

Minutes for October 1, 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>(M)</u>
Gov. Robertson	<u>[Signature]</u>
Gov. Balderston	<u>CCB</u>
Gov. Shepardson	<u>[Signature]</u>
Gov. Mitchell	<u>[Signature]</u>
Gov. Daane	<u>[Signature]</u>
Gov. Maisel	<u>[Signature]</u>

Minutes of the Board of Governors of the Federal Reserve System on Friday, October 1, 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. Daane 1/
Mr. Maisel

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Noyes, Adviser to the Board
Mr. Molony, Assistant to the Board
Mr. Hackley, General Counsel
Mr. Goodman, Assistant Director, Division of Examinations
Miss Eaton, General Assistant, Office of the Secretary
Mr. Morgan, Staff Assistant, Board Members' Offices

Messrs. Brill, Holland, Koch, Partee, Solomon, Axilrod, Bernard, Eckert, Ettin, Gramley, and Keir of the Division of Research and Statistics

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

Money market review. Mr. Bernard presented a review of developments in the Government securities market, Mr. Baker summarized foreign exchange market developments, and Mr. Koch discussed money market trends in the light of the current posture of System policy. Tables were distributed affording perspective on the money market, capital market, and bank reserve utilization. A chart was also distributed pertaining to yields on U.S. Government securities.

1/ Withdrew from meeting during money market review.

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After a general discussion of the rationale of System open market operations in the current situation, all members of the staff except Messrs. Sherman, Kenyon, Molony, Hackley, Goodman, and Dahl and Miss Eaton withdrew from the meeting.

Discount rates. The establishment without change by the Federal Reserve Banks of New York, Minneapolis, and San Francisco on September 30, 1965, of the rates on discounts and advances in their existing schedules was approved unanimously, with the understanding that appropriate advice would be sent to those Banks.

Circulated or distributed items. The following items, copies of which are attached to these minutes under the respective item numbers indicated, were approved unanimously:

	<u>Item No.</u>
Letter to State Bank of Morton, Morton, Washington, approving an investment in bank premises.	1
Letter to Manufacturers Hanover International Banking Corporation, New York, New York, granting permission to acquire additional shares of National Investment Bank for Industrial Development, S. A., Athens, Greece.	2
Letter to First Chicago International Banking Corporation, New York, New York, approving an amendment to its articles of association.	3

In connection with Item No. 3, it was noted that the amendment to the Edge corporation's articles of association was for the purpose of allowing the corporation's parent bank to inject additional capital in view of losses sustained by the subsidiary in Uruguayan operations. The

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circumstances surrounding the Uruguayan involvement were reviewed, and reference was made to the amounts of losses reportedly incurred by various U.S. banking organizations. There followed some discussion regarding the potentiality of similar losses in overseas operations of U.S. banks and regarding preventive supervisory measures that might be appropriate.

Governor Mitchell, Chairman of the Board's Committee on the Study of Foreign Operations of U.S. Banks, reported that Mr. Dahl had completed a draft statement on objectives of the study, which statement would be distributed for the Board's consideration.

The meeting then adjourned.

Secretary's Note: Governor Shepardson today approved on behalf of the Board the following items:

Memorandum from the Division of Administrative Services dated September 29, 1965, recommending that the fluorescent lights in the garage area be connected with the regular "house current" for everyday use at a cost of \$776.

Memorandum from the Division of Bank Operations recommending the appointment of Kevin M. Raymond as Analyst in that Division, with basic annual salary at the rate of \$7,220, effective the date of entrance upon duty.


Secretary

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 1
10/1/65



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 1, 1965

Board of Directors,
State Bank of Morton,
Morton, Washington.

Gentlemen:

Pursuant to the provisions of Section 24A of the Federal Reserve Act, the Board of Governors of the Federal Reserve System approves an investment in bank premises of not to exceed \$96,200 by State Bank of Morton, Morton, Washington, for preparation of a building site and construction of a new main office building.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

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

Item No. 2
10/1/65

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 1, 1965.



Manufacturers Hanover International
Banking Corporation,
44 Wall Street,
New York 15, New York.

Gentlemen:

In accordance with the request contained in your letter of August 18, 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, par value Drachmas 3,000 each, of National Investment Bank for Industrial Development S.A. ("NIBID"), Athens, Greece, at a cost of approximately US\$122,000, provided such stock is acquired within one year from the date of this letter.

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

The foregoing consent is given with the understanding that the foreign loans and investments of your Corporation, combined with those of Manufacturers Hanover 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 and that due consideration is being given to the priorities contained therein.

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. 3
10/1/65



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 1, 1965

First Chicago International
Banking Corporation,
1290 Avenue of the Americas,
New York, New York. 10019

Gentlemen:

Reference is made to your letter dated August 16, 1965, transmitted through the Federal Reserve Bank of New York, enclosing a copy of a Consent signed under date of August 13, 1965, on behalf of The First National Bank of Chicago, sole shareholder of your Corporation, consenting to the amendment of the Articles of Association of your Corporation to increase the capital stock to \$2,500,000 consisting of 25,000 shares of the par value of \$100 each.

In accordance with the request, and pursuant to the provisions of Section 211.3(a) of Regulation K, as revised effective September 1, 1963, the Board of Governors approves the amendment to Article SEVENTH of your Articles of Association.

It is noted that your present capital structure will be increased by the sale of 5,000 additional shares to The First National Bank of Chicago for \$1,500,000, of which \$1,000,000 will be shown as paid-in surplus.

Please advise the Board of Governors when the capital increase has been effected.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.