

Minutes for July 23, 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.

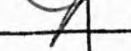
It is not proposed to include a statement with respect to any of the entries in this set of minutes in the record of policy actions required to be maintained pursuant to section 10 of the Federal Reserve Act.

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

CCB

Gov. Shepardson



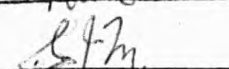
Gov. Mitchell



Gov. Daane



Gov. Maisel



Minutes of the Board of Governors of the Federal Reserve System
on Friday, July 23, 1965. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary
Miss Carmichael, Assistant Secretary
Mr. Young, Adviser to the Board and Director,
Division of International Finance
Mr. Noyes, Adviser to the Board
Mr. Molony, Assistant to the Board
Mr. Cardon, Legislative Counsel
Mr. Fauver, Assistant to the Board
Mr. Morgan, Staff Assistant, Board Members'
Offices
Mr. Furth, Consultant
Messrs. Koch, Partee, Solomon, Axilrod, Eckert,
and Ettin, and Mrs. Peskin of the Division
of Research and Statistics
Messrs. Hersey, Baker, Gekker, and Gemmill of
the Division of International Finance

Money market review. There had been distributed tables providing
perspective on the money market and on bank reserve utilization.

Mr. Axilrod reported on recent developments in the Government
securities market, after which Mr. Baker reviewed foreign exchange market
developments and Mr. Koch commented on bank reserves, bank deposits, and
the money supply.

Following discussion, Mr. Furth and all members of the staff
except Messrs. Sherman, Young, Noyes, Molony, and Fauver, and Miss
Carmichael withdrew from the meeting and the following entered the room:

Mr. Hackley, General Counsel
Mr. Solomon, Director, Division of Examinations
Mr. Hexter, Assistant General Counsel

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Mr. O'Connell, Assistant General Counsel
Mr. Thompson, Assistant Director, Division of Examinations
Mr. Egertson, Supervisory Review Examiner, Division of Examinations

Discount rates. The establishment without change by the Federal Reserve Banks of Philadelphia, Cleveland, Richmond, St. Louis, Kansas City, and Dallas on July 22, 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 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 First Trust and Deposit Company, Syracuse, New York, approving the establishment of a branch in the Clarence E. Hancock Airport, Town of Dewitt.	1
Letter to the Federal Deposit Insurance Corporation regarding the application of Corn Belt Bank, Bloomington, Illinois, for continuation of deposit insurance after withdrawal from membership in the Federal Reserve System.	2
Letter to the Federal Deposit Insurance Corporation regarding the application of Industrial State Bank of Kalamazoo, Kalamazoo, Michigan, for continuation of deposit insurance after withdrawal from membership in the Federal Reserve System.	3

Mr. Egertson then withdrew from the meeting.

Application of Mid-Continent Bancorporation. There had been distributed a memorandum from the Legal Division dated July 21, 1965, with reference to the question of a public hearing on the application

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of Mid-Continent Bancorporation, Leadville, Colorado, (a proposed Colorado corporation) to become a bank holding company through acquisition of shares of two banks.

The original application in this matter had been filed by Mid-Continent Financial Corporation, Leadville, Colorado, which at the time of the application owned 91.6 per cent of the voting shares of Commercial Bank of Leadville, Leadville, Colorado. The Corporation proposed to acquire by purchase Plains States Financial Corporation, which owned 92.5 per cent of the voting shares of First National Bank in Walsenburg, Walsenburg, Colorado, and the Corporation therefore would become a bank holding company. Subsequently, the Corporation submitted two supplements to the original application, as a result of which the proposal presented to the Board called for the establishment of Mid-Continent Bancorporation, which would acquire 91.6 and 92.5 per cent, respectively, of the voting shares of the two banks. The original application was sent to the Comptroller of the Currency with a request for his views and recommendation, and notice of receipt of the application was sent to the Colorado State Bank Commissioner without request for his views or recommendation. Following receipt of the revised application it was necessary to request the views and recommendation of the State Bank Commissioner since, under the new proposal, Bancorporation proposed to acquire both a State-chartered bank and a national bank.

The Comptroller of the Currency recommended approval of both the original and revised applications. By letter of June 22, 1965, the State

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Bank Commissioner advised the Board of Governors that the Colorado State Banking Board had taken the position that the formation of the proposed holding company would violate the branch banking provisions of Colorado State law. A hearing on the application was requested.

Since the Bank Commissioner's letter constituted disapproval of the application in writing within 30 days of receipt of the application, pursuant to section 3(b) of the Bank Holding Company Act the Board of Governors would be required to give written notice to the applicant and thereafter to notify the applicant and the Bank Commissioner of the date for commencement of a hearing on the application. Informal advice was given to representatives of Bancorporation, and informal arrangements for a hearing were initiated by the Board's staff.

By letter of July 16, 1965, the Colorado State Bank Commissioner advised that the Banking Board had reconsidered Bancorporation's application and wished to withdraw the earlier request for a public hearing. The letter indicated that the Banking Board would interpose no objection to any action taken by the Board of Governors in regard to the application.

This raised the question whether the most recent advice constituted an adequate basis for the Board of Governors to refrain from instituting the hearing. No expression of opposition had been filed with the Board by other persons, and there were no other requests for a hearing.

The Legal Division concluded that no useful supervisory or public purpose would be served by conducting a hearing on the application and

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that the Board would be warranted in authorizing the staff to proceed with its analysis of the application. The Division also proposed that the preliminary arrangements initiated through the Civil Service Commission and the National Labor Relations Board for the services of a hearing examiner be made final but that such services be utilized instead in a hearing that now appeared imminent with respect to a different application.

After Mr. O'Connell had summarized the information presented in the July 21 memorandum, the Board agreed that no public hearing should be ordered at this time on the application of Mid-Continent Bancorporation. It was understood that the hearing examiner whose services had been arranged for would be used instead for a hearing on another bank holding company application.

Mr. Noyes then withdrew from the meeting.

Whitney Holding Corporation (Item No. 4). There had been distributed a memorandum from the Legal Division dated July 20, 1965, with reference to an order of the United States Court of Appeals for the Fifth Circuit remanding to the Board, in the light of the United States Supreme Court's opinion in Whitney National Bank v. Bank of New Orleans, reconsideration of the application of Whitney Holding Corporation, New Orleans, Louisiana, to become a bank holding company by acquiring substantially all of the voting stock of (1) Crescent City National Bank, New Orleans, Louisiana (a proposed new bank), into which would be consolidated the

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existing Whitney National Bank of New Orleans, under the latter title, and (2) Whitney National Bank in Jefferson Parish, Jefferson Parish, Louisiana (a proposed new bank).

By order dated May 3, 1962, the Board had approved the application of Whitney Holding Corporation, and an appeal from the Board's action had been taken to the Court of Appeals by two opposing banks-- The Bank of New Orleans and Trust Company, New Orleans, Louisiana, and Guaranty Bank and Trust Company, Lafayette, Louisiana. The opposing banks had also petitioned the United States District Court for the District of Columbia to enjoin the Comptroller of the Currency from authorizing the new Jefferson Parish bank to begin business, and the District Court so enjoined the Comptroller. The appeal from the Board's order had been held in abeyance by the Court of Appeals while the outcome of the injunction suit against the Comptroller was contested.

In January 1965 the Supreme Court dismissed the injunction suit against the Comptroller, indicating in its opinion that the Board of Governors was the forum that initially should decide certain important questions at issue and that the Court of Appeals in New Orleans, upon petition by the opposing banks, should remand the holding company proceeding to the Board for that purpose. The Supreme Court apparently intended that the matter be remanded with instructions as to the issues that the Board should decide. However, the March 1, 1965, order of the Court of Appeals simply remanded the matter to the Board "for reconsideration in the light of the opinion of the Supreme Court." Accordingly,

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it was up to the Board to determine for itself what issues were to be decided on the basis of the Supreme Court's opinion and in light of other relevant circumstances.

One of the circumstances was related to the enactment on July 10, 1962, of a Louisiana law providing among other things that:

"It shall be unlawful . . . for any bank holding company or subsidiary thereof to open for business any bank not now opened for business. . . ."

At that time the Jefferson Parish bank had not opened for business since it had not received the necessary authorization from the Comptroller of the Currency.

On May 4, 1965, the Whitney interests began in a Louisiana State court a suit for declaratory judgment against the Louisiana State Bank Commissioner, seeking a decree that the July 1962 statute (1) could not be applied to the opening of Whitney National Bank in Jefferson Parish; (2) that it was unconstitutional under the Louisiana Constitution; and (3) that it was unconstitutional under the Constitution of the United States.

After studying the majority and dissenting opinions of the Supreme Court in dismissing the injunction suit against the Comptroller of the Currency and the views of counsel for the opposing banks and for Whitney, the Legal Division concluded that it was the intent of the Supreme Court that the Board should now consider:

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(1) whether, upon consummation of the Whitney plan, Whitney National Bank in Jefferson Parish would be a branch of Whitney National Bank of New Orleans, in violation of the branch banking provisions of the National Bank Act;

(2) whether the Louisiana Act of 1962 (a) was valid, from the viewpoint of the Federal Constitution and statutes, and (b) forbade consummation of Whitney's plan.

In addition, there was some question as to whether the Board should postpone making its decision upon reconsideration until termination of the pending State court litigation regarding the applicability and constitutionality of the Louisiana Act of July 1962. Since the suit had been brought after the Supreme Court dismissed the injunction suit against the Comptroller, the opinion of the Supreme Court provided no specific guidance, but in many situations Federal tribunals had suspended action on pending matters until the meaning and validity of pertinent State laws were passed upon by State courts. In the circumstances, the Legal Division concluded that it would be desirable to afford interested parties an opportunity to submit briefs on the following question:

(3) should the Board postpone making its decision upon reconsideration until termination of the pending State court litigation as to the applicability and constitutionality of said Louisiana Act (a) in the event question (1) above is answered in the negative? (b) in any event?

Neither the Supreme Court nor counsel for the parties involved had suggested reexamining the substantive merits of the application, and it was the view of the Legal Division that such reexamination was not called for.

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Attached to the Legal Division's memorandum was a draft of an order that would afford an opportunity for interested parties to submit briefs on certain questions as a means of assisting the Board in its reconsideration of the Whitney application. The draft provided for the submission of an initial brief by the applicant not later than 30 days from the date of the order, for the submission of answering briefs by the opposing banks and the Louisiana State Bank Commissioner not later than 30 days after receipt of the applicant's brief, and for submission of a further brief by the applicant not later than 15 days after its receipt of the answering briefs.

After staff comments based on the information contained in the memorandum, Governor Mitchell commented that it was important for the Board's views to be known and that he saw no reason for delay through asking for advice from interested parties in the form of briefs. He believed the Board should state that it did not consider that Whitney National Bank in Jefferson Parish would be a branch of Whitney National Bank in New Orleans in violation of the branch banking provisions of Federal law. The Board had reached this decision in its original action approving the holding company application and various reasons for such a conclusion could be advanced at this time.

Governor Mitchell also commented that in the course of establishing an institution such as Whitney National Bank in Jefferson Parish, a period of time necessarily must elapse between the date of approval and

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the date of opening for business. If a proposal to establish an institution was approved in good faith and before the institution was established a State law was passed to attempt to prohibit its opening, in his judgment the State law would not be applicable. He believed that the questions presented by the Supreme Court decision could be answered promptly without outside assistance.

Mr. Hexter remarked that the Supreme Court opinion had indicated that the Board should decide certain questions that the Court considered significant. Reference had been made in the opinion to Board "expertise" in the holding company area. Also, the opinion pointed out that the Board had not had an opportunity to determine the applicability and effect of the 1962 Louisiana statute. He believed that the advantages of affording an opportunity for interested parties to submit briefs outweighed the disadvantages.

Chairman Martin said that he was sympathetic with Governor Mitchell's view about the delay involved in affording an opportunity for briefs to be submitted. In this instance, though, he felt that the procedure recommended by the Legal Division was appropriate.

Governor Mitchell, however, reiterated his concern about the delay and his preference for a less cumbersome procedure.

Mr. Hackley indicated that the questions whether the Jefferson Parish bank would be a branch of Whitney National Bank in New Orleans and whether the terms of the Louisiana Act of 1962 prohibited consummation of the applicant's plan might not present severe problems.

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However, the question of the applicability of State law to a national bank was a difficult one that had never been satisfactorily settled. For this reason be believed that briefs of counsel for the interested parties should be obtained. If the Board did not follow this procedure, it might be charged that the parties involved had been denied due process of law.

Governor Robertson stated that he believed the interested parties should be permitted to file briefs, which would avoid any such charges.

Governor Maisel inquired regarding the reason for permitting interested parties to file briefs on the question whether the Board should postpone its decision until termination of the suit pending in State court with respect to the 1962 law prohibiting a holding company from opening a bank office in the State.

Mr. Hackley responded that the matter of determining whether the Board's decision should be postponed was rather difficult. Some parties contended that the Board should not act until the State court had reached a decision; others argued that in light of the Supreme Court opinion the Board should decide the legal questions without awaiting action by the State court. Since the point was debatable, the Legal Division had concluded that it would be helpful to have briefs submitted on this subject.

Governor Mitchell then suggested that if an order was to be issued by the Board offering interested parties an opportunity to submit briefs,

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the periods for filing initial and answering briefs should be 20 days rather than 30 days. There was general agreement with this suggestion.

Thereupon, Governor Mitchell's reservations having been noted, the Board approved the issuance of an order affording the applicant, the opposing banks, and the State Bank Commissioner of Louisiana the opportunity to submit briefs relating to the questions enumerated in the order, within the time limits specified. A copy of the order in the form issued is attached as Item No. 4.

It was understood that letters transmitting the order to counsel for the interested parties would state that after the briefs submitted pursuant to the Board's order had been studied, the Board would decide whether oral argument was called for and, if so, that it would prescribe the date and scope of the argument.

The meeting then adjourned.

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

Memorandum dated July 20, 1965, from the Division of Data Processing recommending that a letter (attached Item No. 5) be sent to Electronics Associates, Inc., West Long Branch, New Jersey, indicating the intent of the Board to purchase a Dataplotter System Series 3500 at a total cost of \$62,205. It was understood that further documentation on this matter would be made available to the Board for consideration within the near future.

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

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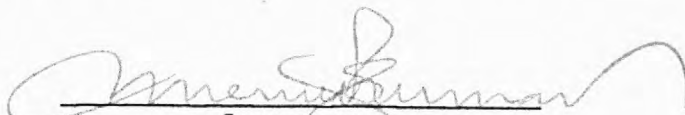
Appointment

Edward A. Hackett as Laborer, Division of Administrative Services, with basic annual salary at the rate of \$3,385, effective the date of entrance upon duty.

Salary increases

Robert P. Forrestal, Attorney, Legal Division, from \$8,945 to \$10,250 per annum, with a change in title to Senior Attorney, effective August 15, 1965.

Robert F. Sanders, Senior Attorney, Legal Division, from \$8,650 to \$10,250 per annum, effective August 15, 1965.


Secretary

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

Item No. 1
7/23/65

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



July 23, 1965.

Board of Directors,
First Trust and Deposit Company,
Syracuse, New York.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by First Trust and Deposit Company, Syracuse, New York, of a branch in the Administration Building of the Clarence E. Hancock Airport, Town of Dewitt (unincorporated area), Onondaga County, New York, 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.)

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 2
7/23/65

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 23, 1965.

Honorable K. A. Randall, Chairman,
Federal Deposit Insurance Corporation,
Washington, D. C. 20429

Dear Mr. Randall:

Reference is made to your letter of July 7, 1965, concerning the application of Corn Belt Bank, Bloomington, Illinois, for continuance of deposit insurance after withdrawal from membership in the Federal Reserve System.

There have been no corrective programs urged upon the bank, or agreed to by it, which have not been fully consummated, and there are no such programs that the Board would advise be incorporated as conditions of admitting the bank to membership in the Corporation as a nonmember of the Federal Reserve System.

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 3
7/23/65

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



July 23, 1965.

Honorable K. A. Randall, Chairman,
Federal Deposit Insurance Corporation,
Washington, D. C. 20429

Dear Mr. Randall:

Reference is made to your letter of July 7, 1965, concerning the application of Industrial State Bank of Kalamazoo, Kalamazoo, Michigan, for continuance of deposit insurance after withdrawal from membership in the Federal Reserve System.

There have been no corrective programs urged upon the bank, or agreed to by it, which have not been fully consummated, and there are no such programs that the Board would advise be incorporated as conditions of admitting the bank to membership in the Corporation as a nonmember of the Federal Reserve System.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.

UNITED STATES OF AMERICA

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

WASHINGTON, D. C.

In the Matter of the Application of

WHITNEY HOLDING CORPORATION

for approval of its becoming a bank holding
company by acquiring the stock of Crescent
City National Bank, New Orleans, Louisiana,
and Whitney National Bank in Jefferson Parish,
Jefferson Parish, Louisiana

ORDER WITH RESPECT TO BRIEFS
ON RECONSIDERATION

By Order dated March 1, 1965, in Bank of New Orleans et al.
v. Board of Governors of the Federal Reserve System et al. (No. 19, 788),
the United States Court of Appeals for the Fifth Circuit remanded the
cause to the Board of Governors "for reconsideration in the light of the
opinion of the Supreme Court of the United States" in Whitney National
Bank v. Bank of New Orleans, 379 U.S. 411 (1965). The Board had approved
the Application of Whitney Holding Corporation ("Applicant") by Order
dated May 3, 1962 (27 Fed. Reg. 4437, May 9, 1962) and an appeal from
the Board's action had been taken to said Court of Appeals by Bank of
New Orleans & Trust Company and Guaranty Bank & Trust Company*; both of
New Orleans, Louisiana ("the opposing banks").

* The address of Guaranty Bank & Trust Company is Lafayette, Louisiana.

In order to assist the Board in its reconsideration of the Application pursuant to said remand and in accordance with said opinion of the Supreme Court, the persons designated in the concluding paragraph of this Order are hereby afforded an opportunity to submit briefs to the Board on the following questions:

- (1) Would consummation of Applicant's plan to become a bank holding company result in Whitney National Bank in Jefferson Parish becoming a branch of Whitney National Bank of New Orleans in violation of section 5155 of the U.S. Revised Statutes (12 U.S.C. 36)?
- (2) Do the terms of Louisiana Act No. 275 of 1962 (La. Stat. Ann. tit. 6, §§ 1001-1006) prohibit consummation of Applicant's plan?
- (3) If Act No. 275 were construed to prohibit consummation of Applicant's plan, would said Act contravene any provision of the Constitution or statutes of the United States?
- (4) Should the Board postpone making its decision upon reconsideration until termination of the pending suit in the Nineteenth Judicial District Court of Louisiana (Whitney National Bank in Jefferson Parish et al. v. James, State Bank Commissioner, No. 106682, filed May 4, 1965)

(a) in the event question (1) is answered by the Board in the negative?

(b) regardless of the Board's conclusion as to question (1)?

Applicant may submit a brief on these questions to the Board

not later than twenty days after the date of this Order. The opposing banks

and the State Bank Commissioner of Louisiana may submit answering
briefs not later than twenty days after their receipt of Applicant's
brief. Applicant may submit a further brief not later than ten days after
its receipt of said answering briefs. A copy of each brief shall be trans-
mitted promptly to counsel for the other persons designated in this paragraph,

Dated at Washington, D. C., this 23rd day of July, 1965.

By order of the Board of Governors.

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

(SEAL)

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

Item No. 5
7/23/65



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 27, 1965.

Electronic Associates, Inc.,
West Long Branch,
New Jersey.

Attention: Mr. I. H. Peake,
Data Processing Sales

Subject: Letter of intent to EAI
Dataplotter System,
Series 3500

Gentlemen:

The purpose of this letter is to advise you that the Board of Governors of the Federal Reserve System intends to purchase a Dataplotter System Series 3500 as specified in your quotation number 26121 dated April 23, 1965 and as amended by your telegram of May 7, 1965 and your letter of July 12, 1965. We understand that delivery is feasible no later than December 15, 1965 and that you require a firm contract no later than August 31, 1965.

At the present time the Board plans to acquire the Series 3500 equipment listed below:

<u>Quantity</u>	<u>Name</u>	<u>Price</u>
1 ea.	SERIES 3500 DATAPLOTTER (45 by 60-Inch Plotter), Model 99.672-0, as described in your Technical Proposal No. 26121T.	\$29,000.00
1 ea.	MAGNETIC TAPE INPUT ACCESSORY, Model 2.783, as described in your Technical Proposal No. 26121T.	17,000.00
16 ea.	Automatic Servo Set Control Chassis*	2,400.00

<u>Quantity</u>	<u>Name</u>	<u>Price</u>
1 ea.	PROVISION FOR 11 to 20 SERVO SET CONTROLS as described in your Technical Proposal No. 26121T.	\$ 350.00
1 ea.	<u>AUTOMATIC 48-CHARACTER PRINTING CAPABILITY WITHOUT A PEN TURRET</u> , as described in your Technical Proposal No. 26121T and as amended by your letter of July 12, 1965.	5,500.00
1 ea.	AUTOMATIC INCREMENTAL ADVANCE ACCESSORY, as described in your Technical Proposal No. 26121T and as amended by your telegram of May 7, 1965, for modification to automatically reset incremental advance.	1,250.00
1 ea.	SEGMENTED VACUUM SYSTEM FOR 45 BY 60 INCH PLOTTER, as described in your Technical Proposal No. 26121T.	900.00
1 lot	Engineering to provide "Pen up and down" switch on panel, allow keyboard to be deactivated, and modify printer carriage to allow the removal of the standard pen and the replacing with a single Leroy Adapter for use on 1/8-Inch Stock.	5,805.00
TOTAL SYSTEM PRICE		\$62,205.00

*Decision on Scale Factor or Parallax will be made prior to the establishment of a firm contract.

The total price of the system that the Board intends to order is \$62,205. This price represents all the items contained in your quotation number 26121 and costing \$63,705, plus the additional item contained in your telegram of May 7 and costing \$500, less the superfluous item contained in your letter of July 12 costing \$2,000, yielding a total cost of \$62,205.

Electronic Associates, Inc.

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It is understood that no obligation will be incurred by the Board as a result of this letter of intent. It is also understood that if a firm contract is made, the Board shall have the right to withhold twenty per cent of the purchase price pending final acceptance of the equipment.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.