

Minutes for August 20, 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

RM

Gov. Robertson

RR

Gov. Balderston

CCB

Gov. Shepardson

SS

Gov. Mitchell

MM

Gov. Daane

DD

Gov. Maisel

GM

Minutes of the Board of Governors of the Federal Reserve System on Friday, August 20, 1965. The Board met in the Board Room at 10:00 a.m.

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

Mr. Kenyon, Assistant Secretary
 Mr. Broida, Assistant Secretary
 Mr. Noyes, Adviser to the Board
 Mr. Fauver, Assistant to the Board
 Mr. Goodman, Assistant Director, Division of Examinations
 Mr. Furth, Consultant
 Mr. Morgan, Staff Assistant, Board Members' Offices
 Miss Eaton, General Assistant, Office of the Secretary
 Messrs. Brill, Holland, Partee, Bernard, Ettin, and Keir of the Division of Research and Statistics
 Messrs. Katz, Reynolds, Baker, and Dahl of the Division of International Finance

Money market review. Reports on the Government securities market and on foreign exchange matters were given by Messrs. Bernard and Baker, and tables affording perspective on bank reserve utilization and on the money market were distributed, along with a chart showing dealer transactions in longer-term Government securities.

After a general discussion of these reports, all members of the staff except Messrs. Kenyon, Noyes, and Fauver, and Miss Eaton withdrew and the following entered the room:

Mr. Hexter, Assistant General Counsel
 Mr. Hooff, Assistant General Counsel
 Mr. Leavitt, Assistant Director, Division of Examinations
 Mr. McClintock, Supervisory Review Examiner, Division of Examinations

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Discount rates. The establishment without change by the Federal Reserve Bank of Minneapolis on August 18, 1965, and by the Federal Reserve Banks of New York, Philadelphia, St. Louis, and San Francisco on August 19, 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.

Report on competitive factors (Roanoke-Glasgow, Virginia).

There had been distributed a draft of report to the Comptroller of the Currency on the competitive factors involved in the proposed merger of Bank of Glasgow, Inc., Glasgow, Virginia, into The First National Exchange Bank of Virginia, Roanoke, Virginia.

In a discussion of the conclusion, comparisons were drawn between this case and another proposed merger involving the same national bank on which the Board reported on August 13, 1965. Governors Robertson and Maisel expressed a preference for consistency in wording with the conclusion in the previous report, which had expressed the view that the effect on competition would be "adverse." The other members of the Board felt there were grounds for distinction between the two cases warranting a conclusion in this instance that the effect on competition would be "somewhat adverse." Accordingly, the report was approved for transmittal in a form in which the conclusion read as follows:

Because of the close relationship which exists between Bank of Glasgow, Inc., and The First National Exchange Bank of Virginia, Roanoke, consummation of the proposed merger would not eliminate any effective competition between the two banks. However, it would foreclose potential competition between them in the event the relationship should terminate.

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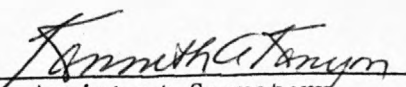
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The instant proposal would expand Roanoke Bank's geographic coverage in western Virginia where, since 1960, Roanoke Bank has absorbed 12 banks. Despite the close relationship between the two banks, the overall effect of the proposed transaction on competition would be somewhat adverse.

Reduction of bank's capital funds (Item No. 1). Following discussion in light of the information contained in a file on the subject that had been distributed, unanimous approval was given to a letter to the Federal Reserve Bank of San Francisco advising that the Board granted permission for a reduction in the capital funds of Farmers & Merchants Bank of Central California, Lodi, California. A copy of the letter is attached as Item No. 1.

Coin situation. Governor Balderston noted that arrangements had been made for Assistant Secretary of the Treasury Wallace to meet at 9:00 a.m. on September 1, 1965, with the members of the Board and available Federal Reserve Bank Presidents for discussion of the current and prospective coin situation.

The meeting then adjourned.


Assistant Secretary

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

Item No. 1
8/20/65



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 20, 1965.

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

Dear Mr. Galvin:

Reference is made to your letter of July 8, 1965, with respect to the effect of the inability of Farmers and Merchants Bank of Central California, Lodi, California, to market its entire proposed issue of capital notes. You will recall that on February 26, 1965, the Board gave its consent, under the provisions of Section 9 of the Federal Reserve Act, to the retirement of \$1.5 million of preferred stock. While at that time the Board understood that the bank was planning to sell capital notes totaling \$3 million, the Board's consent to the retirement of preferred stock was not conditioned on the replacement of such preferred stock by capital notes.

As you know, this bank is subject to a condition of membership that requires the Board's permission for any reduction in capital funds. Since capital notes totaling only about \$1.2 million have been sold, and \$1.5 million of preferred stock was retired, the Board's permission under this condition of membership is necessary.

After considering the financial condition of this bank and the adequacy of its capital structure, the Board grants it permission for this reduction in capital funds.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.