Deposit Insurance Corporation and the Secretary of the Treasury and explain further the Board's position with respect to the proposed legislation.

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A copy of the letter sent to the Budget Bureau on April 30, 1965, is attached as Item No. 11.

All of the members of the staff except Messrs. Sherman and Kenyon then withdrew from the meeting.

Request for salary information (Item No. 12). Reference was made to a request that had been received from Chairman Patman of the House Banking and Currency Committee for a list of positions in the Federal Reserve System that as of March 31, 1965, were being compensated at a rate of \$22,500 or more per annum, this representing in effect an updating of information that had previously been supplied to Chairman Patman.

It was agreed that the requested information should be compiled and furnished to Chairman Patman. A copy of the letter sent pursuant to this action is attached as Item No. 12.

Voluntary restraint effort. Governor Robertson reported on his attendance yesterday at a White House meeting at which reports were received on the progress being made by nonbank corporations under the voluntary effort to restrain foreign lending and investment. Governor Robertson said that he had briefed the meeting on the status of the voluntary effort as it related to banks and other financial institutions and that the general tone of the meeting, as well as the President's subsequent press conference, was one of welcoming the progress reported but emphasizing the need to guard against relaxation or undue optimism.

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The meeting then adjourned.

Secretary's Notes: There was sent today to Brink's, Incorporated, Chicago, Illinois, with a letter signed by the Secretary of the Board, an executed copy of a rider amending the service schedule attached to the contract of November 2, 1964, between Brink's and the Board of Governors covering the transportation of new Federal Reserve notes between Washington and the Federal Reserve Banks and branches. The effect of the rider was to amend the service schedule so that shipments might be made to the Federal Reserve office in Baltimore on any Wednesday and Friday instead of on any Wednesday.

Governor Shepardson approved on behalf of the Board on April 28, 1965, the following items:

Memorandum from the Division of Research and Statistics dated April 12, 1965, requesting authorization of two contracts with the Economic Research Institute of Drew University: a \$4,000 contract for a study of sample methods to determine the attitude of Morris County, New Jersey, residents toward commercial banking services in the county, and a \$1,000 contract for a study of the penetration of the Morris County market area by banks located outside the county. The memorandum stated that provision was made for these studies in the 1965 budget of the Division.

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

#### Appointments

Guy R. DeCarlo as Economist, Division of International Finance, with basic annual salary at the rate of \$8,945, effective the date of entrance upon duty.

William R. Howell as Messenger, Division of Administrative Services, with basic annual salary at the rate of \$3,385, effective the date of entrance upon duty.

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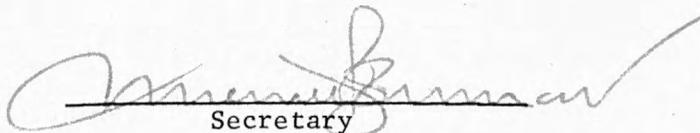
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Acceptance of resignations

Susan K. Rowzie, Secretary, Legal Division, effective at the close of business May 7, 1965, rather than the close of business April 30, 1965, as previously approved.

Ann N. Vermeulen, Senior Clerk, Division of International Finance, effective at the close of business May 7, 1965.

In furtherance of actions taken by the Board on April 1 and April 20, 1965, Governor Shepardson today approved on behalf of the Board a letter to the Central Bank of Chile relating to the manner in which the Board would propose to comply with the Bank's request for technical assistance in studying and devising regulations to control consumer credit. A copy of the letter is attached as Item No. 13.

  
Secretary

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

Item No. 1  
4/29/65



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 29, 1965

Board of Directors,  
Montgomery County Bank and  
Trust Company,  
Norristown, Pennsylvania.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Montgomery County Bank and Trust Company, Norristown, Pennsylvania, of a branch at the intersection of the Pennsylvania Turnpike, the Northeast Extension of the Pennsylvania Turnpike, and Germantown Pike, Plymouth Township, Montgomery County, Pennsylvania, 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.)

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

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In the Matter of the Application of  
WACHOVIA BANK AND TRUST COMPANY  
for approval of merger with  
The Bank of Kernersville  
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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 Wachovia Bank and Trust Company, Winston-Salem, North Carolina, a State member bank of the Federal Reserve System, for the Board's prior approval of the merger of that bank and The Bank of Kernersville, Kernersville, North Carolina, under the charter and title of Wachovia Bank and Trust Company. As an incident to the merger, the sole office of The Bank of Kernersville would become a branch 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,

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 29th day of April, 1965.

By order of the Board of Governors.

Voting for this action: Chairman Martin, and Governors Balderston, Shepardson, and Daane.

Voting against this action: Governor Robertson.

Absent and not voting: Governor Mitchell.

(Signed) Merritt Sherman

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Merritt Sherman,  
Secretary.

(SEAL)

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
APPLICATION OF WACHOVIA BANK AND TRUST COMPANY  
FOR APPROVAL OF MERGER WITH  
THE BANK OF KERNERSVILLE

STATEMENT

Wachovia Bank and Trust Company, Winston-Salem, North Carolina ("Wachovia"), with total deposits of \$764 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 Bank of Kernersville, Kernersville, North Carolina ("Kernersville Bank"), which has total deposits of \$4 million.<sup>1/</sup> The banks would merge under the charter and name of Wachovia, a State member bank of the Federal Reserve System. As an incident to the merger, the sole office of Kernersville Bank would become a branch of Wachovia, increasing the number of its offices to 93.

Under the law, 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 Wachovia and Kernersville Bank are satisfactory, and each bank has a sound asset condition and an adequate capital structure. Each bank has a good earnings record and satisfactory future earnings prospects. While each bank is satisfactorily managed, the proposed merger would result in a more progressive operation of the office now maintained by Kernersville Bank. In addition to capable management, the resulting bank would have a sound asset condition, an adequate capital structure, and good future earnings prospects.

There is no indication 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 communities. - Kernersville has a population of about 3,000 and is located in Forsyth County near the center of the tri-city complex formed by Greensboro, High Point, and Winston-Salem. The economy of Kernersville proper is based principally on textile manufacturing; agricultural activities are predominant in the immediately surrounding region. Recently, Kernersville has been growing as a residential community and, because of its central location, is becoming a distribution point for the surrounding cities.

Kernersville Bank, a family-owned and operated institution, is the only commercial banking office in Kernersville. The bank makes available only limited services relative to the banking needs of the Kernersville area. In particular, the bank does not offer, for example, trust services, special checking accounts, or an adequate range of consumer, farm, and business loans. While these services are available at banking offices situated about 10 miles distant, it is clear that the banking needs and convenience of the Kernersville community would be better served if a wider variety of banking services, such as would be provided by Wachovia, were more readily available.

The proposed merger would have no appreciable effect on the banking needs and convenience of the communities in which Wachovia presently has banking offices.

Competition. - Wachovia, with about 22 per cent of the total deposits and 11 per cent of the offices, is the largest commercial bank in North Carolina. The seven largest banks in North Carolina, five of which have offices in the tri-city area, hold altogether approximately 69 per cent of the State's commercial bank deposits. The proposed merger would increase Wachovia's share of the State's total commercial bank deposits by about one-tenth of 1 per cent.

The service area<sup>2/</sup> of Kernersville Bank may be approximately defined as the area contained within a radius of about 4 to 8 miles from

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

Kernersville, and it includes portions of eastern Forsyth County and western Guilford County. The nearest offices of Wachovia to Kernersville Bank are in Winston-Salem, High Point, and Greensboro, these cities being, respectively, about 10, 14, and 17 miles distant. While Kernersville Bank has not been a very aggressive competitor, some competition does exist between the proponent banks; this and such potential for further competition as exists would be foreclosed by consummation of the proposed merger.

Wachovia has 22 of the 73<sup>3/</sup> banking offices in Forsyth and Guilford Counties, and holds about 54 per cent of the total deposits held by all commercial banks in these counties. The proposed merger would increase Wachovia's share of total commercial bank deposits in this two-county area by less than 1 per cent. There is no indication that any other bank in the relevant area would be adversely affected by the proposed merger.

Summary and conclusion. - While the proposed merger would foreclose some competition between the proponent banks and result in a very slight increase in the already heavy concentration of bank resources, it does not appear that the transaction would have any significant adverse consequences for banking competition in the State or in the relevant local market area. Wachovia will provide for the area now served by Kernersville Bank the improved and expanded banking services which are essential for the community's continued economic progress. This

3/ Seasonal offices are excluded.

outweighs any adverse competitive effect and, therefore, the net effect of the transaction will be clearly beneficial.

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

April 29, 1965.

## DISSENTING STATEMENT OF GOVERNOR ROBERTSON

By approving this application the Board has, in my judgment, taken one more step toward making a virtual nullity of the Bank Merger Act of 1960.

I have searched the record in vain for factual bases which would warrant Federal sanction of the acquisition by the dominant institution in what is tantamount to an oligopoly of another healthy institution in the same industry and located in the same geographical area.

To be sure, the majority finds that the merger would result in improved and expanded banking services for the area now served by Kernersville Bank, and holds that this factor outweighs the probable adverse consequences for banking competition. Yet, the majority concedes in essence (and the record clearly shows) that full banking services are conveniently available to Kernersville residents at other banking offices in the tri-city area; and the majority, at the same time, disdains sub silentio the evidence of record that, notwithstanding consummation of the proposed merger, the major industries in Kernersville will continue to maintain their principal banking connections elsewhere. Further, no attention whatsoever is given by the majority to the fact that Wachovia - or other full-service banks - can enter Kernersville by the establishment of de novo branches. The majority's finding with respect to the convenience and needs factor is, in my opinion, unsupported by the record and is the result of sheer rationalization.

Wachovia, the largest bank in North Carolina, and the next four largest banks together account for over 47 per cent of the banking offices, and for more than 64 per cent of the total deposits, of all the State's commercial banks. More particularly, with 64 of the 73 banking offices<sup>1/</sup> in Forsyth and Guilford Counties, the area treated by the majority as the relevant geographical market, these same five banks hold nearly 94 per cent of the total deposits held by the 12 commercial banks operating offices there. Wachovia alone owns over 30 per cent of the banking offices, and holds about 54 per cent of commercial bank deposits, in this two-county area; Wachovia and the State's second largest bank together account for over 60 per cent of the banking offices, and for nearly 82 per cent of the commercial bank deposits, in this area. Following the merger, the total deposit holdings of Wachovia in Forsyth and Guilford Counties will exceed by nearly tenfold the combined deposits of the area's six remaining independent commercial banks, five of which are even smaller than Kernersville Bank.

If the degree of concentration is not prohibitively great here so as to preclude even the slightest increase through further acquisition of sound, albeit small, banks<sup>2/</sup> it is difficult for me to imagine such a case.

I would deny the application.

April 29, 1965.

<sup>1/</sup> Excluding six seasonal offices held also by the big five.

<sup>2/</sup> See the discussion on this point in my Dissenting Statement at 51 Federal Reserve Bulletin 98 (1965).

Item No. 5  
4/29/65BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 29, 1965.



Pacific State Bank,  
13545 South Hawthorne Boulevard,  
Hawthorne, California.

Attention: Mr. R. Sherman, President.

Dear Sirs:

In accordance with your request of April 16, 1965, the Board grants an extension of time, until June 30, 1965, for your bank to file a registration statement pursuant to section 12(g) of the Securities Exchange Act of 1934.

If your bank is merged into another institution prior to the specified date, no registration statement will be required to be filed with respect to the stock of Pacific State Bank.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

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

Item No. 6  
4/29/65



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 29, 1965.

County Trust Company,  
Tenafly, New Jersey.

Attention: Richard A. Callahan,  
President and Trust Officer.

Dear Sirs:

In accordance with your request of April 22, 1965, the Board grants an extension of time, until June 15, 1965, for your bank to file a registration statement pursuant to section 12(g) of the Securities Exchange Act of 1934.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 7  
4/29/65

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 29, 1965.



Old Kent Bank and Trust Company,  
Grand Rapids, Michigan.

Attention: Mr. William C. Whitney,  
Vice President and Cashier.

Dear Sirs:

In accordance with your request of April 23, 1965, the Board grants an extension of time, until June 1, 1965, for your bank to file a registration statement pursuant to section 12(g) of the Securities Exchange Act of 1934.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 8  
4/29/65



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 29, 1965

Mr. W. Braddock Hickman, President,  
Federal Reserve Bank of Cleveland,  
Cleveland, Ohio. 44101

Dear Mr. Hickman:

Referring to your letter of March 31, 1965, and Mr. Huning's letter of November 27, 1964, the Board has granted the request of The Toledo Trust Company, Toledo, Ohio, that the reserve city designation of Toledo be terminated, pursuant to the July 28, 1962, amendment to the 1947 Rule for Classification of Reserve Cities.

The termination of Toledo, Ohio, as a reserve city will be effective with the first biweekly reserve computation period beginning after the date of this letter. A notice to this effect will be published in the Federal Register and in the Federal Reserve Bulletin.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

4/29/65

## TITLE 12 - BANKS AND BANKING

## CHAPTER II - FEDERAL RESERVE SYSTEM

## SUBCHAPTER A - BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

## PART 204 - RESERVES OF MEMBER BANKS

[Reg. D]

## Termination of Designation as Reserve City

1. Part 204 is amended by adding thereto the following new section:

§ 204.56 Termination of Toledo, Ohio, designation as reserve city.

In accordance with paragraph (e) of § 204.51, a member bank in Toledo, Ohio, has submitted a written request for termination of the designation of such city as a reserve city, and, acting pursuant to such paragraph (e) of § 204.51, the Board of Governors has granted such request. Accordingly, the designation of Toledo, Ohio, as a reserve city is hereby terminated effective May 13, 1965.

2. There was no notice and public participation with respect to this amendment as such procedure and delay would be contrary to the public interest and serve no useful purpose. (See § 262.1(e) of the Board's Rules of Procedure (12 CFR 262.1(e)).)

Dated at Washington, D. C., this 29th day of April, 1965.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

(SEAL)

(Signed) Merritt Sherman

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Merritt Sherman,  
Secretary.

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

Item No. 10  
4/29/65



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 29, 1965

CONFIDENTIAL (FR)

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

Dear Mr. Strothman:

As requested in your letter of April 16, 1965, the Board of Governors approves the following minimum and maximum salaries for the respective grades of the employees' salary structure at the Federal Reserve Bank of Minneapolis and Helena Branch, effective May 15:

<u>Grade</u>	<u>Minimum</u>	<u>Maximum</u>
1	\$ -	\$ -
2	2,800	3,600
3	3,000	3,900
4	3,200	4,300
5	3,550	4,750
6	4,000	5,300
7	4,550	6,050
8	5,100	6,800
9	5,700	7,600
10	6,300	8,400
11	6,950	9,350
12	7,750	10,450
13	8,600	11,500
14	9,450	12,750
15	10,400	14,000
16	11,400	15,300

The Board approves the payment of salaries to employees within the limits specified for the grades in which their respective positions are classified. All employees whose salaries are below the minimum of their grades as a result of this structure increase should be brought within appropriate ranges by August 15, 1965.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 11

4/29/65



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 30, 1965.

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

Dear Mr. Hughes:

The Board of Governors has considered the April 26, 1965 redraft of the legislative proposal of the Federal Deposit Insurance Corporation "To amend the Federal Deposit Insurance Act to further define the term 'deposit' and to provide for insured State banks the same borrowing limitations applicable to national banks, and for other purposes".

The approach of this redraft is no different than that of the draft with respect to which the Board expressed its views by letter of April 16, 1965. The Board continues to believe that to deprive a fund placed with an insured bank, with the intention of making a deposit, of the protection of deposit insurance because of a violation by the bank of rules governing the payment of interest could lead to public confusion and uncertainty as to the insured status of many purported "deposits". Such uncertainty would tend to impair the confidence in the banking system that Federal deposit insurance was designed to provide.

This is not, however, the only objection that the Board has to the proposal. In a number of respects its meaning is obscure and ambiguous. For example, despite a qualification on page 1, line 10, that payment of "excessive" interest will only transform a deposit into a nondeposit borrowing "for any purposes of this [Federal Deposit Insurance] Act", such qualification is followed by a prohibition against inclusion of such a nondeposit borrowing "as part of total deposits . . . but shall be considered a borrowing of the bank". This appears to mean that such accounts must be treated as nondeposits for all purposes.

Consequently, enactment of the proposal would nullify the Congressional directives against payment of interest on demand deposits as well as those against payment of interest on savings and time deposits

in excess of rates established by Federal regulation. In other words, under the FDIC proposal a bank could lawfully pay interest on funds in checking accounts, since the payment of interest itself would result in the account constituting a "borrowing" (on which interest may be paid) rather than a "deposit which is payable on demand", as to which section 19 of the Federal Reserve Act prohibits payment of interest "directly or indirectly, by any device whatsoever."

If the proposal, on the other hand, is intended to redefine "deposit" only for purposes of the FDI Act, its effects would vary depending on whether the bank involved is a member bank. If a member bank paid interest on funds in a checking account, it would violate section 19 of the Federal Reserve Act and the Board's Regulation Q, "Payment of Interest on Deposits", as the account would remain a deposit for those purposes. But if a nonmember insured bank paid interest on funds in a checking account, it would not violate the prohibition against payment of interest on demand deposits because such payment would have converted the fund into a nondeposit borrowing for all purposes of the FDI Act, including the Congressional directive that "The Board of Directors shall by regulation prohibit the payment of interest on demand deposits in insured nonmember banks". (12 U.S.C. 1828(g)) When an insured non-member bank paid interest on the checking account, ipso facto the account would cease to be a deposit account.

The Board also considers that adoption of the FDIC proposal would place an undue burden on depositors to ascertain, at the peril of loss of deposit insurance, the law and regulations governing payment of interest. Even more unfair is the aspect of the proposal that would make it have retroactive application. For example, no Federal law prohibits the solicitation of funds by a bank through a money broker. No regulation of the FDIC or the Board says that payment of a fee to a broker for his services in obtaining funds for the bank constitutes a payment of interest on the fund. If this proposal became law, the owner of a fund placed in a bank through a broker could lose the protection of deposit insurance merely because the bank had paid a fee to a broker, in connection with the fund, months before its enactment.

Another aspect of the proposal is that it would tend to encourage generally the use of nondeposit borrowings, both through the payment of "brokers' fees" (the specific practice that the proposal is designed to deter) and the use of short-term unsecured notes, at least up to a bank's statutory borrowing ceiling. This is because no penalty would apply to the payment of "excessive" interest; the only penalty would be for reporting a nondeposit borrowing as a deposit.

Mr. Phillip S. Hughes

It might be noted that the Board would have serious questions about the proposal even if it agreed with the basic approach. For example, the proviso that begins on page 1, line 19, is particularly troublesome. It provides that the person who places a fund in the bank may be protected by deposit insurance (even though the fund does not represent a deposit in the bank) in a situation where such person does not himself receive excess compensation and has no knowledge of others receiving compensation with respect to the fund. This appears to be the only situation in which a person would be protected by deposit insurance if there was ever a payment of "excessive" interest in connection with a particular fund. There appears to be no consideration for "holders in due course" of certificates of deposit. Once a fund is a nondeposit borrowing, it would remain so throughout its existence. The person who places the fund in the bank may be protected by deposit insurance in the one situation described, but if he transfers his interest to a holder in due course the new holder would not appear to have the protection of deposit insurance regardless of his innocence.

There are numerous other difficulties with the language of the proposal. The Board wishes to emphasize, however, that its fundamental objections relate to the approach of the proposal and that these objections would not be eliminated by improving the language of its provisions.

As indicated in the Board's letter of April 16, the Board's staff is prepared to participate in discussions with representatives of other interested agencies to develop alternative means of dealing with the problems involved.

Very truly yours,



Merritt Sherman,  
Secretary.

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON

Item No. 12  
4/29/65

OFFICE OF THE VICE CHAIRMAN

April 29, 1965.



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

Dear Mr. Chairman:

As requested in your letter of April 28, 1965, we are enclosing a list that will bring up to date the annual salaries of the Federal Reserve officials who were listed in Appendix "A" of Volume I of the hearings before the Subcommittee on Domestic Finance of the Committee on Banking and Currency as published last year.

You will note that the information is provided as of March 31, 1965 and that it includes all Federal Reserve officials who were being paid an annual salary of more than \$22,500.

Sincerely yours,

A handwritten signature in cursive script that reads "C. Canby Balderston".

C. Canby Balderston,  
Vice Chairman.

Enclosure

Salaries of More Than \$22,500 Paid Federal Reserve OfficialsAs of March 31, 1965

<u>Title and Affiliation</u>	<u>Annual Salary</u>
President, Federal Reserve Bank, New York	\$75,000
President, Federal Reserve Bank, Chicago	55,000
First Vice President, Federal Reserve Bank, New York	42,500
President, Federal Reserve Bank, Philadelphia	40,000
President, Federal Reserve Bank, Cleveland	40,000
President, Federal Reserve Bank, Richmond	40,000
President, Federal Reserve Bank, Atlanta	40,000
President, Federal Reserve Bank, St. Louis	40,000
President, Federal Reserve Bank, Dallas	40,000
President, Federal Reserve Bank, San Francisco	40,000
President, Federal Reserve Bank, Kansas City	37,500
President, Federal Reserve Bank, Boston	35,000
Vice President, Federal Reserve Bank, New York	35,000
Vice President, Federal Reserve Bank, New York	34,500
Vice President, Federal Reserve Bank, New York	32,500
Chairman, Board of Governors of the Federal Reserve System	30,000
First Vice President, Federal Reserve Bank, Kansas City	30,000
Vice President, Federal Reserve Bank, New York	30,000
Vice Presidents (2), Federal Reserve Bank, New York	29,000
Members, Board of Governors of the Federal Reserve System	28,500
Vice President and General Counsel, Federal Reserve Bank, New York	28,500
Vice President, Federal Reserve Bank, New York	28,500
Vice President, Federal Reserve Bank, New York	28,000
Adviser to the Board, Board of Governors of the Federal Reserve System	27,500
First Vice Presidents, Federal Reserve Banks: Boston, Philadelphia, Richmond, Atlanta, Chicago, St. Louis, Dallas, and San Francisco	27,500
Vice President and General Counsel, Federal Reserve Bank, Philadelphia	27,500
Vice President, Federal Reserve Bank, New York	27,000
Vice President, Federal Reserve Bank, Dallas	26,500
Adviser to the Board, Board of Governors of the Federal Reserve System	26,000
Secretary of the Board, Board of Governors of the Federal Reserve System	26,000
General Counsel, Board of Governors of the Federal Reserve System	26,000
Vice President, Federal Reserve Bank, New York	26,000
Economic Adviser, Federal Reserve Bank, New York	26,000
Vice President, Federal Reserve Bank, Chicago	26,000
Vice President, General Counsel, and Secretary, Federal Reserve Bank, Chicago	26,000
Senior Vice President - Economic Research, Federal Reserve Bank, Kansas City	26,000
Assistant Vice President, Federal Reserve Bank, New York	25,500
Director, Division of Research and Statistics, Board of Governors of the Federal Reserve System	25,000
Director, Division of Examinations, Board of Governors of the Federal Reserve System	25,000
First Vice Presidents, Federal Reserve Banks: Cleveland and Minneapolis	25,000
Vice President and Senior Adviser, Federal Reserve Bank, Richmond	25,000
Assistant General Counsel, Federal Reserve Bank, New York	25,000
General Auditor, Federal Reserve Bank, Chicago	25,000
Associate Directors (2), Division of Research and Statistics, Board of Governors of the Federal Reserve System	24,500
Vice President and Secretary, Federal Reserve Banks: St. Louis and Dallas	24,500
Vice President, Federal Reserve Bank, San Francisco	24,500

<u>Title and Affiliation</u>	<u>Annual Salary</u>
Assistant Vice President, Federal Reserve Bank, New York	\$24,250
Director, Division of Bank Operations, Board of Governors of the Federal Reserve System	24,000
Vice Presidents, Federal Reserve Banks: Boston, Philadelphia and Chicago	24,000
General Auditor, Federal Reserve Bank, New York	24,000
Assistant to the Board, Board of Governors of the Federal Reserve System	23,500
Adviser, Division of Research and Statistics, Board of Governors of the Federal Reserve System	23,500
Vice President and Cashier, Federal Reserve Bank, Atlanta	23,500
Vice President, Federal Reserve Bank, St. Louis	23,500
Director, Division of Data Processing, Board of Governors of the Federal Reserve System	23,000
Assistant General Counsel, Board of Governors of the Federal Reserve System	23,000
Vice President and Cashier, Federal Reserve Banks: Chicago and Dallas	23,000
Vice Presidents, Federal Reserve Banks: Chicago, Cleveland (2), St. Louis, and Kansas City	23,000
Assistant Vice Presidents (2), Federal Reserve Bank, New York	23,000
Medical Director, Federal Reserve Bank, New York	23,000

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Item No. 13  
4/29/65

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



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 29, 1965.

Mr. Carlos Massad,  
Vice President,  
Central Bank of Chile,  
Santiago, Chile.

Dear Mr. Massad:

With reference to your letter to Chairman Martin dated April 19, 1965, the Board of Governors has approved sending Mr. Clarke L. Fauver, Assistant to the Board, to Santiago to assist your Bank in studying and devising regulations to control consumer credit. Mr. Fauver's experience with consumer credit controls in this country provides a background that should enable him to be helpful in your study of what measures might be adopted in Chile. Biographical information regarding Mr. Fauver was sent to you earlier this week by Mr. Irvine of the Board's Division of International Finance.

The Board would not request reimbursement for Mr. Fauver's services on this assignment but, in keeping with its normal practice in missions of this type, would expect reimbursement for travel and out-of-pocket expenses of its participant. It is understood that, in this case, the Agency for International Development would pay these expenses.

If your Bank desires Mr. Fauver's services, advice to that effect will be appreciated as soon as possible. He could arrange to begin the assignment on May 10, 1965, and we understand that his services would be required for approximately six weeks.

You have already been informed by Mr. Irvine's letter of April 26 of the Board's willingness to send Mr. Yves Maroni to Santiago for a brief period at the conclusion of the meeting of

Mr. Carlos Massad

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Governors of Central Banks at Punta del Este early in May, if it is felt that he might be of assistance to Mr. Fauver. This would be entirely at the Board's expense and would not require formal action on the part of your Bank or A.I.D. It is understood that you expect to discuss this arrangement with members of the Board's delegation at Punta del Este.

The Board is happy to be able to be of assistance in this matter.

Sincerely yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.