

Minutes for July 16, 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


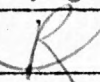
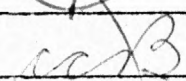
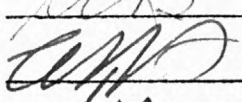
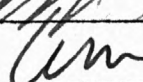
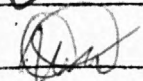
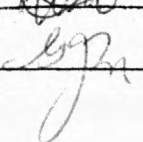
Gov. Balderston

Gov. Shepardson

Gov. Mitchell

Gov. Daane

Gov. Maisel

Minutes of the Board of Governors of the Federal Reserve System
on Friday, July 16, 1965. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman 1/
Mr. Balderston, Vice Chairman
Mr. Robertson
Mr. Shepardson
Mr. Daane
Mr. Maisel

Mr. Sherman, Secretary
Mr. Bakke, Assistant Secretary
Mr. Young, Adviser to the Board and Director,
Division of International Finance
Mr. Fauver, Assistant to the Board
Mr. Morgan, Staff Assistant, Board Members' Offices
Mr. Furth, Consultant

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

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

Money market review. There were distributed tables on money
market perspective for the period March-July 14, 1965, actual weekly
commercial bank reserves in the period April-July 7, 1965, compared with
the preliminary estimates thereof, and perspective on bank reserve utiliza-
tion for the period June 1964-July 14, 1965.

Mr. Bernard presented a report on developments in the Government
securities market, following which Mr. Koch explained the sampling
problems involved in making weekly preliminary estimates of commercial
bank reserves that tended to result in overstating net free reserves or
understating net borrowed reserves. Mr. Gemmill then reviewed developments
in the foreign exchange market.

1/ Entered meeting at point indicated in minutes.

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Chairman Martin and Messrs. Molony, Assistant to the Board, and Sammons, Adviser, Division of International Finance, entered the room during the review. At its conclusion, all members of the staff except Messrs. Sherman, Bakke, Molony, Fauver, and Sammons withdrew and the following entered the room:

Mr. Cardon, Legislative Counsel
Mr. Hackley, General Counsel
Mr. Solomon, Director, Division of Examinations
Mr. Hexter, Assistant General Counsel
Mr. O'Connell, Assistant General Counsel
Mr. Shay, Assistant General Counsel
Mr. Hooff, Assistant General Counsel
Mr. Goodman, Assistant Director, Division of Examinations
Mr. Thompson, Assistant Director, Division of Examinations
Miss Hart, Senior Attorney, Legal Division
Mr. Forrestal, Attorney, Legal Division
Messrs. Miller and Kopp, Summer Law Clerks, Legal Division
Messrs. Egertson and McClintock, Supervisory Review Examiners,
Division of Examinations
Messrs. Rumbarger, Review Examiner, and Noory, Assistant
Review Examiner, Division of Examinations
Mr. Hart, Assistant to the Director, Division of Personnel
Administration

Discount rates. The establishment without change by the Federal Reserve Banks of New York, Philadelphia, Chicago, and San Francisco on July 15, 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:

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Item No.

Letter to The Citizens Banking Company,
Sandusky, Ohio, approving the establishment
of a branch at 221-225 Wayne Street.

1

Letter to Citizens Commercial & Savings Bank,
Flint, Michigan, approving the establishment
of branches (1) on North Saginaw Road, Holly
Township, and (2) at 2141 West Bristol Road,
Flint Township.

2

Letter to International Banking Corporation,
New York, New York, granting permission to
purchase stock of Banco de Honduras, S.A.,
Tegucigalpa, Honduras.

3

Letter to Morgan Guaranty International
Finance Corporation, New York, New York,
granting permission to purchase stock of
Banco Brasileiro de Desenvolvimento S.A.,
Sao Paulo, Brazil.

4

Letter to Bank of Clarke County, Berryville,
Virginia, interposing no objection to an
investment in bank premises.

5

Letter to the Federal Reserve Bank of New York
waiving the assessment of a penalty incurred
by The National Exchange Bank, Boonville, New
York, because of a deficiency in its required
reserves.

6

Letter to the Federal Reserve Bank of San
Francisco approving the appointment of
James M. Davis as Federal Reserve Agent's
Representative at the Los Angeles Branch.

7

Letter to the Federal Reserve Bank of Kansas
City interposing no objection to the retention
of an employee in active service past normal
retirement.

8

Messrs. Goodman and Hart then withdrew from the meeting.

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Report on competitive factors (Freehold-Keyport, New Jersey).

There had been distributed a draft of report to the Federal Deposit Insurance Corporation on the competitive factors involved in the proposed merger of The People's National Bank of Keyport, Keyport, New Jersey, into The Central Jersey Bank and Trust Company, Freehold, New Jersey.

Following agreement upon certain changes suggested by Governor Daane to place greater emphasis upon the adverse competitive effect consummation of the proposal might have, the report was approved unanimously for transmittal to the Corporation in a form in which the conclusion read as follows:

The proposed merger of The Central Jersey Bank and Trust Company and People's National Bank of Keyport would eliminate some existing and, to a greater degree, potential competition between them. It would also increase the concentration of banking resources in Monmouth County. The effect of the proposed merger on competition would be significantly adverse.

Tie votes in merger and holding company cases. There had been distributed a memorandum from Mr. Hackley, dated July 13, 1965, proposing language to amend paragraph 3 of the "Internal Board Procedures with Respect to Holding Company and Merger Applications," dated November 1, 1961 (see minutes October 30, 1961), so as to require that in the event of a tie vote the case be deferred for later consideration by the full Board. This suggested amendment had been prepared in response to a

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request by the Board following discussion of the subject at its meeting on June 17, 1965.

Mr. Hackley summarized the circumstances leading up to, and the effect of, the proposed amendment.

Governor Daane commented that insofar as concerned treatment of tie vote situations, he would accept the proposed amendment. Referring to the June 17 discussion, however, he reiterated that he was also concerned with cases where a bank holding company or merger application might be either approved or denied by less than an absolute majority of the Board, and proposed that at least four affirmative or negative votes should be required in all cases.

Governor Robertson commented that he could not agree with Governor Daane's concern over the number of votes that should be required to dispose of a holding company or merger application. As to the proposed amendment to the rules of internal procedure, its effect would be to require attendance of all members of the Board before further action could be taken on the deferred case, thus inviting inordinate delay, and he suggested that perhaps the intent of the proposed amendment might be served by providing for deferral of a case involving a tie vote until the next Board meeting at which a greater number of members would be present.

Governor Maisel suggested that, as an alternative to amending the rules of internal procedure, the Board could follow the practice

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of taking a preliminary poll of the members present, and if the result indicated that a vote would result in a tie, the case could be held over; if not, the vote could be formalized then and there.

Turning to Governor Daane's point regarding action by less than an absolute majority vote, Governor Robertson commented that he could see no objection to final disposition of holding company and merger applications by a majority of a quorum of the Board.

Governor Daane reiterated his desire to have the 4-vote requirement spelled out, and Mr. Solomon expressed the supporting view that the Board's public image might be adversely affected if applications were to be disposed of by less than a majority vote of all members of the Board. He also felt such a rule might expedite Board action since it would permit placing a case on the agenda whenever a quorum was to be present, knowing that if less than four votes were cast for action on the case, it would be carried over.

Mr. Hackley observed that Governor Daane's proposal would be inconsistent with the established rule of corporate and administrative law that a vote by a majority of a quorum is valid in the absence of an express statutory or regulatory provision to the contrary. In connection with this point, he called attention to the fact that where the Congress had wanted Board action to be taken only by a specified number of majority votes, it had so provided; e.g., changes in reserve requirements. Thus, if an arbitrary rule of internal practice were to

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be adopted that holding company and merger applications could be approved or denied only by majority vote of all members, the Board would be leaving itself open to valid criticism if this fact were to become a matter of public knowledge.

Following further brief discussion of certain practical problems that might arise if the voting procedure spelled out in the proposed amendment to the rules of internal procedure were to be adopted, such as the effect of one or more vacancies on the Board or the prolonged absence because of serious illness of one or more members, there was agreement with Chairman Martin's suggestion that the matter be held over for further consideration at a meeting when all members of the Board were present.

Release to the public of reports on competitive factors in merger cases (Items 9 and 10). There had been distributed a memorandum from Mr. Shay, dated July 14, 1965, in which there was discussed both a specific request for copies of the reports on competitive factors received by the Board from the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the Attorney General in connection with a pending bank merger case, and a recommendation that a general policy of release-upon-request be adopted.

Mr. Shay, whose comments paralleled the July 14 memorandum, observed that in the past, under the Board's rules of internal procedure in handling merger applications, copies of competitive factor

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reports had not been released to the public without first obtaining informal clearance from the submitting agencies. In the pending case, this procedure had been followed; affirmative responses had been received from the Department of Justice and the Federal Deposit Insurance Corporation, but to date there had been no response from the Office of the Comptroller. Mr. Shay further observed that neither the Attorney General nor the Federal Deposit Insurance Corporation had ever objected in the past to the Board making their reports on competitive factors available to interested persons, and the Office of the Comptroller of the Currency was well aware that its usual response of "no comment" to the Board's requests for permission to do so had been interpreted by the Board as meaning "no objection." He added that the Board had also made its own reports on competitive factors to other agencies publicly available on request; but in each instance, whether the request had been for its own report on competitive factors or for that of another agency, the matter had required Board consideration and action.

Mr. Shay and other staff members had recommended in 1964 that the Board adopt the following proposal:

(1) Upon receipt of a report to the Board on competitive factors from the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the Department of Justice with respect to a merger application, copies would be forwarded by the Board promptly to the applicant and would be supplied to anyone on request; and

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(2) Following the mailing of a report by the Board on competitive factors in connection with a merger application pending before either of the other two banking agencies, the Board would supply copies of such report to anyone on request.

In April 1964, this proposal had been submitted for comment to the Department of Justice, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency. Only the Department of Justice had responded, endorsing the procedure; nevertheless, Mr. Shay now suggested that the Board would be warranted in adopting the foregoing procedure in view of the history of non-objection by the other agencies in past cases. An implementing amendment to the Board's internal procedures was submitted (attached Item No. 9).

After discussion, unanimous approval was given to the adoption of the recommended procedure and to the suggested amendment to the "Internal Board Procedures with Respect to Holding Company and Merger Applications," with the understanding that appropriate letters of notification would be sent to the other agencies involved. A copy of the letter sent to the Department of Justice is attached to these minutes as Item No. 10; similar letters were sent to the Comptroller of the Currency and the Federal Deposit Insurance Corporation. The Secretary of the Treasury and the Federal Reserve Banks were also advised, in letters dated July 20, 1965, of the foregoing change in procedure.

Messrs. McClintock and Egertson then withdrew from the meeting.

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Commingled investment funds. Following the Board's decision at its meeting on July 14 to hold over for further discussion the matter of a proposal by First National City Bank, New York, New York, to establish a "Commingled Investment Account" plan for its customers, there had been distributed a memorandum from the Legal Division, dated July 15, 1965, supplementing that Division's memorandum of July 1, 1965, concerning the proposal, together with an attachment containing a suggested addition to the draft letter to the Federal Reserve Bank of New York accompanying the July 1 memorandum.

After a brief discussion concerning the public interest aspects of the proposal, Governor Robertson commented that the fundamental issue to be resolved was whether operation of the Commingled Investment Account plan would involve violation of the prohibition in section 21 of the Banking Act of 1933 against a securities firm or organization engaging in the business of receiving deposits. In his view, such would be the case; however, since the statute in question provided criminal sanctions for violations, he believed a definitive answer should be left to the Department of Justice.

Further discussion developed the consensus that since the Board had determined that participating units in the Account would be "securities" for purposes of section 32 of the Banking Act of 1933, there was no way in which the question raised by section 21 of that Act could be avoided.

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Governor Daane commented that it seemed only fair to advise First National City Bank that this question existed, and that, since a criminal statute was involved, the Board was referring the matter to the Department of Justice for an interpretation based upon the facts of the subject proposal.

Miss Hart observed that since the Board had no statutory authority to request such interpretations, if the Department of Justice chose not to act the matter would remain undecided, and banks interested in establishing similar investment accounts would be faced with uncertainty as to the legality of such an operation. Hence, the Legal Division had recommended in its July 1 memorandum that the Board expressly hold that section 21 of the Banking Act of 1933 would be inapplicable to First National City Bank's proposal, for the reasons set forth in that memorandum.

Governor Robertson stated that even though the Board might not have authority to request statutory interpretations from the Department of Justice as a matter of right, he would nevertheless submit the issue and ask for the Attorney General's opinion.

Mr. Shay commented that the Legal Division was of the opinion that operation of the commingled investment fund would not violate the statute in question. The Comptroller of the Currency, who had approved the plan in the first instance, apparently also held this view; and, in light of this fact, he wondered whether it would be desirable for the Board to initiate referral of the matter to the Department of Justice.

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Following further discussion of possible alternative approaches, the consensus was that, subject to further reflection on the matter, perhaps the wisest recourse would be to refer the facts to the Department of Justice for a determination by that body whether or not section 21 of the Banking Act of 1933 would be violated by the proposed activity. Accordingly, the staff was requested to prepare appropriate drafts of letters, reflecting this view, that could be sent to the Department of Justice and counsel for First National City Bank for consideration at a subsequent meeting of the Board.

Section 301 determinations (Items 11-13). Pursuant to the discussion at the meeting on April 16, 1965, there had been distributed a collection of materials relating to the Board's policy of making favorable determinations, in the absence of extraordinary circumstances, with respect to applications for exemption from all "holding company affiliate" requirements (except for purposes of section 23A of the Federal Reserve Act) pursuant to section 301 of the Banking Act of 1935, where ownership or control of only one bank was involved. At the April 16 meeting, the Board had indicated that at an opportune time when all members could be present it would review the entire question of the handling of such applications. In the meantime, a number of applications had accumulated, some of which appeared to present no questions that warranted delaying action for a review of the Board's general policy for their handling, and they had been

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placed on this agenda with the thought that the Board could indicate those on which it might wish to proceed without awaiting a general policy review. The six applications so listed, together with the date of the pertinent memoranda from the Division of Examinations, were as follows:

<u>Applicant</u>	<u>Date of Memorandum</u>
Celina Financial Corporation, Celina, Ohio	June 7, 1965
Ruan Transport Corporation of Kansas, Des Moines, Iowa	June 2, 1965
First Interoceanic Corporation, Minneapolis, Minnesota	July 12, 1965
First Bancorporation, Las Vegas, Nevada	April 29, 1965
First Estes Plaza Company, Lincoln, Nebraska	June 3, 1965
Dinsdale Bros., Inc., Palmer, Nebraska	April 12, 1965

Governor Robertson suggested that those applications that did not present extraordinary circumstances germane to the contemplated policy review be approved as falling within the Board's general "one-bank" policy, and during a discussion it was agreed that this applied to the applications from Celina Financial Corporation, Ruan Transport Corporation of Kansas, and First Interoceanic Corporation. However, in the cases of First Bancorporation, Las Vegas, First Estes Plaza Company, and Dinsdale Bros., Inc., it appeared that the circumstances warranted deferring action until the Board could review the general policy that had been followed in the past.

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Thereupon, unanimous approval was given to the applications of Celina Financial Corporation, Ruan Transport Corporation of Kansas, and First Interoceanic Corporation. Copies of the letters sent to the applicants are attached to these minutes as Items 11, 12, and 13, respectively.

The meeting then adjourned.

Secretary's Notes: Acting in the absence of Governor Shepardson, Governor Robertson approved on behalf of the Board on July 15, 1965, memoranda recommending the following actions relating to the Board's staff:

Salary increases

Virginia M. Spivey, Assistant Supervisor, Stenographic Section, Office of the Secretary, from \$5,330 to \$5,690 per annum, effective July 18, 1965.

Kendall R. Free, Digital Computer Programmer (Trainee), Division of Examinations, from \$5,165 to \$5,505 per annum, with a change in title to Digital Computer Programmer, effective July 18, 1965.

Governor Shepardson today approved on behalf of the Board memoranda recommending the following actions relating to the Board's staff:

Salary increases

Edward C. Ettin, Economist, Division of Research and Statistics, from \$12,915 to \$14,170 per annum, effective July 18, 1965.

George J. Konomos, Economist, Division of Research and Statistics, from \$6,630 to \$7,220 per annum, effective July 18, 1965.

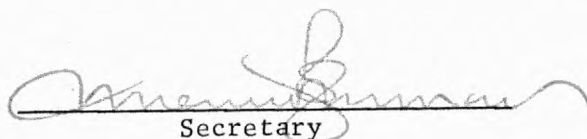
Paul F. McGouldrick, Economist, Division of Research and Statistics, from \$11,315 to \$12,075 per annum, effective July 18, 1965.

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Transfer

Grace Anne Horan, from the position of Stenographer in the Division of Personnel Administration to the position of Stenographer in the Division of Examinations, with no change in basic annual salary at the rate of \$4,005, effective July 18, 1965.


Secretary



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

2364
Item No. 1
7/16/65

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 16, 1965

Board of Directors,
The Citizens Banking Company,
Sandusky, Ohio.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by The Citizens Banking Company, Sandusky, Ohio, of a branch at 221-225 Wayne Street in Sandusky, 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

2365
Item No. 2
7/16/65

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 16, 1965

Board of Directors,
Citizens Commercial &
Savings Bank,
Flint, Michigan.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch by Citizens Commercial & Savings Bank, Flint, Michigan, on the east side of North Saginaw Road, approximately 400 feet south of the intersection of that road and Grange Hall Road in Holly Township, Oakland County, Michigan, and a branch at 2141 West Bristol Road, Flint Township, Genesee County, Michigan, provided the branches are established within one year from the date of this letter.

The Board notes that your bank's capital position is somewhat less than satisfactory, and urges that serious consideration be given to all means of strengthening the bank's capital structure so that continued growth of the bank will be on a sound basis.

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 branches; 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 25, D. C.

2356
Item No. 3
7/16/65

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 16, 1965.

International Banking Corporation,
399 Park Avenue,
New York, New York. 10022

Gentlemen:

In accordance with the request contained in your letter of June 25, 1965, transmitted through the Federal Reserve Bank of New York, and on the basis of the information furnished, the Board of Governors grants consent for International Banking Corporation ("IBC") to purchase and hold approximately 51 per cent of the outstanding capital stock of Banco de Honduras, S.A., Tegucigalpa, Honduras ("Banco"), in an amount not to exceed approximately US\$1,500,000, provided such stock is acquired within one year from the date of this letter.

The Board's consent to the proposed purchase and holding of shares of Banco by IBC is granted subject to the following conditions:

- (1) That IBC shall not hold any shares of stock in Banco if Banco at any time fails to restrict its activities to those permissible to a corporation in which a corporation organized under Section 25(a) of the Federal Reserve Act could, with the consent of the Board of Governors, purchase and hold stock, or if Banco establishes any branch or agency or takes any action or undertakes any operation in Honduras or elsewhere, in any manner, which at the time would not be permissible if Banco were a corporation organized under said Section 25(a);
- (2) That, when required by the Board of Governors, IBC will cause Banco to permit examiners selected or auditors approved by the Board of Governors to examine Banco and to furnish the Board of Governors with such reports as it may require from time to time;
- (3) That IBC shall not carry on its books the shares of Banco at a net amount in excess of the proportionate share of the book capital accounts of Banco, after giving effect to the elimination of all known losses; and

- (4) That any share acquisitions or dispositions by Banco be reported under Section 211.8(d) of Regulation K in the same manner as if Banco were a corporation organized under Section 25(a) of the Federal Reserve Act.

Subject to continuing observation and review, the Board suspends, until further notice, the provisions of subparagraph (1) of the second paragraph of this letter so far as they relate to restrictions on loans granted by Banco in Honduras in the currency of that country.

The foregoing consent has been given with the understanding that the foreign loans and investments of International Banking Corporation, combined with those of First National City Bank and First National City Overseas Investment 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.

Upon completion of the proposed acquisition, it is requested that the Board of Governors be furnished, through the Federal Reserve Bank of New York, with details of the transaction and a translation of any amendments to the Articles of Association and By-Laws, together with a list of officers and directors.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.



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

2368
Item No. 4
7/16/65

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 16, 1965.

Morgan Guaranty International
Finance Corporation,
23 Wall Street,
New York 15, New York.

Gentlemen:

In accordance with the request in your letter of July 1, 1965, transmitted through the Federal Reserve Bank of New York, and on the basis of the information furnished, the Board of Governors grants consent for your Corporation to purchase and hold common stock of Banco Brasileiro de Desenvolvimento S.A. "FINASA," Sao Paulo, Brazil, at a cost of approximately US\$500,000, provided such stock is acquired within one year from the date of this letter.

The foregoing consent is given with the understanding that the foreign loans and investments of your Corporation, combined with those of Morgan Guaranty Trust Company of New York and Morgan Guaranty 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.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.



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

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Item No. 5
7/16/65

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 16, 1965

Board of Directors,
Bank of Clarke County,
Berryville, Virginia.

Gentlemen:

The Board of Governors of the Federal Reserve System has received the request of your bank for approval of an expenditure for bank premises which will result in a total investment in such assets of approximately \$190,000, or \$40,000 in excess of capital stock. The Board offers no objection to the expenditure of \$128,644.64 for remodeling and expansion of your present banking quarters.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 6
7/16/65



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 16, 1965

Mr. Everett B. Post, Manager,
Accounting Department,
Federal Reserve Bank of New York,
New York, New York. 10045

Dear Mr. Post:

This refers to your letter of July 1, 1965, regarding the penalty of \$96.89 incurred by The National Exchange Bank, Boonville, New York, on a deficiency of 18.4 per cent of its average daily reserve requirement for the biweekly computation period ended June 9, 1965.

It is noted that the deficiency resulted from an unusual and unexpected shift in deposits during the period and that the bank has had no other deficiency over the past 15 years.

In the circumstances, the Board authorizes your Bank to waive the assessment of the penalty of \$96.89 for the period ended June 9, 1965.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20531

Item No. 7
7/16/65



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 16, 1965

Mr. F. B. Whitman,
Federal Reserve Agent,
Federal Reserve Bank of San Francisco,
San Francisco, California. 94120.

Dear Mr. Whitman:

As requested in your letter of July 6, 1965, the Board of Governors approves the appointment of Mr. James M. Davis as a Federal Reserve Agent's Representative at the Los Angeles Branch to succeed Mr. Reid E. Newton.

This approval is given with the understanding that Mr. Davis will be solely responsible to the Federal Reserve Agent and the Board of Governors for the proper performance of his duties, except that, during the absence or disability of the Federal Reserve Agent or a vacancy in that office, his responsibility will be to the Assistant Federal Reserve Agent and the Board of Governors.

When not engaged in the performance of his duties as Federal Reserve Agent's Representative, Mr. Davis may, with the approval of the Federal Reserve Agent and the Vice President in charge of the Los Angeles Branch, perform such work for the Branch as will not be inconsistent with his duties as Federal Reserve Agent's Representative.

It will be appreciated if Mr. Davis is fully informed of the importance of his responsibilities as a member of the staff of the Federal Reserve Agent and the need for maintenance of independence from the operations of the Bank in the discharge of these responsibilities.

It is noted from your letter that with the approval of this appointment by the Board of Governors, Mr. Davis will execute the usual Oath of Office which will be forwarded to the Board of Governors.

Very truly yours,
(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 8
7/16/65



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 16, 1965

Mr. Henry O. Koppang,
First Vice President,
Federal Reserve Bank of Kansas City,
Kansas City, Missouri. 64106

Dear Mr. Koppang:

In view of the circumstances outlined in your letter of June 30, 1965, the Board of Governors will interpose no objection to the retention of Mr. Harold E. Donovan, Senior Trust Examiner, in active service through November 30, 1966, one year beyond his normal retirement date.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

2373

AMENDMENT TO "INTERNAL BOARD PROCEDURES WITH RESPECT
TO HOLDING COMPANY AND MERGER APPLICATIONS"
CONCERNING REPORTS ON COMPETITIVE FACTORS

Item No. 9
7/16/65

Effective July 16, 1965, the "Internal Board Procedures with respect to Holding Company and Merger Applications" is amended by adding at the end thereof the following new paragraph 7:

7. Reports on competitive factors. - (a) Notwithstanding the provisions of paragraph 6 hereof, copies of reports on competitive factors to the Board from the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the Department of Justice will be forwarded promptly by the Board upon receipt thereof to the applicant with respect to whose application the reports relate and to the Federal Reserve Bank of the district; and copies of any such reports will be supplied by the Board also to anyone upon request.

(b) Copies of reports on competitive factors by the Board to the Comptroller of the Currency and the Federal Deposit Insurance Corporation will be supplied by the Board to anyone upon request following the submittal of the report by the Board to the agency that requested the report.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

2374
Item No. 10
7/16/65

OFFICE OF THE CHAIRMAN

July 20, 1965

Mr. Donald F. Turner,
Assistant Attorney General,
Antitrust Division,
Department of Justice,
Washington, D. C. 20530

Dear Mr. Turner:

By letter of April 1, 1964, to Mr. Orrick, comments were invited with respect to a proposal of the Board for relaxation of its practices with respect to the release of reports on competitive factors involved in connection with applications under the Bank Merger Act of 1960. Mr. Orrick endorsed the proposal by reply of April 7, 1964.

Following further consideration of the matter, the Board has adopted the procedure set forth below pursuant to section 261.2(d) of its Rules Regarding Information, Submittals, and Requests (12 CFR 261.2(d)):

Reports to the Board. - Copies of reports on competitive factors to the Board from the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the Department of Justice will be forwarded promptly by the Board upon receipt thereof to the applicant with respect to whose application the reports relate and to the Federal Reserve Bank of the district. In addition, copies of any such reports will be supplied by the Board to anyone upon request following the Board's receipt of the reports.

Reports by the Board. - Copies of reports on competitive factors by the Board to the Comptroller of the Currency and the Federal Deposit Insurance Corporation will be supplied by the Board to anyone upon request following the submittal of the report by the Board to the agency that requested the report.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

2375
Item No. 11

7/16/65

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 16, 1965

Mr. Don W. Montgomery, President,
Celina Financial Corporation,
Insurance Square,
Celina, Ohio.

Dear Mr. Montgomery:

This refers to the request contained in your letter of April 9, 1965, submitted through the Federal Reserve Bank of Cleveland, for a determination by the Board of Governors of the Federal Reserve System as to the status of Celina Financial Corporation as a holding company affiliate.

From the information presented, the Board understands that Celina Financial Corporation was organized primarily for the purpose of holding all of the shares of Celina National Life Insurance Company; that it is a holding company affiliate by reason of the fact that it owns 12,339 shares of stock of The Home Banking Company, Saint Marys, Ohio, which is over 50 per cent of the number of shares voted for the election of the directors of such bank at the most recent annual meeting of shareholders on January 20, 1965; and that it does not, directly or indirectly, own or control any stock of, or manage or control, any other banking institution.

In view of these facts, the Board has determined that Celina Financial Corporation is not engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies within the meaning of section 2(a) of the Banking Act of 1933 (12 U.S.C. 221a); and, accordingly, it is not deemed to be a holding company affiliate except for the purposes of Section 23A of the Federal Reserve Act and does not need a voting permit from the Board of Governors in order to vote the bank stock which it owns.

Mr. Don W. Montgomery

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If, however, the facts should at any time indicate that Celina Financial Corporation might be deemed to be so engaged, this matter should again be submitted to the Board. The Board reserves the right to rescind this determination and make further determination of this matter at any time on the basis of the then existing facts, including additional acquisitions of bank stocks even though not constituting control.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.



2377

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

Item No. 12
7/16/65

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 16, 1965.

Mr. John Ruan, President,
Ruan Transport Corporation of Kansas,
3rd and Keo Way,
Des Moines, Iowa.

Dear Mr. Ruan:

This refers to the request contained in your letter of May 12, 1965, submitted through the Federal Reserve Bank of Chicago, for a determination by the Board of Governors of the Federal Reserve System as to the status of Ruan Transport Corporation of Kansas as a holding company affiliate.

From the information presented, the Board understands that Ruan Transport Corporation of Kansas is engaged in the transporting of petroleum products in bulk form; that it is a holding company affiliate by reason of the fact that it owns 27,484 shares of stock of Bankers Trust Company, Des Moines, Iowa, which is more than 50 per cent of the number of shares voted for the election of directors at the preceding election held on January 12, 1965; and that it does not, directly or indirectly, own or control any stock of, or manage or control, any other banking institution.

In view of these facts, the Board has determined that Ruan Transport Corporation of Kansas is not engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies within the meaning of section 2(a) of the Banking Act of 1933 (12 U.S.C. 221a); and, accordingly, it is not deemed to be a holding company affiliate except for the purposes of Section 23A of the Federal Reserve Act and does not need a voting permit from the Board of Governors in order to vote the bank stock which it owns.

Mr. John Ruan

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If, however, the facts should at any time indicate that Ruan Transport Corporation of Kansas might be deemed to be so engaged, this matter should again be submitted to the Board. The Board reserves the right to rescind this determination and make further determination of this matter at any time on the basis of the then existing facts, including additional acquisitions of bank stocks even though not constituting control.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 13

7/16/65

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 16, 1965



Mr. Thomas W. Moses, President,
First InterOceanic Corporation,
The Sheraton-Ritz Hotel,
Minneapolis, Minnesota. 55401

Dear Mr. Moses:

This refers to the request contained in your letter of May 21, 1965, submitted through the Federal Reserve Bank of Minneapolis, for a determination by the Board of Governors of the Federal Reserve System as to the status of First InterOceanic Corporation as a holding company affiliate.

From the information presented, the Board understands that First InterOceanic Corporation is engaged in the business of investment of its funds in marketable securities and venture capital opportunities; that the nature of its business includes the management of its subsidiaries (other than National City Bank of Minneapolis); that it is a holding company affiliate by reason of the fact that it owns 121,600 shares of the 150,000 shares of capital stock outstanding of the National City Bank of Minneapolis, Minneapolis, Minnesota; and that it does not, directly or indirectly, own or control any stock of, or manage or control, any other banking institution.

In view of these facts, the Board has determined that First InterOceanic Corporation is not engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies within the meaning of section 2(a) of the Banking Act of 1933 (12 U.S.C. 221a); and, accordingly, it is not deemed to be a holding company affiliate except for the purposes of Section 23A of the Federal Reserve Act and does not need a voting permit from the Board of Governors in order to vote the bank stock which it owns.

Mr. Thomas W. Moses

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If, however, the facts should at any time indicate that First Interoceanic Corporation might be deemed to be so engaged, this matter should again be submitted to the Board. The Board reserves the right to rescind this determination and make further determination of this matter at any time on the basis of the then existing facts, including additional acquisitions of bank stocks even though not constituting control.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.