

FR609

Minutes for August 3, 1965.

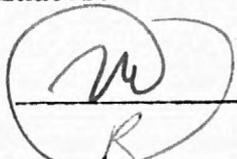
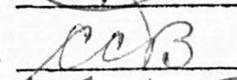
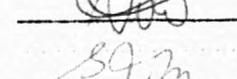
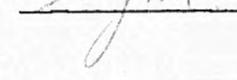
To: Members of the Board

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	<u></u>
Gov. Robertson	<u></u>
Gov. Balderston	<u></u>
Gov. Shepardson	<u></u>
Gov. Mitchell	<u></u>
Gov. Daane	<u></u>
Gov. Maisel	<u></u>

Minutes of the Board of Governors of the Federal Reserve System  
on Tuesday, August 3, 1965. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman  
Mr. Balderston, Vice Chairman  
Mr. Robertson  
Mr. Shepardson  
Mr. Mitchell  
Mr. Maisel

Mr. Sherman, Secretary  
Mr. Kenyon, Assistant Secretary  
Mr. Young, Adviser to the Board and Director,  
Division of International Finance  
Mr. Molony, Assistant to the Board  
Mr. Hexter, Assistant General Counsel  
Mr. Sammons, Adviser, Division of International  
Finance  
Mr. Goodman, Assistant Director, Division of  
Examinations  
Mr. Leavitt, Assistant Director, Division of  
Examinations  
Mr. Thompson, Assistant Director, Division of  
Examinations  
Mrs. Semia, Technical Assistant, Office of the  
Secretary  
Mr. Plotkin, Senior Attorney, Legal Division  
Mr. Forrestal, Attorney, Legal Division  
Mr. Goodfellow, Review Examiner, Division of  
Examinations  
Mr. Sidman, Accountant-Analyst, Division of  
Examinations  
Mr. Smith, Accountant-Analyst, Division of  
Examinations

Discount rates. The establishment without change by the Federal Reserve Bank of Boston on August 2, 1965, of the rates on discounts and advances in its existing schedule was approved unanimously, with the understanding that appropriate advice would be sent to that Bank.

Foreign banking matters. There had been distributed memoranda from the Division of Examinations regarding several foreign banking

8/3/65

-2-

matters. After discussion of the proposed transactions involved, the following letters, copies of which are attached to these minutes under the respective item numbers indicated, were approved unanimously:

	<u>Item No.</u>
Letter to Morgan Guaranty International Banking Corporation, New York, New York, granting permission to acquire shares of RoyWest Banking Corporation Limited, Nassau, Bahamas, in exchange for shares of Trust Corporation of Bahamas Limited, Nassau.	1
Letter to Bankers International Corporation, New York, New York, granting permission to acquire substantially all the shares of Bankers International (Luxembourg), S. A., Luxembourg, and of BIC Management, S. A., Paris, France.	2
Letter to Bank of America, New York, New York, granting permission to purchase additional shares of Sahara Bank, Tripoli, Libya.	3
Letter to counsel for The Citizens and Southern National Bank, Savannah, Georgia, granting the bank's request for permission to organize a corporation to be known as Citizens and Southern International Corporation, Atlanta, Georgia, to engage in international or foreign banking and financial operations.	4

Messrs. Sammons, Goodman, and Goodfellow then withdrew from the meeting.

Requests for exemptions under Regulation F (Items 5 and 6).

There had been distributed a memorandum dated July 30, 1965, from the Legal Division regarding two requests for exemption from the registration requirements of the Securities Exchange Act of 1934 and the Board's Regulation F, Securities of Member State Banks. The "Securities Acts,

8/3/65

-3-

Amendments of 1964" made certain requirements of the law (including public disclosure of information) applicable to stocks of banks with 750 or more shareholders of record and assets of over \$1 million; beginning April 30, 1967, the applicability guide as to number of shareholders would drop to 500. Administration of the amendments, so far as State member banks were concerned, was placed with the Board. The Board was given power to exempt State member banks from the registration requirements of the law and the Board's Regulation F "upon such terms and conditions and for such period as it deems necessary or appropriate," if the Board found, by reason of the number of public investors, amount of trading interest in the securities, nature and extent of the activities of the issuer, income or assets of the issuer, or otherwise, that such action was not inconsistent with the public interest or the protection of investors. Two applications had been received from State member banks for exemption, one from The Annapolis Banking and Trust Company, Annapolis, Maryland, and the other from Mountain Trust Bank, Roanoke, Virginia.

Annapolis Banking and Trust (total assets of approximately \$20 million) had 1,579 shareholders, of which 1,285 had received their shares in lieu of deposits when the bank reopened after the bank holiday in 1933. This fact was offered as a principal reason for the exemption request. The bank contended that the law was not intended to cover such a situation, where there was no real investor interest, and that

8/3/65

-4-

compliance with Regulation F would merely overwork the bank's staff without fulfilling the purposes of the Act. The Legal Division, believing that lack of investor interest was evidenced not only by the "involuntary" ownership of much of the stock but also by the lack of trading activity and the unlikelihood of substantial potential trading activity in the near future, concurred in the recommendation of the Federal Reserve Bank of Richmond that the exemption be granted. However, the Division considered that an unlimited exemption would be unwise because a change in circumstances might make registration appropriate. Therefore, the Division recommended that the exemption be limited to the period until June 30, 1967. That period would end soon after the time that registration statements were required to be filed by banks with 500 or more stockholders, which would allow the Board to review the case in the light of information received from smaller banks and to decide if an exemption was still desirable and appropriate.

Mountain Trust Bank (total assets of approximately \$45 million) had 1,003 stockholders owning an aggregate of 165,000 shares of its stock. About 85 per cent of its stockholders were Virginia residents, and no individual owned more than 3 per cent of the bank's stock. The bank's stock reportedly enjoyed a ready market and was hard to acquire. The bank believed it should be exempt from registering because of the largely local interest, limited amount of trading activity, and lack

8/3/65

-5-

of concentration of ownership of its stock. The Federal Reserve Bank of Richmond, in forwarding the request, had made no recommendation. The Legal Division recommended denial, pointing out that the contention that the market for the bank's stock was primarily local did not explain why local investors should not be entitled to the information that Regulation F required to be disclosed. Further, a broader market might develop if more information were available. Although the bank claimed that there was only a limited amount of trading in its stock, it was generally recognized that bank stocks were traditionally traded less than stocks of industrial corporations. Limited trading activity by itself would not appear to be a sufficient reason to avoid registration. Also, although the bank asserted that wide distribution of its stock created a situation where no one stockholder had a very great interest, no explanation was made as to why this argued against registration. In fact, small stockholders might need the protection of Regulation F to a greater degree than substantial holders. The philosophy of protection of investors that lay behind the disclosure provisions of the law would appear especially applicable to the situation of Mountain Trust Bank. The bank did not contend that it would be a hardship to prepare a registration statement, and several banks of equal size had already filed under Regulation F. Therefore, it did not seem that the public interest or the protection of investors was outweighed by any harm or hardship caused by registration.

Attached to the memorandum were drafts of orders reflecting the recommendations of the Legal Division regarding the two requests.

8/3/65

-6-

After summary comments by Mr. Plotkin, Governor Mitchell pointed out that during the formulation of Regulation F he had urged providing a short form of registration statement for smaller banks, but the idea had been rejected on the ground that hardship problems could be dealt with through the exemptive power. Yet here the Legal Division recommended a limited exemption in one case and denial in the other. It seemed to him that there was not much basis from the point of view of the public interest for requiring a full registration statement from banks of this size and in the circumstances described.

It was reported that at a recent meeting of staff representatives of the Board, the Federal Deposit Insurance Corporation, and the Securities and Exchange Commission there had been general agreement that a case such as presented by Mountain Trust Bank showed little justification for exemption. The number of shareholders was substantially above the figure prescribed by Congress, and there were no special circumstances. Non-member insured banks, for which the Federal Deposit Insurance Corporation had administrative responsibility, consisted principally of small banks; if the Corporation were to grant exemptions to banks up to \$40 million, there would be few registrant banks in the group.

Governor Mitchell then commented that while he would prefer a complete exemption for Annapolis Banking and Trust, he would not oppose a limited exemption if that was as far as the Board was willing to go. In his view, however, the coverage prescribed by statute was at odds with the purpose of the 1964 amendments. It seemed to him that this was one

8/3/65

of many instances in which the Congress intentionally delegated authority to an administrative body that presumably would have the required expertise.

Governor Balderston stated that as he saw it there was no basis for exemption of the Mountain Trust Bank. The recommended action with respect to Annapolis Banking and Trust would seem to set a precedent only as to the point that a valid claim for exemption might be found in the fact that most of a bank's shareholders had acquired their stock involuntarily. While he believed it was appropriate to grant an exemption in such circumstances, he doubted whether it was appropriate to tie the action to the time when the line of coverage would drop from 750 shareholders of record to 500. The significant point here seemed to be the fact that most of the shareholders had not acquired the stock through their own choice.

Mr. Plotkin noted that in the interval during which the exemption would be in effect there might be a change in the characteristics of ownership of the Annapolis bank's stock so that its stockholders would be true investors rather than investors by force of circumstances.

Governor Robertson expressed the view that no exemption should be granted without reserving the right to review it.

Governor Maisel said it seemed to him the significant fact was not that most of the stockholders had acquired their stock involuntarily. If after two years there were 500 stockholders, even including some with relatively small holdings, the protection of the law presumably should be brought

8/3/65

-8-

into play whether the holders of the stock had acquired it voluntarily or involuntarily. He would go along with the Legal Division's recommendation of only a temporary exemption.

Governor Shepardson observed that the involuntary character of ownership of the Annapolis bank's stock was a situation that had gone on since the early thirties, and he asked what reason there was to expect that it might change within the next two years. The staff replied by suggesting that a bank in this situation might make an effort to buy up a number of the small holdings in order to reduce the number of shareholders and thus relieve itself of the necessity to register.

After further discussion, and with Governor Mitchell's reservations having been noted, approval was given to the recommendations to grant a limited exemption to Annapolis Banking and Trust Company and deny the request of Mountain Trust Bank. Copies of the orders reflecting this action are attached as Items 5 and 6.

Messrs. Plotkin, Forrestal, Sidman, and Smith then withdrew from the meeting.

Request for section 301 determination. There had been distributed a memorandum dated July 29, 1965, from the Division of Examinations regarding the application of Citizens Capital Corporation, Chicago, Illinois, for a determination exempting it from all holding company affiliate requirements except those in section 23A of the Federal Reserve Act. The Corporation owned 10,001 of the 20,000 outstanding shares of capital stock

8/3/65

-9-

of Citizens National Bank of Chicago, but did not own or control stock of any other bank.

During discussion there was general agreement that the application fell within the Board's general policy of making favorable determinations as a normal matter in "one-bank" cases. However, questions were raised whether certain circumstances of the application did not indicate an intent on the part of the applicant to engage as a business in managing the bank. There appeared to be no particular urgency with respect to the application. Accordingly, since material had been distributed looking toward a reappraisal of the Board's policy in regard to "one-bank" cases, and since a number of applications were being held awaiting that review, it was agreed that action on the application of Citizens Capital Corporation likewise would be deferred.

Request for the services of Mrs. Junz. Governor Shepardson stated that a letter had been received from the Office of the Special Representative for Trade Negotiations, Executive Office of the President, requesting a loan of the services of Helen B. Junz, Economist in the Division of International Finance, for a period of approximately six months beginning early this fall. Reimbursement of Mrs. Junz's salary and related expenses would be on a quarterly basis, and the expense of any travel in connection with her work in the Office of the Special Representative would be borne by that Office.

Governor Shepardson recommended that the request be granted, with the details of the assignment to be worked out by the Divisions

8/3/65

-10-

of International Finance and Personnel Administration with the Office of the Special Representative.

This recommendation was approved unanimously.

The meeting then adjourned.

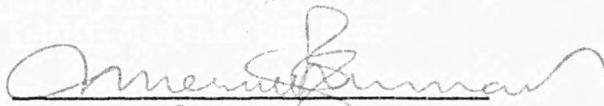
Secretary's Note: Governor Shepardson today approved on behalf of the Board memoranda recommending the following actions relating to the Board's staff:

Appointment

Harry Emery Lynn as Draftsman, Division of Data Processing, with basic annual salary at the rate of \$6,430, effective the date of entrance upon duty.

Permission to engage in outside activity

Kalman Schaefer, Statistician, Division of Data Processing, to teach Hebrew at Temple Sinai Sunday School.

  
Secretary

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

Item No. 1  
8/3/65



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

August 3, 1965.

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

Gentlemen:

In accordance with the request in your letter of July 16, 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 acquire and hold 158,480 shares, par value Bahamian £1 each, of the capital stock of RoyWest Banking Corporation Limited, Nassau, Bahamas, in exchange for the shares of Trust Corporation of Bahamas Limited currently held by your Corporation, provided such stock is acquired within one year from the date of this letter.

The foregoing consent is given with the understanding that this exchange will not involve an outflow of funds and that the foreign loans and investments of your Corporation, combined with those of Morgan Guaranty Trust Company of New York and Morgan Guaranty International Finance 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

Item No. 2  
8/3/65



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

August 3, 1965.

Bankers International Corporation,  
16 Wall Street,  
New York 15, New York.

Gentlemen:

In accordance with the request in your letter of July 19, 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 Bankers International Corporation ("BIC") (1) to acquire and hold substantially all of the shares of a company to be organized under the laws of Luxembourg to be called Bankers International (Luxembourg), S.A., or a similar name, in exchange for shares of l'Union des Mines-la Henin, Inter-Africa (Liberia) Ltd., and Nigerian Acceptances, Ltd., now held by BIC, plus approximately US\$140,000 in cash, and (2) to purchase and hold substantially all of the shares of a company to be organized under the laws of France to be called BIC Management, S.A., or a similar name, for approximately US\$20,000, provided such shares are acquired within one year from the date of this letter.

The Board also approves the purchase and holding of shares of the Luxembourg Company within the terms of the above consent in excess of 10 per cent of BIC's capital and surplus.

The Board's consent to the acquisition and holding of shares of the Luxembourg Company by BIC is granted subject to the following conditions:

- (1) That BIC shall not hold, directly or indirectly, any shares of stock in the Luxembourg Company if the Luxembourg Company 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 the Luxembourg Company establishes any branch or agency or takes any action or undertakes any operation in Luxembourg or elsewhere, in any manner, which at the time would not be permissible if the Luxembourg Company were a corporation organized under said Section 25(a);

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Bankers International Corporation -2-

- (2) That, when required by the Board of Governors, BIC will cause Luxembourg Company to permit examiners selected or auditors approved by the Board of Governors to examine the Luxembourg Company and to furnish the Board of Governors with such reports as it may require from time to time;
- (3) That any share acquisitions or dispositions by the Luxembourg Company be reported under Section 211.8(d) of Regulation K in the same manner as if the Luxembourg Company were a corporation organized under Section 25(a) of the Federal Reserve Act.

The Board's consent to the proposed purchase and holding of shares of the French Company by BIC is granted subject to the same conditions prescribed in the next above paragraph with respect to the shares of the Luxembourg Company.

Upon completion of the proposed acquisitions, it is requested that the Board of Governors be furnished, through the Federal Reserve Bank of New York, with a translation of the Articles of Association and By-Laws of both the Luxembourg Company and the French Company.

The foregoing consent is given with the understanding that the foreign loans and investments of BIC, combined with those of Bankers Trust Company, including the investments 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 25, D. C.

Item No. 3

8/3/65



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

August 3, 1965.

Bank of America,  
41 Broad Street,  
New York 15, New York.

Gentlemen:

In accordance with the request contained in your letter of July 7, 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 additional shares of Sahara Bank, Tripoli, Libya, at a cost of approximately US\$203,000, provided such stock is acquired within one year from the date of this letter.

The Board's consent is granted subject to the same conditions as prescribed in the Board's letter of November 15, 1963, granting consent to the purchase of shares of the proposed Commercial Bank of Libya (now known as Sahara Bank).

The foregoing consent is given with the understanding that the foreign loans and investments of Bank of America, combined with those of Bank of America National Trust and Savings Association, 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 25, D. C.

Item No. 4  
8/3/65



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

August 3, 1965.

Alston, Miller and Gaines,  
Citizens and Southern National  
Bank Building,  
Atlanta, Georgia. 30303

Gentlemen:

The Board of Governors has approved the Articles of Association and Organization Certificate dated June 29, 1965, of Citizens and Southern International Corporation, Atlanta, Georgia, and there is enclosed a preliminary permit authorizing that Corporation to exercise such of the powers conferred by Section 25(a) of the Federal Reserve Act as are incidental and preliminary to its organization.

Except as provided in Section 211.3(a) of Regulation K, the Corporation may not exercise any of the other powers conferred by Section 25(a) until it has received a final permit from the Board authorizing it generally to commence business. Before the Board will issue its final permit to commence business, the president, cashier, or secretary, together with at least three of the directors, must certify (1) that each director is a citizen of the United States; (2) that a majority of the shares of capital stock is held and owned by citizens of the United States, by corporations the controlling interest in which is owned by citizens of the United States, chartered under the laws of the United States or of a State of the United States, or by firms or companies the controlling interest in which is owned by citizens of the United States; and (3) that of the authorized capital stock specified in the Articles of Association at least 25 per cent has been paid in in cash and that each shareholder has individually paid in in cash at least 25 per cent of his stock subscription. Thereafter the cashier or secretary shall certify to the payment of the remaining instalments as and when each is paid in, in accordance with law.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,  
Assistant Secretary.

Enclosure

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON

August 3, 1965

Preliminary Permit

IT IS HEREBY CERTIFIED that the Board of Governors of the Federal Reserve System, pursuant to authority vested in it by Section 25(a) of the Federal Reserve Act, as amended, has this day approved the Articles of Association dated June 29, 1965, and the Organization Certificate dated June 29, 1965, of CITIZENS AND SOUTHERN INTERNATIONAL CORPORATION duly filed with said Board of Governors, and that CITIZENS AND SOUTHERN INTERNATIONAL CORPORATION is authorized to exercise such of the powers conferred upon it by said Section 25(a) as are incidental and preliminary to its organization pending the issuance by the Board of Governors of the Federal Reserve System of a final permit generally to commence business in accordance with the provisions of said Section 25(a) and the rules and regulations of the Board of Governors of the Federal Reserve System issued pursuant thereto.

BOARD OF GOVERNORS OF THE  
FEDERAL RESERVE SYSTEM

(SEAL)

By (Signed) Karl E. Bakke

Karl E. Bakke,  
Assistant Secretary.

UNITED STATES OF AMERICA

Item No. 5

8/3/65

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

WASHINGTON, D. C.

-----  
: |  
In the Matter of the Application of |  
: |  
THE ANNAPOLIS BANKING AND TRUST COMPANY |  
: |  
for an exemption from the registration |  
requirements of the Securities Exchange |  
Act of 1934. |  
:

## ORDER GRANTING APPLICATION FOR EXEMPTION

There has come before the Board of Governors, pursuant to section 12(h) of the Securities Exchange Act of 1934 (15 U.S.C. 78 1), an application by The Annapolis Banking and Trust Company, Annapolis, Maryland ("bank"), a member State bank of the Federal Reserve System, for an exemption from the registration requirements of section 12(g), of said Act.

Appropriate notice of receipt of the application and opportunity to request a hearing has been given by the Board and no such request has been received.

From the information set forth in the application and otherwise available, it appears that:

1. the bank has total assets of approximately \$20 million and equity capital of approximately \$1.5 million;
2. the bank has approximately 1,500 stockholders, of whom 82 per cent received their shares in lieu of deposits when the bank reopened after the 1933 Bank Holiday; and
3. there is a limited amount of trading activity in the bank's stock and an absence of any regular market.

Upon consideration of all the circumstances, the Board finds that the granting of a temporary exemption until June 30, 1967, would not be inconsistent with the public interest or the protection of investors. Prior to the expiration of the period of exemption, the Board will, upon receipt of a new application by the bank, reconsider the matter in the light of the situation at that time.

IT IS HEREBY ORDERED, that the application of The Annapolis Banking and Trust Company for exemption from the registration requirements of section 12(g) of the Securities Exchange Act of 1934 be, and is hereby granted until June 30, 1967.

Dated at Washington, D. C. this 3rd day of August, 1965.

By order of the Board of Governors.

(Signed) Merritt Sherman

---

Merritt Sherman,  
Secretary.

(SEAL)

UNITED STATES OF AMERICA

Item No. 6

8/3/65

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

WASHINGTON, D. C.

-----  
In the Matter of the Application of  
MOUNTAIN TRUST BANK  
for an exemption from the registration  
requirements of the Securities Exchange  
Act of 1934.  
-----

## ORDER DENYING APPLICATION FOR EXEMPTION

There has come before the Board of Governors, pursuant to section 12(h) of the Securities Exchange Act of 1934 (15 U.S.C. 78 1), an application by Mountain Trust Bank, Roanoke, Virginia ("bank"), a member State bank of the Federal Reserve System, for an exemption from the registration requirements of section 12(g) of said Act.

Appropriate notice of receipt of the application and opportunity to request a hearing has been given by the Board and no such request has been received.

From the information set forth in the application and otherwise available, it appears that:

1. the bank has total assets of approximately \$44.5 million and equity capital of approximately \$4 million;
2. the bank has approximately 1,000 stockholders, 85 per cent of whom are residents of the State of Virginia;

3. there is substantial, although primarily local, interest in the bank's stock, and the bank's policy is to place such stock in the hands of as many people as possible;

4. there is some trading activity in the bank's stock and it is quoted daily in a local newspaper; and

5. compliance with the requirements of the Securities Exchange Act of 1934 would not impose an undue hardship on the bank or its personnel.

Upon consideration of all the circumstances, the Board finds that the granting of the requested exemption would be inconsistent with the public interest and the protection of investors.

IT IS HEREBY ORDERED, that the application of Mountain Trust Bank for exemption from the registration requirements of section 12(g) of the Securities Exchange Act of 1934 be, and is hereby denied.

Dated at Washington, D. C. this 3rd day of August, 1965.

By order of the Board of Governors.

(Signed) Merritt Sherman

---

Merritt Sherman,  
Secretary.

(SEAL)