

Minutes for July 9, 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

MM

Gov. Robertson

R.

Gov. Balderston

CCB

Gov. Shepardson

SS

Gov. Mitchell

MM

Gov. Daane

DD

Gov. Maisel

EM

Minutes of the Board of Governors of the Federal Reserve System
on Friday, July 9, 1965. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman 1/
Mr. Balderston, Vice Chairman
Mr. Mitchell
Mr. Maisel

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Broida, Assistant Secretary
Mr. Noyes, Adviser to the Board
Mr. Molony, Assistant to the Board
Mr. Fauver, Assistant to the Board
Mrs. Semia, Technical Assistant, Office of the
Secretary
Miss Eaton, General Assistant, Office of the
Secretary
Mr. Morgan, Staff Assistant, Board Members'
Offices
Mr. Furth, Consultant

Messrs. Koch, Partee, Axilrod, Ettin, and Eckert
of the Division of Research and Statistics

Messrs. Hersey, Sammons, Baker, Dahl, and Gekker
of the Division of International Finance

Money market review. Mr. Axilrod commented on developments in the Government securities market and Treasury financing plans, after which Mr. Eckert discussed bank credit conditions. Messrs. Axilrod and Eckert included in their remarks references to distributed tables affording perspective on the money market and on bank reserve utilization. Mr. Baker then reviewed developments in foreign exchange markets.

Chairman Martin was called away from the meeting during the review. At its conclusion all members of the staff except Messrs. Sherman, Kenyon, and Sammons, Mrs. Semia, and Miss Eaton withdrew from the meeting and the following entered the room:

1/ Withdrew from meeting at point indicated in minutes.

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Mr. Hackley, General Counsel
 Mr. Solomon, Director, Division of Examinations
 Mr. Kakalec, Controller
 Mr. Shay, Assistant General Counsel
 Mr. Goodman, Assistant Director, Division of Examinations
 Messrs. Egertson and McClintock, Supervisory Review
 Examiners, Division of Examinations
 Mr. Waller, Supervisory Accountant, Office of the
 Controller

The following actions were taken subject to ratification at the next meeting of the Board at which a quorum was present:

Discount rates. The establishment without change by the Federal Reserve Bank of Boston on July 6, 1965, and by the Federal Reserve Banks of Cleveland, Richmond, Atlanta, St. Louis, Minneapolis, and Dallas on July 8, 1965, of the rates on discounts and advances in their existing schedules was approved unanimously, with the understanding that appropriate advice would be sent to those Banks.

Circulated or distributed 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 Bank of America National Trust and Savings Association, San Francisco, California, approving the establishment of a branch in Guayaquil, Ecuador.	1
Letter to First National City Overseas Investment Corporation, New York, New York, granting permission to purchase stock of Financiera Comercial, S.A., Mexico, D.F., Mexico.	2

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Item No.

Letter to Corn Belt Bank, Bloomington, Illinois, waiving the requirement of six months' notice of withdrawal from membership in the Federal Reserve System.

3

Letter to the Bureau of the Budget recommending approval by the President of enrolled bill H. R. 5306, relating to payment of interest on time deposits of foreign governments.

4

Reports on competitive factors. After discussion, reports to the Comptroller of the Currency on the competitive factors involved in the following proposed transactions were approved unanimously for transmittal to the Comptroller, the conclusions being stated as indicated:

Purchase of assets and assumption of liabilities of Central Bank National Association, Tacoma, Washington, by Peoples National Bank of Washington in Seattle, Seattle, Washington

Consummation of the proposed purchase of Central Bank National Association, Tacoma, by Peoples National Bank of Washington in Seattle would eliminate the competition presently existing between them and would slightly increase the size of Peoples, the third largest commercial bank in the State. The transaction would have little effect on other banks in the Tacoma area, and the overall effect on competition would not be significantly adverse.

Purchase of assets and assumption of liabilities of The Union City National Bank, Union City, Michigan, by The Southern Michigan National Bank of Coldwater, Coldwater, Michigan

The proposed purchase of assets and assumption of liabilities of The Union City National Bank by The Southern Michigan National Bank of Coldwater would eliminate a unit bank and the existing and potential competition between the participating banks.

A revision of the proposed conclusion having been agreed upon, unanimous approval was given to the transmittal to the Comptroller of

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the Currency of a report on the competitive factors involved in the proposed purchase of assets and assumption of liabilities of Avalon Bank, Avalon, Pennsylvania, by Western Pennsylvania National Bank, Pittsburgh, Pennsylvania. In the form in which approved, the conclusion read as follows:

The proposed merger of Avalon Bank, Avalon, Pennsylvania, and Western Pennsylvania National Bank, Pittsburgh, Pennsylvania, would further the trend in the area towards elimination of independent banks through merger or similar transaction and eliminate a small amount of competition.

Assessment to meet Board expenses. There had been distributed a memorandum from the Office of the Controller dated July 8, 1965, recommending that an assessment of .00412 of the total paid-in capital and surplus of the Federal Reserve Banks as of June 30, 1965, be levied upon the Banks to meet the estimated expenses of the Board for the second half of 1965. Such an assessment would produce \$4,385,300.

The recommended assessment was approved unanimously.

The meeting then adjourned.

Secretary's Note: Acting in the absence of Governor Shepardson, Governor Balderston today approved on behalf of the Board the following items:

Letter to the American Telephone and Telegraph Company (attached Item No. 5) authorizing that company to proceed with certain changes in the Federal Reserve 81-D-1 Leased Wire System, as authorized by the Conference of Presidents at its meeting on June 14, 1965. Copies of the letter were sent to the Presidents of all Federal Reserve Banks.

Letter to the Federal Reserve Bank of Dallas (attached Item No. 6) approving the appointment of Richard F. Carlson as assistant examiner.

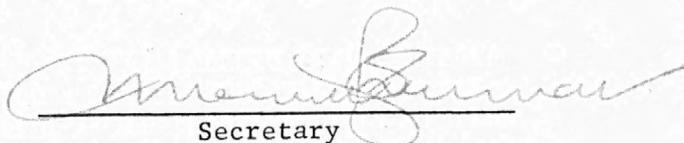
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Letter to the Federal Reserve Bank of Dallas (attached Item No. 7) approving the designation of Carroll D. Blake as special assistant examiner.

Letter to the Federal Reserve Bank of San Francisco (attached Item No. 8) approving the designation of O.A. Strand as special assistant examiner.

Memorandum from the Division of Administrative Services recommending an increase in the basic annual salary of Saul Clanton, Grounds Maintenance Worker in that Division, from \$5,554 to \$5,803, with a change in title to Gardener, effective July 18, 1965.


Secretary

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Item No. 1
7/9/65

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



July 9, 1965.

Bank of America National Trust
and Savings Association,
300 Montgomery Street,
San Francisco, California 94120.

Gentlemen:

The Board of Governors of the Federal Reserve System grants its permission to Bank of America National Trust and Savings Association, San Francisco, California, pursuant to the provisions of Section 25 of the Federal Reserve Act, to establish a branch in the City of Guayaquil, Ecuador, and to operate and maintain such branch subject to the provisions of such Section and of Regulation M.

Unless the branch is actually established and opened for business on or before July 1, 1966, all rights granted hereby shall be deemed to have been abandoned and the authority hereby granted will automatically terminate on that date.

With respect to the President's program for the voluntary curtailment of foreign credit by banks, your letter of May 28, 1965, indicated that your investment in the branch will total approximately US\$556,000. As you are aware, 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.

Please inform the Board of Governors, through the Federal Reserve Bank of San Francisco, when the branch is opened for business, furnishing information as to the exact location of the branch. The Board should also be promptly informed of any future change in location of the branch within the City of Guayaquil.

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

Item No. 2
7/9/65

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 9, 1965.



First National City Overseas Investment Corporation,
399 Park Avenue,
New York 22, New York.

Gentlemen:

In accordance with the request contained in your letter of May 27, 1965, transmitted through the Federal Reserve Bank of New York, and on the basis of information furnished, the Board of Governors grants consent for your Corporation to purchase and hold approximately 35 per cent of the stock of Financiera Comercial, S.A., Mexico, D.F., Mexico, at a cost of approximately US\$400,000, 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 the Financiera within the terms of the above consent in excess of 10 per cent of your Corporation's capital and surplus.

The foregoing consent has been given with the understanding that the foreign loans and investments of First National City Overseas Investment Corporation, combined with those of First National City Bank and International Banking Corporation, including the investment now being approved, will not exceed the guidelines established under the voluntary foreign credit restraint effort now in effect, or that steps have been established to bring total claims on foreigners to a level consistent with the guidelines within a reasonable length of time.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.

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

Item No. 3
7/9/65



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 9, 1965.

Board of Directors,
Corn Belt Bank,
Bloomington, Illinois.

Gentlemen:

The Federal Reserve Bank of Chicago has forwarded to the Board of Governors Vice President and Cashier Lawson's letter dated June 16, 1965, together with accompanying resolutions dated June 11, 1965, signifying your intention to withdraw from membership in the Federal Reserve System and requesting waiver of the six months' notice of the 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.

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

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.

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Item No. 4
7/9/65



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

OFFICE OF THE CHAIRMAN

July 9, 1965.

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

Attention: Mrs. Garziglia

Dear Mr. Hughes:

This is to advise in response to your communication of July 8, 1965, that the Board recommends approval by the President of the enrolled bill, H. R. 5306, "To continue the authority of domestic banks to pay interest on time deposits of foreign governments at rates differing from those applicable to domestic depositors."

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

2271
Item No. 5
7/9/65

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 9, 1965.

SERVICE REQUISITION NO. 185
81-D-1 Leased Wire System

Mr. H. E. West, Jr., Account Manager,
Long Lines Department,
American Telephone and Telegraph Company,
1725 K Street, N. W.,
Washington, D. C. 20006

Dear Mr. West:

You are hereby authorized to proceed with the installation in the Federal Reserve Leased Wire System of four (4) new circuits as outlined in Part "A" contained in your letter dated February 12, 1965, to Mr. Clyde Harrell, Chairman of the Subcommittee on Cash, Leased Wire and Sundry Operations. Coincident with the installation of these new circuits, it is understood that there will be a realignment of existing circuits to improve transmission during the System's busy hours.

It is also understood that the cost of this new equipment is to be as follows:

<u>Additional Equipment Charges -</u>	<u>Monthly</u>	<u>Installation</u>
4 Duplex Terminations Switching Center @ \$350	\$ 1,400	\$ 8,000
2 81-D-1 Station Controls (Boston-Atlanta) @ \$70	<u>140</u>	<u>150</u>
Total	\$ 1,540	\$ 8,150

General Services Administration has been authorized to effect a TELPAK application to the above circuitry and they will advise you accordingly. It is understood that there may be an additional charge rendered by your Company for private line mileage charges.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.



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

2272
Item No. 6
7/9/65

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 9, 1965.

Mr. Thomas R. Sullivan, Vice President,
Federal Reserve Bank of Dallas,
Dallas, Texas. 75222

Dear Mr. Sullivan:

In accordance with the request contained
in your letter of July 6, 1965, the Board approves
the appointment of Richard F. Carlson as an assistant
examiner for the Federal Reserve Bank of Dallas,
effective today.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 7
7/9/65

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 9, 1965.

Mr. Thomas R. Sullivan, Vice President,
Federal Reserve Bank of Dallas,
Dallas, Texas. 75222

Dear Mr. Sullivan:

In accordance with the request contained
in your letter of July 1, 1965, the Board approves
the designation of Carroll D. Blake, at present
an assistant examiner, as a special assistant
examiner for the Federal Reserve Bank of Dallas.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.





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

2274
Item No. 8
7/9/65

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 9, 1965.

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

Dear Mr. Galvin:

In accordance with the request contained in your letter of July 1, 1965, the Board approves the designation of O. A. Strand as a special assistant examiner for the Federal Reserve Bank of San Francisco.

Notations have been made on our records of the names to be deleted from the list of examining personnel for your Bank.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.