

Minutes for June 22, 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

W

Gov. Robertson

CRB

Gov. Balderston

CSB

Gov. Shepardson

CSB

Gov. Mitchell

CSB

Gov. Daane

Gov. Maisel

CSB

Minutes of the Board of Governors of the Federal Reserve System on Tuesday, June 22, 1965. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Robertson
Mr. Shepardson
Mr. Daane

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Noyes, Adviser to the Board
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. Sammons, Adviser, Division of International Finance
Mr. Goodman, Assistant Director, Division of Examinations
Mr. Smith, Assistant Director, Division of Examinations
Mrs. Semia, Technical Assistant, Office of the Secretary
Mr. McClintock, Supervisory Review Examiner, Division of Examinations
Mr. Goodfellow, Review Examiner, Division of Examinations

Discount rates. The establishment without change by the Federal Reserve Bank of Boston on June 22, 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.

Application of Continental International Finance Corporation
(Item No. 1). Unanimous approval was given to a letter to Continental International Finance Corporation, Chicago, Illinois, granting its request for consent to purchase and hold 180,000 additional shares of Banca

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Privata Finanziaria, Milan, Italy, at a cost of approximately \$145,000.

A copy of the letter is attached as Item No. 1.

Mr. Sammons then withdrew from the meeting.

Report on competitive factors (Fargo, North Dakota). A report to the Federal Deposit Insurance Corporation on the competitive factors involved in the proposed acquisition of certain assets and assumption of certain liabilities of Bankers State Bank and Trust Company by Fargo State Bank, both of Fargo, North Dakota, was approved unanimously for transmittal to the Corporation. The conclusion read as follows:

The proposed acquisition of certain assets and assumption of certain liabilities of Bankers State Bank and Trust Company, Fargo, North Dakota, by Fargo State Bank, Fargo, North Dakota, would have no adverse effect on competition.

Request of California State Banking Department (Item No. 2). There had been distributed copies of a letter of June 18, 1965, from the Federal Reserve Bank of San Francisco in regard to the request of the State Banking Department of California for copies of certain correspondence and documents in the Reserve Bank's files relating to Frontier Bank, Covelo, California, a nonmember insured bank that was placed in receivership in July 1964. The Department had indicated that the material would not be made public but was needed to prepare a chronological record of events leading to the closing of Frontier Bank. However, the Reserve Bank noted that it was possible that the documents ultimately might be subpoenaed in connection with an investigation of the closing of the bank by a State Court Grand Jury.

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Mr. O'Connell commented on the background of the request, stating that the Reserve Bank would like to comply if authority was given by the Board. He pointed out that the material included a letter of April 12, 1962, addressed by Frontier Bank to the Federal Deposit Insurance Corporation, with a copy sent to the Federal Reserve. If the Board gave permission for release of the material, he suggested that it might wish to let the Corporation know that the letter was included.

After discussion the Board authorized compliance by the San Francisco Reserve Bank with the State Banking Department's request, it being understood that the Federal Deposit Insurance Corporation would be informed that the letter Mr. O'Connell had mentioned was among the documents to be furnished. Attached as Item No. 2 is a copy of the telegram that apprised the Federal Reserve Bank of San Francisco of the Board's authorization.

Messrs. O'Connell, Goodman, McClintock, and Goodfellow then withdrew from the meeting.

Country bank sample for reserve estimates (Item No. 3). There had been distributed a memorandum dated June 21, 1965, from Mr. Noyes regarding the country bank sample for improving reserve estimates, which had been used experimentally since December 1964 under instructions in the Board's letter of October 16, 1964, to the Federal Reserve Banks. The memorandum cited a number of respects in which experience with the sample had been favorable, and stated that the System Research Advisory Committee

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recommended that the sample be continued on a permanent basis after June 30, 1965, when the period for which its experimental use had been authorized would expire. The Chairman of the Presidents' Conference Committee on Research and Statistics concurred.

After discussion, the recommendation was approved unanimously. A copy of the letter informing the Federal Reserve Bank Presidents of this action is attached as Item No. 3.

Destruction of unfit Federal Reserve notes. Mr. Solomon reported that the Treasury Department had asked to be allowed access to portions of reports of examination of Federal Reserve Banks relating to the currency destruction function. The Department had been requested by Chairman Patman of the House Committee on Banking and Currency to furnish information on recommendations made by the Treasury to the Reserve Banks, for use in connection with consideration of proposed legislation providing for destruction of unfit Federal Reserve notes at the Federal Reserve Banks. Although the Treasury Department specified the procedures followed by the Reserve Banks in destroying Treasury currency, made inspection visits, and received copies of Reserve Bank audit reports, the Department wished to check its own records against the Reserve Bank examination reports in the interest of completeness.

There was unanimous agreement that the request of the Treasury Department should be granted.

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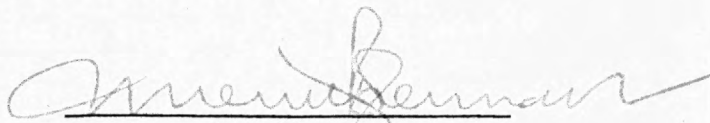
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Report form for nonbank financial institutions. Governor Robertson referred to the revised guidelines announced by the Board on June 21, 1965, for nonbank financial institutions under the voluntary foreign credit restraint effort. The revised guidelines indicated that quarterly reports would be requested from nonbank financial institutions holding \$500,000 or more in foreign loans, investments, or other foreign financial assets. Governor Robertson recommended that the Board approve the form that had been devised for such reports, which was in process of clearance with the Bureau of the Budget.

The report form was approved unanimously.

The meeting then adjourned.

Secretary's Note: Governor Shepardson today approved on behalf of the Board a letter to the Federal Reserve Bank of New York (attached Item No. 4) approving the appointment of Alan C. Sullivan and John G. White, Jr., as assistant examiners.


Secretary

Item No. 1
6/22/65

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 22, 1965.



Continental International Finance Corporation,
231 South LaSalle Street,
Chicago, Illinois 60690.

Gentlemen:

In accordance with the request in your letter of May 28, 1965, to Mr. Leland Ross, Vice President, Federal Reserve Bank of Chicago, and on the basis of information available, the Board of Governors grants consent for your Corporation to purchase and hold 180,000 additional shares, par value Lire 500 each, of the capital stock of Banca Privata Finanziaria ("BPF"), Milan, Italy, at a cost of Lire 90,000,000 plus Italian taxes and charges, or approximately US\$145,000, 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 BPF within the terms of the above consent in excess of 15 per cent of your Corporation's capital and surplus.

The foregoing consent is given with the understanding that the foreign loans and investments of your Corporation, combined with those of Continental Illinois National Bank and Trust Company of Chicago and Continental Bank International, including the additional investment now being approved, will not exceed the guidelines established under the voluntary foreign credit restraint effort now in effect and that due consideration is being given to the priorities contained therein.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

TELEGRAM
LEASED WIRE SERVICE

**BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON**

June 22, 1965.

Hemmings - San Francisco

Relet June 18, 1965, requesting Board permission for release to Superintendent of Banks of State of California of copies of documents contained in your Bank's files relative to Frontier Bank, Covelo, California. To the extent that documents sought constitute "unpublished information of the Board" thus requiring prior Board approval of release to Superintendent of Banks, such approval is hereby granted. We have advised FDIC that copy of April 12, 1962 letter to it from Frontier Bank is among documents that will be given Superintendent of Banks.

(Signed) Merritt Sherman
Sherman

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Item No. 3
6/22/65

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 22, 1965.



Dear Sir:

The Board's letter of October 16, 1964, requested that each Reserve Bank and Branch arrange for experimental reporting of vault cash and deposits subject to Reserve requirements by a selected sample of country banks for the purpose of exploring means for reducing the differences that occur in estimates of the weekly free reserve figures. The sample reporting was to extend on a trial basis until June 30, 1965.

With the concurrence of the Chairman of the President's Conference Committee on Research and Statistics, the Board has approved the continuation on a regular basis of the reporting system initiated pursuant to the Board's letter of last October 16. Accordingly, it will be appreciated if you will take the necessary steps to assure that the reports from the sample of country banks in your district are continued on a weekly basis after June 30, 1965.

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.

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Item No. 4
6/22/65

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



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 22, 1965

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

Dear Mr. Crosse:

In accordance with the request contained in Mr. Bilby's letter of June 18, 1965, the Board approves the appointments of Alan C. Sullivan and John G. White, Jr. as assistant examiners for the Federal Reserve Bank of New York. Please advise the effective dates of the appointments.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.