Minutes for July 1, 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
Discount rates. The establishment without change by the Federal Reserve Bank of Kansas City on June 30, 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.

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

1/ Did not participate in part of meeting following recess.
Letter to State Street Bank and Trust Company, Boston, Massachusetts, approving the establishment of a branch at 10 Tremont Street, branch operations now conducted at 199 Washington Street to be discontinued simultaneously with the establishment of the new branch.

Letter to Arkansas Bank and Trust Company, Hot Springs, Arkansas, approving the establishment of a branch at 2515 Malvern Road.

Letter to Wells Fargo Bank, San Francisco, California, approving the establishment of a branch in the block bounded by 18th and 19th, K and L Streets, Sacramento.

Letter to Fidelity-Philadelphia Trust Company, Philadelphia, Pennsylvania, approving an extension of time to relocate a branch from the Lafayette Building to the Rohm and Haas Building.


Letter to Teutopolis State Bank, Teutopolis, Illinois, approving an investment in bank premises.

Letter to First State Bank of Decatur, Decatur, Michigan, approving the declaration of a dividend.

Letter to Capital National Bank, Houston, Texas, granting its request for permission to maintain reduced reserves.

Letter to Northpark National Bank of Dallas, Dallas, Texas, granting its request for permission to maintain reduced reserves.

Manufacturers Hanover branch application. There had been circulated a memorandum from the Division of Examinations dated June 22, 1965, and related papers with regard to an application by Manufacturers
Hanover Trust Company, New York, New York, to establish a branch at 156-20 Northern Boulevard, Flushing. The recommendations of the Federal Reserve Bank of New York and the Division were favorable.

As noted in the June 22 memorandum, Mr. Leavitt had reported to the Board on June 14 receipt of a telegram from President Regan of the Flushing Savings Bank, Flushing, New York, protesting on behalf of that bank, Flushing National Bank, and College Point Savings Bank, Flushing, the proposed Manufacturers Hanover branch. Mr. Regan had requested that he be permitted to appear before the examiner preparing the file on the matter or before the Board.

The Division's memorandum described a meeting on June 17 attended by members of the Board's staff, President Regan, and President Walsh of Flushing National Bank. In the view of the staff the information presented by Messrs. Regan and Walsh was not such as to justify denial of the application.

Governor Maisel expressed the view that it would be desirable for the bank regulatory agencies to have a policy concerning the degree of protection that should be afforded a new or small bank when a large bank sought to establish a branch in the area. He suggested that the interagency Coordinating Committee on Bank Regulation, proposed recently by the Secretary of the Treasury, might give consideration to such a policy.
After comments by Mr. McClintock on the growth record of the protesting banks, Governor Robertson suggested requesting the views of the State Superintendent of Banks on the validity of their complaints. Accordingly, it was understood that a decision on the branch application would be deferred pending a request for such views.

Report on competitive factors (Greenfield-Willow Branch, Indiana). There had been distributed a draft of report to the Federal Deposit Insurance Corporation on the competitive factors involved in the proposed merger of Greenfield Citizens Bank, Greenfield, Indiana, with Hancock County Bank, Willow Branch, Indiana. The suggested conclusion indicated that because of interlocking directorates there was no effective competition between the two banks and the potential for future competition was limited. Accordingly, the overall effect of the proposed merger on competition would not be adverse.

Governor Robertson observed that the service areas of the two banks overlapped and there had been competition between them. However, the Chairman of American Fletcher National Bank and Trust Company, Indianapolis, had acquired virtually all of the stock of Greenfield Citizens Bank, following which interlocking directorates were created between that bank and Hancock County Bank. Apparently, a merger of the two banks was under consideration at the time of acquisition of control of the Greenfield bank. Governor Robertson felt that these circumstances should be spelled out in the report. The conclusion
should cite the elimination of all possibility for restoration of competition between the two banks if the merger was consummated, and it should end with a statement that in the circumstances competition would be adversely affected.

There followed discussion of the dilemma presented in cases where active competition between banks applying for permission to merge had been diminished by virtue of actions not falling within the purview of the Bank Merger Act, after which agreement was expressed that the facts cited by Governor Robertson should be incorporated in the body of the report and unanimous approval was given to the transmittal to the Federal Deposit Insurance Corporation of a report containing a conclusion in the following form:

Interlocking directorates have recently been established between Greenfield Citizens Bank and Hancock County Bank following acquisition of a majority of the stock of the former by the chairman of a large Indianapolis bank, and the competition that has existed between them will probably be curtailed as long as the relationship exists. However, consummation of the proposed merger would eliminate any potential for competition in the future. Hence, competition would be adversely affected.

Messrs. Egertson and McClintock then withdrew from the meeting.

Regulation of private money order business (Item No. 10). A distributed memorandum of June 30, 1965, from the Legal Division discussed a request dated June 21, 1965, from the Bureau of the Budget for the Board's views on a proposal by the Department of Commerce for
State legislation that would regulate private money order business. No specific legislative language was submitted with the proposal. However, it was contemplated that model legislation would be developed by the Council of State Governments.

By letter of June 12, 1964, the Board had submitted to Chairman Robertson of the Senate Banking and Currency Committee certain information regarding the issuance of money orders by nonbanking concerns throughout the United States (except the United States Post Office Department), pursuant to his request for such information. Similar information was also furnished Senator Long. In each letter the Board took the position that to the extent greater regulation of the private money order business might be desirable, it would be preferable to encourage the States to take the initiative rather than to have the Federal Government enter the field.

In view of the position that had been taken on this matter, it was suggested that the Board might wish to express approval of the Commerce Department proposal for uniform State legislation. A letter to this effect, and recommending that the Council of State Governments develop model legislation to provide such safeguards as might be necessary for the protection of the public in its dealings with money order firms, was attached to the memorandum.

At the Board's request, Mr. Young summarized the information presented in the June 30 memorandum, following which the letter to
7/1/65

the Bureau of the Budget was approved unanimously. A copy of the letter is attached as Item No. 10.

**Application by Wachovia Bank for reduced reserves (Item No. 11).** There had been circulated a proposed letter to Wachovia Bank and Trust Company, Winston-Salem, North Carolina, in response to its request for permission to carry country bank reserves with respect to deposits held at offices located in places that were not in reserve cities. In this connection, and if necessary, amendment of Regulation D, Reserves of Member Banks, was also requested.

After discussion the letter to Wachovia Bank and Trust Company, setting forth reasons why its request was denied, was approved unanimously. A copy of the letter is attached as Item No. 11.

Messrs. Sanders, Young, Kopp, and Collier then withdrew from the meeting.

**Little Rock Branch building (Item No. 12).** There had been distributed a memorandum dated June 29, 1965, from the Division of Bank Operations with regard to a letter of June 21, 1965, from the Federal Reserve Bank of St. Louis requesting approval of action by the Bank's directors authorizing contracts for the construction of a new Little Rock Branch building. The estimated total building project cost was $3,291,388, which included architects' fees of $187,517 and a contingency allowance of $200,000.
Attached to the memorandum was a draft of telegram to the St. Louis Bank approving the awarding of contracts for construction of the new building for the Little Rock Branch as described in the letter of June 21 and authorizing expenditures of approximately $3,300,000.

Following summarization by Mr. Farrell of the information presented in the June 29 memorandum, including reasons given for the low bids being over the architects' estimates, the telegram to the Reserve Bank was approved unanimously. A copy of the telegram is attached as Item No. 12.

Payment of excessive interest on deposits. At the meeting on June 23, 1965, the Board approved a letter to the Bureau of the Budget favoring in principle proposed legislation that would amend the Federal Deposit Insurance Act and the Federal Reserve Act to prescribe a penalty for payment of interest on deposits by an insured bank in violation of Federal regulations prescribing maximum rates of interest. The legislation would also have stated explicitly that "any borrowing," except subordinated borrowing and borrowing from other banks, would be subject to regulations governing the payment of interest on deposits. The letter had pointed out that the integration into existing statutory provisions of certain proposals embodied in the draft legislation involved problems of draftsmanship. It indicated that the staff of
the Board was working with the Corporation's staff to ascertain whether such problems could be eliminated, in the interest of clarity as well as ease of interpretation and administration.

There now had been distributed a memorandum of June 30, 1965, from the Legal Division with regard to the proposed legislation. It advised that discussion between representatives of the Legal Division and staff of the Corporation had resulted in a revised draft bill, a copy of which was attached to the memorandum.

The Corporation's position was that the immediate submission to the Congress of a bill that would provide an effective penalty for violations of the rules relating to the payment of interest on deposits was imperative. Reasons for this urgency were stated as being that (1) action should be taken at the earliest practicable time to dismiss pending litigation based on the theory that payment of "excessive" interest transformed a "deposit" into an uninsured "borrowing" and (2) dismissal of the litigation prior to submission to Congress of the legislative proposal was impractical.

As pointed out in the memorandum, the current legislative proposal approached the problem involved in the litigation from the standpoint of an effective penalty for payment of excessive interest on deposits as such, rather than transforming them into uninsured nondeposit "borrowings." Once the legislative proposal was introduced, dismissal
of the litigation could be explained on the ground that the position taken therein was inconsistent with pending legislation that the Corporation was supporting.

It was stated that the Legal Division continued to be concerned about a number of aspects of the proposed legislation. However, because the Corporation desired to obtain Budget Bureau clearance by the end of the week, and because it was understood that such clearance would not be given so long as the Corporation and Federal Reserve were still redrafting the proposal, the question arose whether further efforts to eliminate potential difficulties should be made before the bill was introduced.

Having presented an explanation of the major aspects of the bill, the memorandum concluded with the recommendation that, unless the Board considered certain aspects of the draft proposal to be substantially objectionable, the staff be directed to indicate to the Corporation's staff and to the Budget Bureau that (1) the Board had no objection to submission of the draft bill to the Congress, but (2) the Board might thereafter wish to suggest further modifications, additions, or alternative provisions.

At the Board's request, Mr. Hackley reviewed the information presented in the memorandum of June 30. He emphasized that the Legal Division was not entirely satisfied with the draft legislation, principally because of potential administrative problems. The main area of dissatisfaction involved a provision making unlawful any payment
by a bank to a broker for obtaining deposits, whether or not any portion of the payment was passed on to the depositor, if such payment plus interest paid by the bank to the depositor exceeded the maximum permissible rate of interest on the deposit (except that by regulation the payment of a broker's fee might be permitted up to an amount that, together with interest paid by the bank to the depositor, would not exceed the maximum permissible rate by more than 1/4 of one per cent). A possible alternative approach, and one easier to administer, Mr. Hackley said, would separate compensation to a broker from the payment of interest. He described how such an alternative provision might be spelled out.

Mr. Hackley said that he had discussed this alternative approach with Mr. Moroney, the Corporation's General Counsel. However, Mr. Moroney seemed to feel that it was preferable to obtain clearance from the Budget Bureau on the present draft language so that it could be submitted to Congress, but with the understanding that there would probably be further discussions between the staffs of the Board and the Corporation with a view to agreeing upon some final language.

During the discussion that followed, Governor Robertson commented that if the Board interposed no objection to the language of the bill in its present form, and if the bill were enacted, the administrative difficulties would be substantial. While he appreciated the desire of the Federal Deposit Insurance Corporation to move ahead with
the proposed legislation, and while he would not wish to interfere with such efforts unduly, he felt a letter should be sent to the Budget Bureau stating that while the Board agreed with the objectives of the proposed legislation, it had reservations as to the adequacy of the language. Pertinent portions of the memorandum prepared by the Legal Division could be enclosed with the letter. There also could be enclosed a copy of alternative draft language prepared by Mr. Hackley, with an indication that this would eliminate the difficulty felt to be involved in the present proposal. This would place the Budget Bureau on notice as to the Board's views, but would give the Corporation the right to go forward with the proposed legislation.

The discussion that followed Governor Robertson's comments focused on a question of the most appropriate way to proceed in the circumstances. While the legislation might present administrative problems if enacted without change in the present language, on the other hand there was an expressed desire not to cause undue delay in view of agreement with the basic objective of the proposed legislation. During this discussion Mr. Hackley distributed to the members of the Board copies of the alternative draft language that the Legal Division suggested, and the differences between the two approaches were analyzed.
Mr. Sherman at this point telephoned Chairman Randall's office at the Board's request to ascertain whether he could meet with the members of the Board so that the matter might be discussed. While Mr. Sherman was unable to reach Chairman Randall, it was understood that he would get in touch with Chairman Martin as soon as he returned to his office. It was understood that in the meantime Mr. Hackley would be in touch with Mr. Moroney.

**Coordinating Committee on Bank Regulation (Item No. 13).**

Pursuant to the understanding at the meeting on June 30, 1965, there had been distributed a revised draft of reply to a letter from Secretary of the Treasury Fowler dated June 24, 1965, proposing the establishment of an interagency Coordinating Committee on Bank Regulation.

Chairman Martin recalled that at yesterday's meeting it had been suggested that Governor Robertson be designated as the member who would represent the Board on the Committee, but that Governor Robertson had requested more time to consider the matter. The Chairman then asked Governor Robertson for an expression of his present thinking.

Governor Robertson replied that he continued to feel it would be wiser for the Board to designate some other member to serve on the Committee, because in his opinion such a course would be more likely to achieve successful coordination. However, if the Board wanted him to serve, he would do so, subject to the following understandings.
First, although it would not be easy in light of the rather strong views held in certain areas, he would serve without any reservations in an endeavor to accomplish coordination. At the same time, he continued to believe that there was a need for more fundamental reform of the structure of Federal bank supervision. In his opinion, this should not be divided among three agencies but should be unified in a single place. If asked for his views, for example by a Congressional Committee, he would expect to state his convictions.

It was noted at this point that Secretary Fowler's letter did not call for a statement at this time as to who would represent the Board on the Committee.

Chairman Martin agreed, adding that there was the possibility, among others, that the matter could be handled on an ad hoc basis. He went on to observe that two members of the Board were absent. All of the members, he felt, should be aware of what was involved and should be informed of Governor Robertson's views.

In the circumstances, it was agreed that the matter of representation of the Board on the Committee would be deferred, which meant that the reply to Secretary Fowler would be silent on that point. Several suggestions then were made for changes in other parts of the revised draft of letter to the Secretary, including deletion of certain portions that were believed to be unnecessary. Unanimous approval then was given to a letter from Chairman Martin to Secretary Fowler in the form attached as Item No. 13.
Payment of excessive interest on deposits. This meeting had been arranged by Chairman Martin and Chairman Randall in light of the discussion by the Board earlier today of alternative approaches to proposed legislation relating to payment of excessive interest on deposits.

Chairman Randall stated that this morning he had discussed the Corporation's legislative proposal with staff officers of the American Bankers Association. According to Mr. Randall, they expressed reservations only with respect to the provisions of the draft legislation that would make the payment of interest by banks on short-term notes subject to the rules governing interest on deposits. It was indicated that otherwise the full endorsement of the Association might be expected.

Governor Robertson suggested that the provisions in question could be deleted without harm, leaving the matter to be covered by interpretation, and there was agreement with this suggestion.
Chairman Randall then stated that this afternoon, before leaving on an out-of-town trip, he had appointments with the Chairmen of the Banking and Currency Committees and with the Chairman of the Senate Permanent Subcommittee on Investigations. He wanted to talk with them about the objectives of legislation such as was being proposed by the Federal Deposit Insurance Corporation. As to the differences of approach in the versions of legislation suggested by the legal staffs of the Board and the Corporation, it was his thought that probably the philosophy was not essentially different and that the problems went more to matters of definition than substance.

At Chairman Randall's suggestion the attorneys for the Board and the Corporation set forth the points that had created difficulty in interagency staff discussion, and in each instance their principals indicated how it was felt that the point might be resolved on a mutually acceptable basis. At the conclusion of this exercise, Mr. Hackley summarized his understanding of the conclusions that had been reached.

Chairman Randall then suggested that Mr. Hackley transmit as early as possible this afternoon a revised draft of bill reflecting the results indicated by today's meeting, and it was understood that this would be done.

Secretary's Note: The revised draft of bill prepared by Mr. Hackley pursuant to the aforementioned understanding was transmitted to Chairman Randall early this afternoon.
The meeting then adjourned.

Secretary's Notes: A letter was sent today to First National City Bank, New York, New York, acknowledging receipt of notice of its intent to establish an additional branch in Cordoba, Argentina, by retaining the branch in the former location at Avenida General Paz No. 1 in addition to the new office located at the corner of Rivadavia and 25 de Mayo. The letter contained the following paragraph: "With respect to foreign branches, funds provided by home office (whether in the form of allocated capital, advances, or otherwise) should be regarded as foreign assets for purposes of the voluntary foreign credit restraint effort. However, it is understood that only nominal expenses will be involved in the establishment of this additional branch."

A letter was sent today to Bank of America National Trust and Savings Association, San Francisco, California, acknowledging receipt of notice of its intent to establish an additional branch in Hong Kong, to be located in the Western District of Victoria, British Crown Colony of Hong Kong. The letter contained the following paragraph: "With respect to the establishment of foreign branches, funds provided by home office (whether in the form of allocated capital, advances, or otherwise) should be regarded as foreign assets for purposes of the voluntary foreign credit restraint effort. However, your letter of June 1, 1965, stated that no local capital requirements in the Colony are applicable; that equipment and supplies for the new branch will be procured locally from funds generated in Hong Kong; and, that you do not foresee any dollar outlay in connection with the opening of the new office."

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

Letters to all foreign banking and foreign financing corporations calling for reports of condition as of June 30, 1965. Copies of letters
sent to the Federal Reserve Banks of Boston, New York, Philadelphia, Cleveland, Chicago, and San Francisco regarding this call for reports of condition are attached as Items 14 through 19.

Memorandum from the Division of Examinations recommending the appointment of Robert C. Burton as Review Examiner (with commission of Federal Reserve Examiner) in that Division, with basic annual salary at the rate of $13,335, effective August 9, 1965. (The appointment was made with the understanding that the normal physical requirements would be waived.)

Acting in the absence of Governor Shepardson, Governor Robertson today approved on behalf of the Board a memorandum from the Division of Examinations recommending the transfer of Alice E. Rayman from the position of Assistant Supervisor, Recording and Stenographic Section, to the position of Secretary in that Division, with an increase in basic annual salary from $6,615 to $7,050, effective July 4, 1965.
Board of Directors,
State Street Bank and Trust Company,
Boston, Massachusetts.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch by State Street Bank and Trust Company, Boston, Massachusetts, at 10 Tremont Street, Boston, Massachusetts, provided the branch is established within six months from the date of this letter, and provided further that branch operations now conducted at 199 Washington Street, Boston, Massachusetts, are discontinued simultaneously with the establishment of the above branch.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
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.)
The Board of Governors of the Federal Reserve System approves the establishment by Arkansas Bank and Trust Company, Hot Springs, Arkansas, of a branch at 2515 Malvern Road, Hot Springs, Arkansas, provided the branch is established within three months from the date of this letter.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
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 Directors,
Wells Fargo Bank,
San Francisco, California.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Wells Fargo Bank, San Francisco, California, of a branch in the block bounded by 18th and 19th, K and L Streets, Sacramento, California, provided the branch is established within 18 months from the date of this letter.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
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 Directors,
Fidelity-Philadelphia Trust Company,

Gentlemen:

The Board of Governors of the Federal Reserve System extends to January 16, 1966, the time in which Fidelity-Philadelphia Trust Company, Philadelphia, Pennsylvania, may relocate a branch from the Lafayette Building at the northeast corner of Fifth and Chestnut Streets, Philadelphia, to the Rohm and Haas Building at the northwest corner of Sixth and Ranstead Streets, Philadelphia. As stated in the Board's letter of July 16, 1963, approving the relocation of the branch, operations at the bank's existing office located in the Lafayette Building are to be discontinued simultaneously with the opening of the office in the Rohm and Haas Building.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.
Board of Directors,
State Bank of Paradise,
Paradise, Pennsylvania.

Gentlemen:

The Board of Governors of the Federal Reserve System approves, under the provisions of Section 24A of the Federal Reserve Act, an additional investment of $105,000 in bank premises by State Bank of Paradise, Paradise, Pennsylvania, for the purpose of constructing a new bank building.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.
Board of Directors,  
Teutopolis State Bank,  
Teutopolis, Illinois.  

Gentlemen:  

Pursuant to the provisions of Section 24A of the Federal Reserve Act, the Board of Governors of the Federal Reserve System approves an investment of $38,000 by Teutopolis State Bank, Teutopolis, Illinois, for the purpose of expanding and remodeling banking quarters.

Very truly yours,  

(Signed) Kenneth A. Kenyon  

Kenneth A. Kenyon,  
Assistant Secretary.
Board of Directors,
First State Bank of Decatur,
Decatur, Michigan.

Gentlemen:

The Board of Governors of the Federal Reserve System approves, under the provisions of paragraph 6 of Section 9 of the Federal Reserve Act and Section 5199(b) of United States Revised Statutes, the declaration of a dividend of $20,000 by First State Bank of Decatur on June 30, 1965. This letter does not authorize any future declaration of dividends that would require the Board's approval under the foregoing statutes.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.
Board of Directors,
Capital National Bank,
Houston, Texas.

Gentlemen:

With reference to your request submitted through the Federal Reserve Bank of Dallas, the Board of Governors, acting under the provisions of Section 19 of the Federal Reserve Act, grants permission to the Capital National Bank to maintain the same reserves against deposits as are required to be maintained by nonreserve city banks, effective as of the date it opens for business.

Your attention is called to the fact that such permission is subject to revocation by the Board of Governors.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.
Board of Directors,
Northpark National Bank of Dallas,
Dallas, Texas.

Gentlemen:

With reference to your request submitted through the Federal Reserve Bank of Dallas, the Board of Governors, acting under the provisions of Section 19 of the Federal Reserve Act, grants permission to the Northpark National Bank of Dallas to maintain the same reserves against deposits as are required to be maintained by nonreserve city banks, effective as of the date it opens for business.

Your attention is called to the fact that such permission is subject to revocation by the Board of Governors.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.
Mr. William D. Carey,  
Executive Assistant Director,  
Bureau of the Budget,  
Washington, D. C. 20503

Dear Mr. Carey:

This is in response to your communication of June 21, 1965, requesting the views of the Board on a proposal of the Department of Commerce, which has been submitted for consideration by the Committee on Suggested State Legislation of the Council of State Governments, to regulate private money order business by State legislation.

Early in 1964, following the bankruptcy of the money order firm of Security Currency Services, Ltd. in California, Chairman Robertson of the Senate Banking and Currency Committee requested the Board to supply him with information regarding the issuance of money orders by nonbank concerns. Following this request the Board, through the Federal Reserve Banks, made a survey regarding the issuance of money orders by nonbanking concerns throughout the United States (excluding the United States Post Office Department).

On the basis of the information developed at that time, the Board concluded that to the extent greater regulation of private money order business might be desirable, it would be preferable to encourage the States themselves to take the necessary initiative rather than have the Federal Government enter the field. Nothing has come to the attention of the Board since that time that would change this view. The Board, therefore, would favor the proposal of the Department of Commerce and its recommendation that the Council of State Governments develop model legislation to provide such safeguards as may be necessary for the protection of the public in its dealings with money order firms.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.
Wachovia Bank and Trust Company,
Winston-Salem, North Carolina.

Gentlemen:

This refers to your "Application to Carry Reduced Reserves", dated February 15, 1965, transmitted to the Board by the Federal Reserve Bank of Richmond with a letter dated May 28, 1965. In effect, the application requests permission for your bank to carry country bank reserves with respect to deposits held at offices located in places that are not in reserve cities. It further requests amendment, if necessary, to either or both section 204.2(a)(2) and section 204.2(a)(3) of the Board's Regulation D.

Regulation D clearly contemplates that a member bank shall maintain the same reserves against all of its deposits, irrespective of the location of the offices at which the deposits are held. Section 204.2(a)(3) provides that "a member bank shall be considered to be in a reserve city if the head office or any branch thereof is located in a reserve city." Where, as in your case, a member bank with branches is regarded as being in a reserve city because one of its offices is located in a reserve city, the Board could grant permission for the bank to carry country bank reserves, but such permission would apply to reserves against all of the bank's deposits, including those held at an office of the bank in a reserve city. However, the Board could not, under the present regulation, permit the carrying of country bank reserves against only those deposits held at offices in places that are not reserve cities.

It is questionable whether the Board could lawfully amend Regulation D to permit such differentiation in reserves against deposits held at different offices of a member bank. Section 19 of the Federal Reserve Act appears to contemplate that a member bank must be regarded as being located either in a reserve city or in a nonreserve city, and not in both, for purposes of determining its reserve requirements.
Wachovia Bank and
Trust Company

It is recognized that offices of a reserve city bank located in nonreserve cities may be placed at some competitive disadvantage because of the present provisions of Regulation D. However, even greater competitive inequities could obviously result from the establishment of any rule that would permit a large bank with an office in a reserve city to maintain country bank reserves against deposits held at its offices in nonreserve cities. A bank with branches is a single institution. Any of its offices is supported by the full resources of the bank, and any of the bank's services may be provided through any office. Consequently, even if the Board could lawfully adopt such an amendment, the Board feels that it would be inappropriate to amend Regulation D to permit differentiation for reserve purposes among deposits held at different offices of a member bank.

For the reasons here indicated, the Board feels compelled to deny your application.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.
Board approves awarding of appropriate contracts for construction of new building for Little Rock Branch as described in your letter of June 21, 1965, and authorizes expenditure of approximately $3,300,000, which figure includes architects' fees of $187,517 and a contingency allowance of $200,000.

(Signed) Merritt Sherman

Sherman
July 1, 1965.

The Honorable Henry H. Fowler,
Secretary of the Treasury,
Washington, D. C. 20220

Dear Joe:

This is in response to your letter of June 24, 1965, proposing the establishment of a Coordinating Committee on Bank Regulation that would in effect supplement the procedure for exchange of information among the bank regulatory agencies established by Secretary Dillon in March 1964.

It is understood that the proposed Committee would consist of the Chairman of the Board of Governors of the Federal Reserve System or a designated member of the Board, the Comptroller of the Currency, the Chairman of the Federal Deposit Insurance Corporation, and the Chairman of the Federal Home Loan Bank Board. The Committee would meet periodically for an exchange of views in an effort to resolve any differences among the agencies to the extent feasible in the light of the divergent authority and responsibility of the participating agencies.

The Board favors the objectives of your proposal and is prepared to participate in the procedure outlined. It is assumed that the Committee would not only undertake to consider the possible settlement of existing differences but would endeavor, as recommended by the Committee on Financial Institutions in its report of April 1963, to achieve a greater degree of coordination in the standards, regulations, and procedures of the participating agencies so as to minimize differences in the future.

We will be glad to have the Committee meet in the Federal Reserve Building at any time and, in this connection, the possibility is suggested of holding meetings in the offices of the agency whose representative may be serving as Chairman of the Committee at the time.

I appreciate your making it clear that the proposed procedure is not intended to affect the continued exercise of independent discretion by the participating agencies in carrying out their different
The Honorable Henry H. Fowler

statutory responsibilities. At the same time, I share your hope that the contemplated direct exchange of views among the regulatory agencies with respect to mutual problems may serve to promote greater cooperation and uniformity.

Sincerely yours,

Bill

Wm. McC. Martin, Jr.
Mr. Luther M. Hoyle, Jr., Vice President,
Federal Reserve Bank of Boston,
Boston, Massachusetts. 02106

Dear Mr. Hoyle:

Enclosed is a copy of a letter dated today, addressed to Boston Overseas Financial Corporation, calling for a report of condition as of June 30, 1965. You will observe that the letter requests that the report called for be submitted in duplicate to the Federal Reserve Bank for transmittal to the Board of Governors.

Upon receipt of the report it will be appreciated if you will have a proof made of the footings and obtain the correction of any obvious errors in the report. Please forward the original copy of the report to the Board and retain a copy for your files.

A complete review of the report will be made in the Board's Division of Examinations, and any correspondence which may be necessary as a result thereof will be initiated by the Board with a copy to you for your information.

Very truly yours,

Kenneth A. Kenyon,
Assistant Secretary.

Enclosure
Mr. Fred W. Piderit, Jr., Vice President,
Federal Reserve Bank of New York,
New York, New York 10045.

Dear Mr. Piderit:

Enclosed are copies of letters calling for reports of condition as of June 30, 1965, from the following foreign banking and foreign financing corporations in the Second District operating under the provisions of Section 25 and Section 25(a) of the Federal Reserve Act:

Bankers Company of New York
The Gallatin Company, Inc.
International Banking Corporation
Virgin Islands National Bank
Bamerical International Financial Corporation
Bank of America
Bank of Boston International
Bankers International Corporation
Chase International Investment Corporation
Chase Manhattan Overseas Banking Corporation
Chemical International Banking Corporation
Chemical International Finance, Ltd.
Continental Bank International
First Chicago International Banking Corporation
First National City Overseas Investment Corporation
Irving International Banking Corporation
Irving International Financing Corporation
Manufacturers Hanover International Banking Corporation
Manufacturers Hanover International Finance Corporation
Marine Midland International Corporation
Morgan Guaranty International Banking Corporation
Morgan Guaranty International Finance Corporation
Northwest International Bank
State Street Bank Boston International
Western Bancorporation International Bank
You will observe that the letters request that the reports called for be submitted in duplicate to the Federal Reserve Bank for transmittal to the Board of Governors.

Upon receipt of the reports it will be appreciated if you will have a proof made of the footings and obtain the correction of any obvious errors in the reports. Please forward the original copy of the reports to the Board and retain a copy for your files.

A complete review of the reports will be made in the Board's Division of Examinations, and any correspondence which may be necessary as a result thereof will be initiated by the Board with a copy to you for your information.

Very truly yours,

Kenneth A. Kenyon,
Assistant Secretary.
Mr. Joseph R. Campbell, Vice President,
Federal Reserve Bank of Philadelphia,
Philadelphia, Pennsylvania. 19101

Dear Mr. Campbell:

Enclosed are copies of letters dated today, addressed to First Pennsylvania Overseas Finance Corporation, Philadelphia International Investment Corporation, Provident International Corporation, and The Company for Investing Abroad, calling for reports of condition as of June 30, 1965. You will observe that the letters request that the reports called for be submitted in duplicate to the Federal Reserve Bank for transmittal to the Board of Governors.

Upon receipt of the reports it will be appreciated if you will have a proof made of the footings and obtain the correction of any obvious errors in the reports. Please forward the original copy of the reports to the Board and retain a copy for your files.

A complete review of the reports will be made in the Board's Division of Examinations, and any correspondence which may be necessary as a result thereof will be initiated by the Board with a copy to you for your information.

Very truly yours,

Kenneth A. Kenyon
Assistant Secretary.

Enclosures.
Mr. Harry W. Huning, Vice President,
Federal Reserve Bank of Cleveland,
Cleveland, Ohio. 44101

Dear Mr. Huning:

Enclosed are copies of letters dated today, addressed to Mellon Bank International and Pittsburgh International Finance Corporation, calling for reports of condition as of June 30, 1965. You will observe that the letters request that the reports called for be submitted in duplicate to the Federal Reserve Bank for transmittal to the Board of Governors.

Upon receipt of the reports it will be appreciated if you will have a proof made of the footings and obtain the correction of any obvious errors in the reports. Please forward the original copy of the reports to the Board and retain a copy for your files.

A complete review of the reports will be made in the Board's Division of Examinations, and any correspondence which may be necessary as a result thereof will be initiated by the Board with a copy to you for your information.

Very truly yours,

Kenneth A. Kenyon,
Assistant Secretary.

Enclosures.
Mr. Leland M. Ross, Vice President,
Federal Reserve Bank of Chicago,
Chicago, Illinois 60690.

Dear Mr. Ross:

Enclosed are copies of letters dated today, addressed to Continental International Finance Corporation, First Chicago International Finance Corporation, International Bank of Detroit, and Manufacturers-Detroit International Corporation, calling for a report of condition as of June 30, 1965. You will observe that the letters request that the reports called for be submitted in duplicate to the Federal Reserve Bank for transmittal to the Board of Governors.

Upon receipt of the reports it will be appreciated if you will have a proof made of the footings and obtain the correction of any obvious errors in the reports. Please forward the original copy of the reports to the Board and retain a copy for your files.

A complete review of the reports will be made in the Board's Division of Examinations, and any correspondence which may be necessary as a result thereof will be initiated by the Board with a copy to you for your information.

Very truly yours,

Kenneth A. Kenyon,
Assistant Secretary.

Enclosures
Mr. E. H. Galvin, Vice President,
Federal Reserve Bank of San Francisco,
San Francisco, California.  94120

Dear Mr. Galvin:

Enclosed are copies of letters dated today, addressed to
Bank of California International Corporation, Crocker-Citizens
International Corporation, International Bank of Commerce and Wells
Fargo Bank International Corporation, calling for reports of condition
as of June 30, 1965. You will observe that the letters request that
the reports called for be submitted in duplicate to the Federal Reserve
Bank for transmittal to the Board of Governors.

Upon receipt of the reports it will be appreciated if you
will have a proof made of the footings and obtain the correction of
any obvious errors in the reports. Please forward the original copy
of the reports to the Board and retain a copy for your files.

A complete review of the reports will be made in the Board's
Division of Examinations, and any correspondence which may be necessary
as a result thereof will be initiated by the Board with a copy to you
for your information.

Very truly yours,

Kenneth A. Kenyon,
Assistant Secretary.

Enclosures.