

Minutes for August 27, 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

W

Gov. Robertson

R

Gov. Balderston

CCB

Gov. Shepardson

SSP

Gov. Mitchell

MM

Gov. Daane

DD

Gov. Maisel

Bjm

Minutes of the Board of Governors of the Federal Reserve

System on Friday, August 27, 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. Daane
- Mr. Maisel

- Mr. Kenyon, Assistant Secretary
- Miss Carmichael, Assistant Secretary
- Mr. Broida, 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. 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, Solomon, Bernard, Ettin, and Gramley of the Division of Research and Statistics

Messrs. Katz, Reynolds, and Baker of the Division of International Finance

Money market review. Reports on the Government securities market, bank credit developments, and foreign exchange matters were given by Messrs. Bernard, Ettin, and Baker. Distributed material referred to during these presentations included charts showing recent credit flows, tables relating to dealer positions and official account

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purchases of Government securities, and tables providing perspective on the money market and bank reserve utilization.

After discussion in the light of these reports, all members of the staff except Messrs. Kenyon, Broida, Young, Brill, and Furth and Miss Carmichael withdrew and the following entered the room:

Mr. Hexter, Assistant General Counsel  
Mr. O'Connell, Assistant General Counsel  
Mr. Shay, Assistant General Counsel  
Mr. Leavitt, Assistant Director, Division of Examinations  
Miss Hart, Senior Attorney, Legal Division  
Mr. Robinson, Attorney, Legal Division  
Mr. Lyon, Review Examiner, Division of Examinations  
Mr. McClintock, Supervisory Review Examiner, Division  
of Examinations  
Miss McShane, Assistant Review Examiner, Division of  
Examinations

Discount rates. The establishment without change by the Federal Reserve Banks of Cleveland, Richmond, Atlanta, Chicago, Kansas City, and Dallas on August 26, 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.

Application of Virginia Commonwealth Corporation (Items 1 and 2).

There had been distributed a proposed order and statement reflecting approval by the Board on July 12, 1965, of the application of Virginia Commonwealth Corporation, Richmond, Virginia, to acquire more than 80 per cent of the voting shares of First National Bank of Vienna, Vienna, Virginia.

After minor changes in the wording of the statement had been agreed upon, issuance of the order and statement was authorized. Copies of the documents, as issued, are attached as Items 1 and 2.

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Messrs. O'Connell, Robinson, and Lyon then withdrew from the meeting.

Topics for Federal Advisory Council (Item No. 3). There had been distributed a draft of topics proposed for discussion at the meeting of the Federal Advisory Council on September 20, 1965, and at the joint meeting of the Board and the Council on September 21.

During discussion several changes in the wording of the topics were agreed upon, after which unanimous approval was given to the transmittal of the suggested topics to the Secretary of the Council. A copy of the transmittal letter, with enclosure, is attached as Item No. 3.

Messrs. Broida, Young, Brill, and Furth then withdrew from the meeting.

Application of New Jersey Bank and Trust Company. There had been distributed memoranda dated August 19 and 25, 1965, from the Division of Examinations, and other pertinent papers, regarding the application of New Jersey Bank and Trust Company, Clifton, New Jersey, to merge into itself Wayne State Bank, Wayne, New Jersey. The Division recommended approval.

At the Board's request, Mr. Leavitt reviewed the facts of the case, the competitive factor reports received from the other Federal bank supervisory agencies and the Department of Justice, and the reasons underlying the favorable recommendation of the Division, his comments being based principally on the material that had been distributed.

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After the staff answered several questions that were raised for informational purposes, the members of the Board expressed their views.

Governor Robertson stated that he disagreed with the recommendation of the Division of Examinations. Obviously Wayne Township, in which the smaller bank was located, was a profitable and rapidly growing area. The substantial premium being offered for the stock of Wayne State Bank indicated that New Jersey Bank and Trust Company had to outbid other banks in the area that might also be interested in acquiring Wayne Bank. If the presently proposed merger were consummated, New Jersey Bank (the largest bank in Passaic County) and First National Bank of Passaic County (the second largest bank) would control the entire area. In his judgment neither of these large banks should be permitted to acquire Wayne State Bank. While there was presently a management problem in the smaller bank, he thought that capable management could be provided through other means than the proposed merger. It was true that under present management Wayne State Bank was not an aggressive, vigorous bank; it was not meeting fully the banking needs of the community. There was a close relationship between the two banks involved in the proposed merger, Wayne Bank being operated at the moment almost as a branch of the larger bank. It was therefore only natural that Wayne Bank would turn to New Jersey Bank in considering a merger, if the latter bank was willing to pay a substantial premium. Without question the smaller bank wanted to sell, but potential competition would definitely be eliminated by the



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merger. If it were effected, area competition would be confined to two large banks, and although competition between them would be intensified he did not consider the creation of a duopoly to be in the public interest. Accordingly, he would turn down the application and hope that Wayne Bank might merge with some other institution.

Governor Shepardson said there admittedly was the problem that the proposed merger involved a further expansion of the largest bank in the county and that it apparently would confine area competition to two banks. However, other factors were persuasive in favor of approval. While some other bank might conceivably enter into the situation and seek to merge with Wayne Bank, he thought that the disadvantages of the proposed merger were not sufficient to warrant preventing it. Accordingly, he would follow the Division recommendation for approval.

Governor Mitchell expressed the view that the banking factors in the proposal weighed toward approval. Clearly the management of the smaller bank should be changed. He believed that the convenience and needs factor also weighed toward approval, since it seemed clear from the record that the smaller bank was not serving the community nearly as adequately as it might. With respect to the competitive factor, he believed that the merger would increase rather than decrease competition. He would, of course, like to see a smaller bank come into the picture, but the community in question was in the middle of a metropolitan area where many other banking alternatives were available. In

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his judgment, bringing the better managed and more aggressive bank into Wayne Township would increase competition. This was not the first time that problems had arisen by virtue of State laws that allowed only banks headquartered in a community to establish branches there. In such circumstances, any duopoly or anti-competitive structure was in fact attributable to the State law that fostered it. With this situation in mind, he concluded that the application was approvable on all grounds.

Governor Daane commented that he had no great enthusiasm for this particular merger. However, the banking factors and the convenience and needs of the community lent weight and support to approval. On the matter of competition, he agreed with the analysis of the Federal Deposit Insurance Corporation that the merger would have no significantly adverse effect and that competition would in fact be increased in the area now being served by Wayne Bank. On balance, therefore, he would approve the application.

Governor Maisel expressed disagreement with the analysis favorable to the application that had been expressed by some of the members of the Board and by the Division of Examinations. To him, the critical factor was that at the present time three banks were competing in the area, with every indication that this situation could continue. Wayne Bank was providing competition, as evidenced by the fact that it was paying a higher rate of interest on savings accounts than New Jersey Bank and its checking account maintenance charges were lower. Also,

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the operating earnings of Wayne Bank were higher than those of banks of comparable size in its general area. It was understood that other banks in the area had expressed interest in merging with Wayne Bank, so a three-bank situation apparently could be maintained in such manner. The application before the Board therefore came down essentially to a basic question of belief--a question on which he had been somewhat disturbed by the point of view that seemed to have been advanced on occasion by the Division of Examinations. Almost always it could be said that if there was a large bank operating in a particular area and another large bank entered the area, theoretically there would be an increase in competition, that is, in terms of increased competition for the bank originally established in the area. But the matter of real concern was with the community welfare. There was every evidence that over the longer run three-bank competition normally was better for a community than a two-bank situation. In the present case a rapidly growing area was involved that could easily support a three-bank situation, and he regarded it as vital to attempt to maintain that kind of competitive climate.

Governor Balderston said that his views were much like those expressed by Governor Mitchell. The basic trouble here resulted from the New Jersey statute. He recognized that a three-bank proposition was involved, but the realities of the situation supported the position of the Division of Examinations. The mere fact that a third bank existed did not necessarily mean that the service provided was adequate.



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Chairman Martin stated that Governor Mitchell had expressed his own position completely.

Thereupon the application was approved, Governors Robertson and Maisel dissenting. It was understood that an order and statement reflecting this decision would be drafted for the Board's consideration and that a dissenting statement or statements also would be prepared.

The meeting then adjourned.

Secretary's Notes: On August 26, 1965, Governor Shepardson approved on behalf of the Board the following items:

Memorandum dated August 24, 1965, from Mr. Holland, Associate Director, Division of Research and Statistics, recommending that five specified members of the staff of that Division be authorized to attend at Board expense the annual meeting of the American Statistical Association to be held in Philadelphia, Pennsylvania, September 8-11, 1965.

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

Appointment

Linda Kay Goukler as Records Clerk, Office of the Secretary, with basic annual salary at the rate of \$4,480, effective the date of entrance upon duty.

Acceptance of resignations

Roberta M. O'Rourke, Secretary, Office of the Secretary, effective at the close of business September 7, 1965.

Irene M. Fender, Statistical Clerk, Division of Research and Statistics, effective at the close of business September 10, 1965.

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

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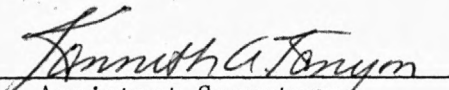
Salary increases

Dorothy E. Swink, Statistical Assistant, Division of Research and Statistics, from \$5,660 to \$6,060 per annum, with a change in title to Research Assistant, effective August 29, 1965.

Paul L. Tedrow, Operating Engineer, Division of Administrative Services, from \$6,074 to \$6,282 per annum, effective August 29, 1965.

Acceptance of resignation

Daniel Gordon, Summer Research Assistant, Division of Research and Statistics, effective at the close of business August 27, 1965.

  
Assistant Secretary

UNITED STATES OF AMERICA  
BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTON, D. C.

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In the Matter of the Application of  
VIRGINIA COMMONWEALTH CORPORATION,  
RICHMOND, VIRGINIA,  
for approval of the acquisition of voting  
shares of First National Bank of Vienna,  
Vienna, Virginia.  
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ORDER APPROVING APPLICATION UNDER  
BANK HOLDING COMPANY ACT

There has come before the Board of Governors, pursuant to section 3(a)(2) of the Bank Holding Company Act of 1956 (12 U.S.C. 1842(a)(2)), and section 222.4(a)(2) of Federal Reserve Regulation Y (12 CFR 222.4(a)(2)), an application by Virginia Commonwealth Corporation, Richmond, Virginia, a registered bank holding company, for the Board's prior approval of the acquisition of more than 80 per cent of the voting shares of First National Bank of Vienna, Vienna, Virginia.

In accordance with section 3(b) of the Act, the Board notified the Comptroller of the Currency of receipt of the application and requested his views and recommendation with respect to the application. The Comptroller recommended approval of the application.

Notice of receipt of the application was published in the Federal Register of April 23, 1965 (30 F.R. 5771), providing an opportunity for interested persons to submit comments and views with respect to the proposed acquisition. The time for filing such comments and views has expired, and all those received have been considered by the Board.

IT IS HEREBY ORDERED, for the reasons set forth in the Board's Statement of this date, that said application be and hereby is approved, provided that the acquisition so approved shall not be consummated (a) within seven calendar days after the date of this Order or (b) later than three months after said date.

Dated at Washington, D. C., this 27th day of August, 1965.

By order of the Board of Governors.

Voting for this action: Unanimous, with all members present.

(Signed) Kenneth A. Kenyon  
Kenneth A. Kenyon,  
Assistant Secretary.

(SEAL)



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

Item No. 2  
8/27/65

APPLICATION BY VIRGINIA COMMONWEALTH CORPORATION  
FOR APPROVAL OF THE ACQUISITION OF SHARES OF  
FIRST NATIONAL BANK OF VIENNA

STATEMENT

Virginia Commonwealth Corporation, Richmond, Virginia ("Applicant"), a registered bank holding company, has filed with the Board, pursuant to section 3(a)(2) of the Bank Holding Company Act of 1956 ("the Act"), an application for approval of the acquisition of more than 80 per cent of the voting shares of First National Bank of Vienna, Vienna, Virginia ("Bank").

Views and recommendation of supervisory authority. - As required by section 3(b) of the Act, notice of receipt of the application was given to, and views and recommendation requested of, the Comptroller of the Currency. The Comptroller recommended approval of the application.

Statutory factors. - Section 3(c) of the Act requires the Board to take into consideration the following five factors in acting on this application: (1) the financial history and condition of the holding company and the banks concerned; (2) their prospects; (3) the character of their management; (4) the convenience, needs, and welfare of the communities and the area concerned; and (5) whether or not the effect of



the acquisition would be to expand the size or extent of the bank holding company system involved beyond limits consistent with adequate and sound banking, the public interest, and the preservation of competition in the field of banking.

Financial history, condition, and prospects of Applicant and the banks concerned. - Applicant became a bank holding company on December 21, 1962, through an exchange of its stock for stock in five banks. At December 31, 1964,<sup>1/</sup> Applicant, with total assets of \$20.4 million, controlled six banks operating 42 banking offices with total deposits of \$260.3 million. Though Applicant's financial history has been relatively brief, it is considered satisfactory and its financial condition, largely determined by the condition of its six subsidiary banks, is also satisfactory.

Bank opened for business in February 1962, and presently operates its main office and one branch in Vienna. Bank has been given permission to operate a second branch that would be located three miles northeast of Vienna. After 34 months of operation, Bank had total deposits of \$4.2 million, the amount Bank's organizers projected would be attained after three years of operation. Offsetting the favorable condition suggested by Bank's deposit growth is the unfavorable circumstance of its heavy loan position. At year-end 1964, Bank's total loans amounted to approximately 88 per cent of deposits and more than 5 times total capital accounts. These facts, and others of record, require the

<sup>1/</sup> Unless otherwise indicated, all banking data noted are as of this date.

conclusion that Bank's financial history and condition are somewhat less than satisfactory.

Applicant's assets consist almost entirely of shares of its six subsidiary banks. Consequently, Applicant's prospects depend largely upon the prospects of these subsidiary banks, particularly, Bank of Virginia, by far the largest in the group. Applicant has recently contributed additional capital to the Bank of Virginia. With this contribution and with that bank's successful efforts, commencing in 1963, to reduce operating expenditures, it is reasonable to conclude that the bank's prospects are generally satisfactory. Viewing the asset condition, the quality of management, and the anticipated growth of each of Applicant's banks, their prospects and those of Applicant are considered to be generally satisfactory.

Bank is located in Fairfax County, which is one of the fastest growing communities in the Virginia portion of the Washington, D. C. Metropolitan Statistical Area ("WMSA"). Although Bank's \$4.2 million of deposits after less than three years of operation reflect a deposit growth reasonably commensurate with the economic growth and development of the area in which it operates, and suggest the probability of Bank's future successful operation as an independent institution, the Board finds that affiliation with Applicant will sufficiently better Bank's prospects as to lend some support for approval.

Management. - Applicant's management appears capable and experienced. It is noted that its officers serve also as the senior

officers of Bank of Virginia. The managements of the subsidiary banks also appear satisfactory - a conclusion based principally upon the sound asset condition of each of the banks.

At the time this application was filed, Bank had five senior officers, only one of whom was an active operating officer. This officer was the only one of the five senior officers who had previous banking experience prior to their association with Bank. Subsequent to the filing of the application, this one officer has left the Bank. In order to provide Bank with essential top management, Applicant has loaned one of its subsidiary's operating officers to Bank where he is presently serving. It is proposed that if this application is approved, this officer will continue in his position as chief executive officer of Bank, but that, if the application is denied, this officer will return to his former position in Applicant's system. The foregoing arrangement whereby Bank has been assured, at least on a temporary basis, top management direction, exemplifies the type of assistance that Applicant can, and has, rendered to the banks within its system. Bank's affiliation with Applicant, as proposed, offers reasonable assurance of the installation and continuity of competent, experienced, executive management, as well as access to needed, second line management talent. Although Applicant's proposal is not the only solution to Bank's managerial problem, it appears to be an immediate and reasonable solution. Accordingly, Applicant's proposal in respect to management succession at Bank constitutes a somewhat favorable consideration toward approval of the application.



Convenience, needs, and welfare of the communities and the area concerned. - Bank and its one branch are located in Vienna, Fairfax County, Virginia. The population of Fairfax County has increased by an estimated 55,000 over its 1960 figure of 275,000. Vienna, situated about 15 miles west of Washington, D. C., had a 1960 population of 11,500. Bank, including its branch, has a primary service area <sup>2/</sup> population of about 90,000, based on the 1960 census and estimates of population growth since that time made by the Fairfax County Planning Commission. Thirteen banking offices are located in Bank's primary service area in addition to Bank's two offices. Five of the thirteen offices are those of bank holding company subsidiaries; the remaining eight are offices of four independent banks, three of which are larger than Bank. In addition, banks in Washington, D. C., Arlington and Fairfax Counties, and the cities of Alexandria, Fairfax, and Falls Church, are fairly convenient to those businesses and individuals located in Bank's primary service area, and to residents thereof who work in the areas mentioned above.

Applicant asserts several benefits that it believes would accrue to the public as a result of its acquisition of Bank. According to Applicant, the proposed affiliation would result in Bank's having immediate access to advice and assistance from Applicant regarding the furnishing of specialized banking services, and a source of management personnel which would enable Bank to offer immediately a more complete line of services and, in turn, to develop a service potential

2/ The area from which 79 per cent of its IPC deposits are derived.

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that would assure its ability to meet the further needs for banking services which are anticipated as Bank's primary service area expands and develops.

The record before the Board reflects that, in the areas concerned, the public presently has convenient alternative banking sources that are adequately serving the needs of those areas. However, the Board concurs in Applicant's position that Bank's proposed affiliation with Applicant would better somewhat Bank's ability to offer a more complete line of services to the public. Accordingly, considerations bearing on the convenience and needs of the areas involved are consistent with approval of the application, and offer some weight for such approval.

Effect of proposed acquisition on adequate and sound banking, public interest, and banking competition. - The principal market areas involved in the Board's determination of the probable competitive effects of Applicant's proposal encompass the City of Vienna in Fairfax County and the Virginia - D.C. portion of the WMSA.

None of Applicant's subsidiary banks' offices are located in Bank's primary service area, and none compete to any measurable extent with Bank. The closest to Bank of an office of Applicant's banks is in Springfield, Virginia, about 11 miles from Bank's location. There are several other banking offices situated between these offices. The Board concludes that the elimination or foreclosure of competition between Bank and Applicant's subsidiaries is not a consideration adverse to approval of this application.



At June 30, 1964, Bank operated 14.3 per cent (2 of 14) of the banking offices and held 7.2 per cent (\$3.5 of \$47.8 million) of the total deposits in its primary service area. Bank is substantially smaller than five of the other seven banks with offices in its primary service area, and is the smallest of the banks with offices in Vienna. All banks, other than Bank, with offices in Vienna are affiliated with bank holding companies. There is no reason to believe that Applicant's acquisition and operation of Bank will afford Bank any significantly competitive advantage over banks located in its primary service area. The Virginia banks that are located outside of Bank's primary service area, but that are competing therein, have met the competition offered both by subsidiaries of the two bank holding companies located in Bank's service area and by banks in Washington, D. C., Arlington, and Alexandria that compete for accounts originating within Bank's service area. No adverse competitive effect on the aforementioned banks is reasonably foreseen following consummation of Applicant's proposal.

Applicant's subsidiary banks hold combined deposits of \$261.7 million.<sup>3/</sup> Applicant's acquisition of Bank would increase this figure to \$265.9 million. There has been approved a merger of Farmers Bank of Boydton, Boydton, Virginia (deposits of \$3.4 million), into Applicant's Bank of Virginia. Consummation of this merger would bring the aggregate deposits of Applicant's banks to \$269.3 million. Bank's deposits represent, respectively, less than 1/10 and 2/10 of 1 per cent of the deposits of all banks in the State and in the Virginia - D.C. portion of the WMSA.

<sup>3/</sup> Includes \$1.4 million of deposits acquired as a result of the merger on May 17, 1965, of The Guardian National Bank of Fairfax County, Springfield, into Bank of Prince William, Woodbridge.

Following Applicant's acquisition of Bank, Applicant would remain the fourth in size of the banking organizations in Virginia, controlling less than 6 per cent of the bank deposits in the State. Bank holding company subsidiaries, combined, would control approximately 26 per cent of such deposits.

In the Virginia portion of the WMSA, which portion includes Arlington and Fairfax Counties and the cities of Alexandria, Fairfax, and Falls Church, four holding company groups<sup>4/</sup> operate. Following consummation of Applicant's proposal, the percentage of the deposits in that area controlled by these groups would increase from 73.5 to 74.2. While these data reflect a considerable concentration of banking resources in holding company groups, any potentially adverse effect from such concentration is significantly lessened by the fact earlier mentioned of the extent to which banks in Washington, D. C., serve the area under discussion. Within the Virginia - D. C. portion of the WMSA, the four holding company groups now control 72 banking offices and combined deposits of \$648 million, or 24.2 per cent of the deposits of all banks in the area. Consummation of this proposal would increase the total deposits controlled by holding company groups by only 2/10 of 1 per cent.

Measured within the geographic area last discussed, the degree to which banking resources would be concentrated in holding company groups, were Applicant's acquisition of Bank to be consummated, is not viewed by the Board as a consideration requiring denial of the application. In sum, the Board concludes that Applicant's acquisition of Bank would not expand

<sup>4/</sup> Three are registered bank holding companies, the fourth is a nonregistered bank holding company.

the size or extent of Applicant's system beyond limits consistent with adequate and sound banking, the public interest, and the preservation of competition in the field of banking.

On the basis of all relevant facts as contained in the record before the Board, and in light of the factors set forth in section 3(c) of the Act, it is the Board's judgment that the proposed acquisition would be consistent with the public interest and that the application should therefore be approved.

August 27, 1965.

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BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 3  
8/27/65



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

August 27, 1965.

AIR MAIL

Mr. Herbert V. Prochnow, Secretary,  
Federal Advisory Council,  
38 South Dearborn Street,  
Chicago, Illinois. 60690

Dear Mr. Prochnow:

The Board of Governors suggests the topics shown on the attached list for discussion at the meeting of the Federal Advisory Council on September 20, 1965, and the joint meeting of the Board and the Council on September 21.

Very truly yours,

A handwritten signature in cursive script that reads "Kenneth A. Kenyon".

Kenneth A. Kenyon,  
Assistant Secretary.

Attachment



August 27, 1965

Suggested Topics

## 1. Economic conditions and prospects.

- A. How does the Council appraise prospects for the U.S. economy during the remainder of the current year? Have recent developments in steel had any significant effect on the Council's view as to the general outlook?
- B. Are Council members aware of any substantial revisions in business inventory policies as a result of changing expectations--reflecting the Vietnam hostilities or other current developments? Have significant revisions been observed in capital expenditure or other business plans?
- C. How strong does the Council judge pressures to be on businesses from the demand or cost sides to raise prices?
- D. How does the Council appraise the current status of the bond markets? What trends does it foresee over the rest of the year in interest rates on corporate, municipal, and Government securities, and in the differentials among these rates?

## 2. Banking developments.

- A. What is the Council's appraisal of the factors underlying the more rapid increases in both savings deposits and time CDs that have occurred since midyear?
- B. Does the Council expect business demands for bank credit this fall to be substantially in excess of usual seasonal needs? Does it anticipate any firming of bank interest rates or other lending terms and conditions?
- C. What are the prospects for further bank issuance of capital notes and debentures during the remainder of this year and next year?
- D. What are the Council's expectations with regard to near-term developments in the Federal funds market, with respect to both the extent of participation in this market by medium- and smaller-size banks and likely rate levels relative to the discount rate?



3. Balance of payments.
  - A. How does the Council appraise the results of the voluntary foreign credit restraint effort to date? In particular, does it appear that the priorities for export financing and for the less developed countries are being reasonably met?
  - B. What changes does the Council anticipate in the volume of U.S. bank lending to foreigners over the rest of the year?
  - C. As the Council appraises the balance of payments outlook, what does it believe would be the best course of Government action in this area in 1966?
4. What are the Council's views on monetary and credit policy under current circumstances?