

Minutes for June 7, 1965.

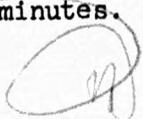
To: Members of the Board

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.

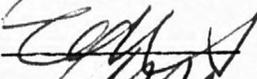
It is not proposed to include a statement with respect to any of the entries in this set of minutes in the record of policy actions required to be maintained pursuant to section 10 of the Federal Reserve Act.

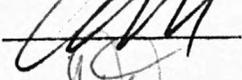
Should you have any question with regard to the minutes, it will be appreciated if you will advise the Secretary's Office. Otherwise, please initial below. If you were present at the meeting, your initials will indicate approval of the minutes. If you were not present, your initials will indicate only that you have seen the minutes.

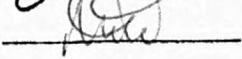
Chm. Martin 

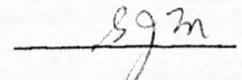
Gov. Robertson 

Gov. Balderston 

Gov. Shepardson 

Gov. Mitchell 

Gov. Daane 

Gov. Maisel 

Minutes of the Board of Governors of the Federal Reserve System
on Monday, June 7, 1965. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Robertson
Mr. Mitchell
Mr. Daane
Mr. Maisel

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Noyes, Adviser to the Board
Mr. Molony, Assistant to the Board
Mr. Cardon, Legislative Counsel
Mr. Hackley, General Counsel
Mr. Brill, Director, Division of Research and
Statistics
Mr. Farrell, Director, Division of Bank
Operations
Mr. Solomon, Director, Division of Examinations
Mr. Hexter, Assistant General Counsel
Mr. Leavitt, Assistant Director, Division of
Examinations
Mr. Spencer, General Assistant, Office of the
Secretary
Mr. Via, Senior Attorney, Legal Division
Messrs. Egertson and McClintock, Supervisory
Review Examiners, Division of Examinations

Circulated items. The following items, copies of which are
attached to these minutes under the respective item numbers indicated,
were approved unanimously:

	<u>Item No.</u>
Letter to Bankers Trust Company, New York, New York, approving the establishment of a branch at 1541-49 Flatbush Avenue, Borough of Brooklyn.	1
Letter to Fidelity-Philadelphia Trust Company, Phila- delphia, Pennsylvania, approving the establishment of a branch in Rosemont, Lower Merion Township.	2

6/7/65

-2-

	<u>Item No.</u>
Letter to Fidelity-Philadelphia Trust Company, Philadelphia, Pennsylvania, approving the establishment of a branch at Castor and Solly Avenues, branch operations now conducted at 8344 Bustleton Avenue to be discontinued simultaneously with the establishment of this branch.	3
Letter to Lake City Bank, Warsaw, Indiana, approving (1) the establishment of a branch in Winona Lake, and (2) an investment in bank premises.	4
Letter to Gary-Wheaton Bank, Wheaton, Illinois, waiving the requirement of six months' notice of withdrawal from membership in the Federal Reserve System.	5

Report on competitive factors (Fords-Highland Park, New Jersey).

There had been distributed a draft of report to the Comptroller of the Currency on the competitive factors involved in the proposed merger of The First National Bank of Highland Park, Highland Park, New Jersey, into First Bank and Trust Company, National Association, Fords, New Jersey.

Following discussion during which a minor change in the conclusion was agreed upon, the report was approved unanimously for transmittal to the Comptroller. The conclusion read as follows:

First Bank and Trust Company, National Association, Fords, and First National Bank of Highland Park serve separate areas, and are separated by major thoroughfares and residential and industrial developments in which a number of other banks are located. Significant competition has never developed between the two banks. Consummation of the proposal would, however, increase significantly the size of the now largest bank headquartered in Middlesex County, and expose the banks in the Highland Park-Edison area to the competitive capabilities of a substantially larger institution. The overall effect of the proposed merger on potential competition appears adverse.

6/7/65

-3-

Report on competitive factors (Asheville-Swannanoa, North Carolina).

Unanimous approval was given to the transmittal of a report to the Federal Deposit Insurance Corporation on the competitive factors involved in the proposed merger of Swannanoa Bank & Trust Company, Swannanoa, North Carolina, with The Bank of Asheville, Asheville, North Carolina. The conclusion read as follows:

The proposed merger of Swannanoa Bank & Trust Company, Swannanoa, North Carolina, with The Bank of Asheville, Asheville, North Carolina, would not have adverse effects on competition.

Messrs. Egertson and McClintock then withdrew from the meeting.

Civil Rights Act (Items 6-9). Pursuant to the understanding at the Board meeting on June 4, 1965, there had been distributed a further revised draft of letter to the Bureau of the Budget regarding the applicability to the Federal Reserve Banks of Title VI of the Civil Rights Act of 1964. The letter was submitted with a memorandum from Mr. Hackley dated June 4, 1965, which also presented excerpts from material previously transmitted to the Board with a Legal Division memorandum of March 10, 1965, with respect to indications in the legislative history of the Act regarding (a) the applicability of Title VI to financial assistance not provided through the use of appropriated funds, and (b) the applicability of Title VI to the operations of banks.

Also attached to the memorandum of June 4 was a revised draft of letter to the Federal Reserve Banks regarding Title VII of the Civil Rights Act reflecting suggestions made at the meeting on June 4. The

6/7/65

-4-

memorandum included a summary of sanctions for violation of Title VII, a matter in which interest had been expressed at the June 4 Board meeting.

Following discussion during which certain changes suggested by Governors Mitchell and Daane were agreed upon, the letter to the Bureau of the Budget was approved, Governor Robertson dissenting for reasons he had expressed in earlier discussions of the applicability to the Reserve Banks of Title VI. A copy of the letter transmitted to the Budget Bureau is attached as Item No. 6. Attached as Item No. 7 is a copy of a letter sent to the Federal Reserve Banks in this regard.

Unanimous approval was then given to the transmittal of the letter to the Federal Reserve Banks regarding Title VII of the Civil Rights Act. A copy is attached as Item No. 8. Attached as Item No. 9 is a copy of a letter sent to the Federal Reserve Bank of Atlanta in this regard.

Advances to national banks (Item No. 10). There had been distributed copies of a letter from the Comptroller of the Currency dated June 1, 1965, in which certain information was requested on a continuing basis with respect to loans and advances extended to national banks by Federal Reserve Banks. The Comptroller desired information as to the terms of such loans and advances, their purposes, the reasons for rejections or reductions of requested amounts, and the specific conditions, if any, imposed by the lending Federal Reserve Bank. The letter indicated that such information,

6/7/65

-5-

on a post-lending basis, would be significant in the discharge of the Comptroller's supervisory responsibilities; also that his Office was prepared to offer comments on prospective loans and advances whenever such advice would be regarded as helpful.

Commenting upon the Comptroller's letter, Mr. Solomon indicated he felt confident that the kind of information described with respect to borrowings by national banks normally was made available to the Regional Comptrollers of the Currency by the Federal Reserve Banks, at least where any problem situation was involved. He would be surprised if this was not the general practice, although the point should be verified with the Reserve Banks before such a statement was made to the Comptroller. He suggested that an opportunity may have been presented by the Comptroller's letter to request the supplying to the Reserve Banks by the Regional Comptrollers of certain information that would be helpful in considering applications for advances by national banks, such as quick advice if an examination disclosed the existence of significant problems at a national bank.

Following further discussion, it was agreed that before a reply was sent to the Comptroller the matter should be discussed with the discount officers of the Federal Reserve Banks, who were currently meeting in the Board's building. It was also agreed that copies of the Comptroller's letter should be sent to the Presidents of the Federal Reserve Banks with an indication that the letter was being discussed with the discount officers

6/7/65

and that the views of the Presidents would be appreciated. A draft of reply to the Comptroller would then be prepared for the Board's consideration.

A copy of the letter sent to the Reserve Bank Presidents is attached as Item No. 10.

The meeting then adjourned.

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

Memorandum from Mr. Young, Adviser to the Board and Director, Division of International Finance, dated June 7, 1965, recommending that Mr. Katz, Adviser in the Division of International Finance, be authorized to make a visit to the office of Eurofinance in Paris, France, during the course of his previously approved trip to Basle, Switzerland, in July to attend a meeting being arranged by the Bank for International Settlements.

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

Transfer

Joyce M. Hile, from the position of Secretary in the Division of Personnel Administration to the position of Secretary in the Office of the Secretary, with no change in basic annual salary at the rate of \$5,165, effective June 7, 1965.

Permission to engage in outside activity

M. H. Schwartz, Director, Division of Data Processing, to serve without remuneration on the Editorial Board of the Journal of Data Management.

Acting in the absence of Governor Shepardson, Governor Robertson today approved on behalf of the Board a memorandum from the Division of Research and Statistics recommending the appointment of Mary Ellen Smith as Statistical Clerk-Typist in that Division, with basic annual salary at the rate of \$4,630, effective June 8, 1965.


Secretary

1913

Item No. 1
6/7/65

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 7, 1965



Board of Directors,
Bankers Trust Company,
New York, New York.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Bankers Trust Company, New York, New York, of an in-town branch at 1541-49 Flatbush Avenue, at the intersection of Flatbush and Nostrand Avenues, Borough of Brooklyn, 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

1914
Item No. 2
6/7/65

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 7, 1965

Board of Directors,
Fidelity-Philadelphia Trust Company,
Philadelphia, Pennsylvania.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Fidelity-Philadelphia Trust Company, Philadelphia, Pennsylvania, of a branch at 1212 Lancaster Avenue, Rosemont, Lower Merion Township, Montgomery County, Pennsylvania, provided the branch is established within six months from the date of this letter.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.

(The letter to the Reserve Bank stated that the Board also had approved a six-month extension of the period allowed to establish the branch; and that if an extension should be requested, the procedure prescribed in the Board's letter of November 9, 1962 (S-1846), should be followed.)



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

1915
Item No. 3
6/7/65

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 7, 1965

Board of Directors,
Fidelity-Philadelphia Trust Company,
Philadelphia, Pennsylvania.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Fidelity-Philadelphia Trust Company, Philadelphia, Pennsylvania, of a branch at the northwest corner of Castor and Solly Avenues, Philadelphia, Pennsylvania, provided the branch is established within one year from the date of this letter, and provided further that branch operations now conducted at 8344 Bustleton Avenue, Philadelphia, Pennsylvania, are discontinued simultaneously with the establishment of the above branch.

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

1916
Item No. 4
6/7/65

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 7, 1965

Board of Directors,
Lake City Bank,
Warsaw, Indiana.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Lake City Bank, Warsaw, Indiana, of a branch on First Street between King's Highway and Chestnut Avenue, Winona Lake, Indiana, provided the branch is established within twelve months from the date of this letter.

The Board of Governors also approves, under the provisions of Section 24A of the Federal Reserve Act, an additional investment in bank premises of \$62,500 for the purposes of acquiring land and for the construction of a building thereon in which the proposed branch will be located.

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.)

1917

Item No. 5
6/7/65

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



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 7, 1965

Board of Directors,
Gary-Wheaton Bank,
Wheaton, Illinois.

Gentlemen:

The Federal Reserve Bank of Chicago has forwarded to the Board of Governors a resolution by the board of directors of Gary-Wheaton Bank dated May 11, 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. Upon surrender to the Federal Reserve Bank of Chicago of the Federal Reserve Bank stock issued to your institution, such stock will be canceled and appropriate refund will be made thereon. Under the provisions of Section 208.10(c) of the Board's Regulation H, your institution may accomplish termination of its membership at any time within eight months from the date the notice of intention to withdraw from membership was given.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 7, 1965.



Bureau of the Budget,
Washington, D. C. 20503

Gentlemen:

This refers to the Board's letter of July 16, 1964, regarding a Department of Justice document dated July 3, 1964, entitled "Guide for Issuance of Regulations under Title VI of the Civil Rights Act of 1964". That document stated that each "agency administering any program or activity subject to Title VI shall submit its proposed regulations to the Bureau of the Budget . . . for review" and requested each such agency "to submit a statement listing every program or activity involving direct or indirect financial assistance which it has determined to be outside the scope of Title VI, together with the reasons for that determination".

Section 601 of Title VI of the Civil Rights Act of 1964 provides that no person shall, on the ground of race, color, or national origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any "program or activity receiving Federal financial assistance". Section 602 provides that each "Federal department and agency which is empowered to extend Federal financial assistance to any program or activity, by way of grant, loan, or contract other than a contract of insurance or guaranty, is authorized and directed to effectuate the provisions of section 601 with respect to such program or activity by issuing rules, regulations, or orders of general applicability which shall be consistent with achievement of the objectives of the statute authorizing the financial assistance in connection with which the action is taken."

As you were advised by the Board's letter of July 16, 1964, the Board of Governors is not a Federal agency empowered to extend Federal financial assistance to any program or activity within the purview of Title VI. However, the Board's letter further indicated that the question whether Title VI is applicable to the Federal Reserve Banks raised numerous issues that required further study.

After careful consideration, the Board has concluded that the Federal Reserve Banks do not "extend Federal financial assistance

to any program or activity" within the meaning of Title VI of the Civil Rights Act and that, therefore, the Reserve Banks are not subject to the provisions of that Title.

The twelve Federal Reserve Banks are corporations organized under provisions of the Federal Reserve Act for public purposes and their operations are subject to the general supervision of the Board of Governors.

Pursuant to provisions of the Federal Reserve Act, the Reserve Banks make advances to commercial banks that are members of the Federal Reserve System and engage in other financial operations with member banks incident to providing services to the public and the Federal Government. However, no such financial relationships, whether through advances or services, involve aid to any "program or activity" as contemplated by the Civil Rights Act.

Such advances and other services rendered by the Reserve Banks do not involve the use of appropriated funds of the United States; and certain statements on the floor of Congress with respect to Title VI may be construed as suggesting that the term "Federal financial assistance" was intended to be limited to assistance provided through the use of appropriated funds. (See, e.g., remarks of Rep. Celler, 110 Cong. Rec. 2500, and Senator Magnuson, 110 Cong. Rec. 13438.) There is also legislative history to the effect that the Title was not intended to apply to the operations of banks. (See, e.g., remarks of Rep. McCulloch, 110 Cong. Rec. 15893, Senator Keating, 110 Cong. Rec. 9112, and Senator Williams, 110 Cong. Rec. 14331.)

In any event, and most significantly, the operations of member banks do not, in the Board's opinion, constitute a "program or activity" within the meaning of Title VI to which the Reserve Banks extend financial assistance. The objective of all of the operations of the Reserve Banks, including their financial relations with member banks, is to contribute to the over-all economic welfare and growth of the country rather than to aid any particular "program or activity" or class of beneficiaries.

Advances made by the Reserve Banks to member banks, as indicated in the Federal Reserve Act (12 U.S.C. 301), are designed generally to promote "the maintenance of sound credit conditions" and the "accommodation of commerce, industry, and agriculture". Such advances, which are normally on a short-term basis, enable member banks to make temporary adjustments in their asset positions

Bureau of the Budget

-3-

or to meet unusual situations; and it may be noted that, except in very unusual instances, a member bank's borrowings from its Reserve Bank represent only a small fraction of the funds that the member bank must maintain on deposit with the Reserve Bank to meet statutory reserve requirements.

Advances and other services provided by the Reserve Banks to member banks clearly do not represent or involve the extension of financial assistance to further any "program or activity" carried on by the recipient member banks.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

1921

Item No. 7
6/7/65

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

S-1959



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 7, 1965.

Dear Sir:

At its meeting in September 1964, the Conference of Presidents concurred in the conclusion reached in the report of August 25, 1964, of the Ad Hoc Subcommittee of Counsel that Title VI of the Civil Rights Act of 1964 is not applicable to the Federal Reserve Banks. The Board of Governors has likewise concluded that the Reserve Banks are not subject to the provisions of Title VI, for the reason set forth in the attached copy of a letter being sent today to the Bureau of the Budget.

The Board also concurs in the conclusion of the Ad Hoc Subcommittee of Counsel and the Presidents' Conference that the Reserve Banks will be subject to Title VII of the Act. Further, the Board assumes that, whether or not Executive Orders of the President relating to discrimination are deemed legally binding on Federal Reserve Banks, each Bank will conform to the spirit of such Orders.

Very truly yours,

A handwritten signature in cursive script, reading "Merritt Sherman".

Merritt Sherman,
Secretary.

Enclosure.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

1922
S-1958
Item No. 8
6/7/65

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 7, 1965.

Dear Sir:

One of the Federal Reserve Banks has received a letter alleging violations by a member bank of Title VII of the Civil Rights Act and requesting a statement of the policy of the Federal Reserve System as to the continued extension of the System's services to banks that violate the Act.

As you know, Title VII of the Act prohibits racial discrimination in employment practices by any employer engaged in an industry affecting commerce; and it seems clear that the Title is applicable to banks, including Federal Reserve Banks. However, the Title does not become effective until July 2, 1965, and then only as to employers with 100 or more employees. Its coverage will be extended in subsequent years until by July 2, 1968, it will be effective as to employers with 25 or more employees. For the present, most commercial banks will not be affected by the Title, and many small banks will never be subject to its provisions.

The Federal Reserve System--including both the Board of Governors and the Federal Reserve Banks--is in full accord with the general objectives of the Civil Rights Act. In its own operations, the System faithfully complies with the letter and spirit of the Act.

At the same time, the Reserve Banks clearly have no legal authority or responsibility to enforce or police the provisions of Title VII of the Civil Rights Act, except as they apply to the Reserve Banks themselves. Consequently, the Reserve Banks could not properly discontinue or reduce the services provided by them in accordance with provisions of the Federal Reserve Act in the case of any member bank that may be alleged to be violating Title VII of that Act.

In order to assure a uniform approach, the Board suggests that any inquiries received with respect to this matter be answered in accordance with the views expressed in this letter.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Merritt Sherman".

Merritt Sherman,
Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS.

1923

Item No. 9
6/7/65

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

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 7, 1965.



Mr. Malcolm Bryan, President,
Federal Reserve Bank of Atlanta,
Atlanta, Georgia. 30303

Dear Mr. Bryan:

This refers to the letter dated May 13, 1965, addressed to your Bank by Mr. Ben Zion-Wardy, Assistant Professor of Political Science, Tuskegee Institute, regarding alleged violations of Title VII of the Civil Rights Act of 1964 by the Alabama Exchange Bank of Tuskegee, Alabama.

There is enclosed a copy of a letter (S-1958) the Board has today addressed to the Presidents of all Federal Reserve Banks regarding this general subject. In acting on this matter, the Board did so with the understanding that you would make appropriate reply to Mr. Wardy's inquiry along the lines of S-1958.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

Enclosure.



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

1924
Item No. 10
6/7/65

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 7, 1965.

Dear Sir:

Enclosed is a copy of a letter dated June 1, 1965 from the Comptroller of the Currency requesting the Board's assistance in making available to the Comptroller's office information regarding loans and advances extended to national banks by Federal Reserve Banks.

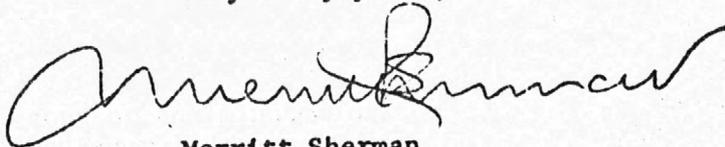
To assist the Board in responding, it would be appreciated if you would furnish advice as to the practices followed by your Bank in making available to the Regional Comptroller of the Currency information regarding loan extensions to national banks. Please distinguish in your reply concerning borrowing by national banks (1) where insolvency or extreme illiquidity is involved, (2) where insolvency is not an issue but there may be undue use of the discount facility, and (3) where borrowing occurs with neither (1) nor (2) circumstances apparent.

At the same time, and to assist the Board in framing its reply to the Comptroller, please identify any types of information regarding national banks which your Bank would like to obtain from the Regional Comptroller of the Currency but which you do not now receive.

Any other comments on your relationships with the Regional Comptroller as to borrowing national banks would also be helpful. It would be appreciated if your comments could be received by Monday, June 14.

In view of the fact that the discount officers of the Federal Reserve Banks are meeting in the Board's building today and tomorrow, copies of the Comptroller's letter are being made available to them in order that there may be some preliminary discussion of the subject during the course of their meeting.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Merritt Sherman".

Merritt Sherman,
Secretary.

Enclosure.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS.