

Minutes for October 14, 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
R

Gov. Robertson

CCB

Gov. Balderston

CS

Gov. Shepardson

MM

Gov. Mitchell

DA

Gov. Daane

SM

Gov. Maisel

SM

Minutes of the Board of Governors of the Federal Reserve System on Thursday, October 14, 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
Mr. Cardon, Legislative Counsel
Mr. Fauver, Assistant to the Board
Mr. Hackley, General Counsel
Mr. Farrell, Director, Division of Bank Operations
Mr. Solomon, Director, Division of Examinations
Mr. Shay, Assistant General Counsel
Mr. Sammons, Adviser, Division of International Finance
Mr. Kiley, Assistant Director, Division of Bank Operations
Mr. Leavitt, Assistant Director, Division of Examinations
Mr. Smith, Assistant Director, Division of Examinations
Mrs. Semia, Technical Assistant, Office of the Secretary
Mr. Forrestal, Senior Attorney, Legal Division
Mr. Dahl, Chief, Special Studies and Operations Section, Division of International Finance
Mr. Egertson, Supervisory Review Examiner, Division of Examinations
Mr. Poundstone, Review Examiner, Division of Examinations

Discount rates. The establishment without change by the Federal Reserve Bank of Minneapolis on October 13, 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 the Bank.

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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 Wachovia Bank and Trust Company, Winston-Salem, North Carolina, granting permission to organize a corporation under section 25(a) of the Federal Reserve Act to be known as Wachovia International Investment Corporation, Winston-Salem, North Carolina.	1
Letter to the Federal Deposit Insurance Corporation regarding the application of First Western State Bank of Minot, Minot, North Dakota, for continuation of deposit insurance after withdrawal from membership in the Federal Reserve System.	2
Letter to Gateway National Bank of St. Louis, St. Louis, Missouri, granting its request for permission to maintain reduced reserves.	3
Letter to The Chase Manhattan Bank (National Association), New York, New York, acknowledging receipt of notice of its intent to establish three additional branches in the Virgin Islands at specified locations.	4

Application of Citizens Bank (Item No. 5). At yesterday's meeting the Board had discussed the application of Citizens Bank, Smithville, Tennessee, for admission to membership in the Federal Reserve System. A memorandum from the Division of Examinations regarding the application had been distributed under date of October 4, 1965. The bank had been chartered by the State banking authorities but had not yet begun operations. Congressman Joe L. Evins had protested the

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establishment of the new bank and its admission to membership in the Federal Reserve System. Three banks were presently located in DeKalb County. Congressman Evins was chairman of the largest of these banks (deposits \$4.3 million) and owned a majority of its stock; he owned slightly more than half of the stock of the third largest; and he was a director of the second largest, slightly more than half of the stock of which had been purchased from him by his nephew. The Division's memorandum recommended approval of the membership application but noted that, while Vice President Stephenson of the Federal Reserve Bank of Atlanta believed that the application should be approved, the executive committee of the Reserve Bank recommended disapproval. After yesterday's discussion the Board deferred action pending further exploration of the basis for that adverse recommendation.

At today's meeting Mr. Solomon reported on a telephone conversation with President Patterson of the Federal Reserve Bank of Atlanta, who had furnished additional background information regarding the chartering of the new bank and the views of persons associated with the Atlanta Reserve Bank regarding the need for and prospects of an additional bank in Smithville. Among other things, Mr. Patterson had indicated that the Reserve Bank's executive committee (two of the three members of which had participated in the adverse recommendation) felt that the Smithville area, with its population of about 11,000, might be regarded as overbanked, but also that the existing banks in DeKalb County, which

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were under common control, did not seem to be serving the entire needs of the community. In balancing these two considerations, the executive committee had been inclined to give more weight to possible overbanking than to the convenience and needs of the community, although it recognized that the question was close and judgments could differ. Mr. Patterson also had stated that, since the new bank had been chartered by the State of Tennessee and was going to be opened in any event, he personally knew of no reason why it should not be allowed to open as a member of the Federal Reserve System.

Chairman Martin and Governor Mitchell inquired as to the Board's responsibility to consider the question of overbanking in the community, since the bank would be opened whether or not it was admitted to membership and since its earnings prospects, capital, and proposed management were regarded as satisfactory.

Mr. Solomon responded that the line of responsibility was not clear-cut. It might be reasoned that since the bank already had been given the right to operate, it might as well be granted membership, but he was not sure the question was that simple. Admission to membership carried with it deposit insurance. Also, a member bank presumably would have greater prestige in the community than would a noninsured bank. Although the new bank might be able to obtain deposit insurance even if it was not a member of the Federal Reserve System, Mr. Solomon observed that the same considerations that gave the Board pause in

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regard to membership would confront the Federal Deposit Insurance Corporation in regard to an application for deposit insurance for a non-member bank. However, it had been reported by Mr. Patterson that the FDIC examiner had stated that he would recommend to the Corporation that it give a favorable opinion on admission of the bank to System membership.

Governor Mitchell expressed the view that the Board would be in an untenable position if it turned down the membership application on the ground that the community was overbanked and at the same time appraised the bank's earnings prospects as favorable.

Governor Robertson stated that in his view, if the Board should find that the creation of a new bank clearly would result in overbanking in a community, it would be the duty of the Board to deny System membership. In the absence of such a finding, the Board's duty was to determine whether or not the condition of and prospects for the applicant bank were such as to warrant membership in the System. His personal view was that in the present case not only did the new bank have satisfactory earnings prospects, but its entrance into the local market quite likely would increase the earnings and the size of the banks now operating there because of the stimulation that would result from increased competition.

In response to a question by Governor Maisel, Mr. Solomon stated that if the Board admitted the new bank to membership, it also had to make

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a positive determination that granting of insurance would be justified by the bank's prospects, and the Board had to certify to the Federal Deposit Insurance Corporation that specific aspects of the bank's soundness had been taken into consideration.

Mr. Cardon described the substance of a letter he had drafted for the Chairman's signature, to be addressed to Congressman Evins in response to the interest the latter had evidenced in the matter.

During discussion of points that might be brought out in such a letter, Governor Mitchell remarked that the objections of the Congressman related primarily to the chartering of a new bank in the Smithville area, and it was not the Board but the State banking authorities that had granted the charter. The only question for the Board to determine, as he saw it, was whether or not the bank should be allowed to operate as a member of the Federal Reserve System, and on the basis of the information before the Board, there seemed to be no reason to deny the bank that status.

At the conclusion of the discussion the application for membership in the System was approved unanimously. A copy of the letter in which the organization committee of Citizens Bank was informed of the Board's action is attached as Item No. 5.

Messrs. Cardon, Fauver, Shay, Sammons, Leavitt, Forrestal, Dahl, Egertson, and Poundstone then withdrew from the meeting.

Examination of Federal Reserve Bank of Chicago. Mr. Smith summarized information disclosed through the examination of the Federal

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Reserve Bank of Chicago made by the Board's field examining staff as of June 11, 1965, his comments being based on the report of examination and related memoranda that had been circulated to the Board.

After discussion it was agreed that there were no matters disclosed by the examination that appeared to warrant action on the part of the Board.

All members of the staff except Mr. Sherman then withdrew.

Call for condition reports. The heads of the three Federal bank supervisory agencies having selected the close of business October 13, 1965, as the date for the third call for reports of condition by insured banks within the calendar year 1965, the Board authorized by unanimous vote the sending of a telegram today to the Presidents of all Federal Reserve Banks requesting that a call be made on State member banks on October 19, 1965, for reports of condition as of the close of business October 13, 1965, on forms transmitted with the Board's letter of September 17, 1965.

Appointment of Chairman and Class C director. Chairman Martin noted that Chairman Reed of the Federal Reserve Bank of New York would have completed six years of service as Chairman and Class C director at the end of this year. He suggested that Deputy Chairman Everett N. Case might be designated Chairman for the year 1966, and that as a replacement for Mr. Case as Deputy Chairman the Board might appoint Albert L. Nickerson, Chairman of the Board, Socony Mobil Oil Company, Inc., and

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presently a Class B director of the New York Bank. Chairman Martin said he knew that Mr. Nickerson was extremely busy at the present time, but he thought that if the Board was so inclined it would be worth while to explore whether he would accept the appointment.

After the other members of the Board had expressed themselves favorably as to the designation of Mr. Case as Chairman of the New York Bank for 1966, Chairman Martin was authorized to ascertain whether, if so appointed, Mr. Nickerson would be willing to serve as Class C director and Deputy Chairman of the Bank beginning January 1, 1966.

Secretary's Note: Subsequently, Chairman Martin reported that Mr. Nickerson would not be able to serve in the capacity that had been suggested.

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:

Letters to the Federal Reserve Bank of San Francisco (attached Items 6 and 7) approving the appointment of Armando L. DePizzol and Roy A. Remedios as assistant examiners.

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

Appointment

Mary Ann Edgar as Secretary, Office of the Secretary, with basic annual salary at the rate of \$5,330, effective the date of entrance upon duty.

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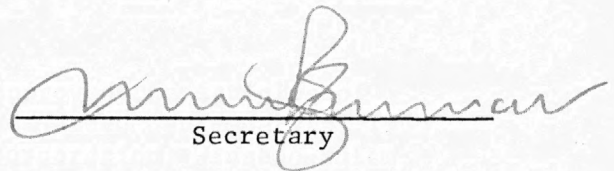
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Acceptance of resignation

Sally Louise Hayes, Secretary, Division of Research and Statistics, effective at the close of business October 22, 1965.

Permission to engage in outside activity

John A. Marlin, Economist, Division of International Finance, to deliver lectures on Contemporary Africa at the Catholic University of America.



Secretary

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 14, 1965



Mr. John F. Watlington, Jr., President,
Wachovia Bank and Trust Company,
Winston-Salem, North Carolina. 27102

Dear Mr. Watlington:

The Board of Governors has approved the Articles of Association and Organization Certificate dated September 16, 1965, of Wachovia International Investment Corporation, Winston-Salem, North Carolina, 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, treasurer, 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 treasurer 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

October 14, 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 September 16, 1965, and the Organization Certificate dated September 16, 1965, of WACHOVIA INTERNATIONAL INVESTMENT CORPORATION duly filed with said Board of Governors, and that WACHOVIA INTERNATIONAL INVESTMENT 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.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 2
10/14/65

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 14, 1965

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

Dear Mr. Randall:

Reference is made to your letter of September 21, 1965, concerning the application of First Western State Bank of Minot, Minot, North Dakota, 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) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.





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

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Item No. 3
10/14/65

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 14, 1965

Board of Directors,
Gateway National Bank of St. Louis,
St. Louis, Missouri.

Gentlemen:

With reference to your request submitted through the Federal Reserve Bank of St. Louis, the Board of Governors, acting under the provisions of Section 19 of the Federal Reserve Act, grants permission to the Gateway National Bank of St. Louis to maintain the same reserves against deposits as are required to be maintained by nonreserve city banks, effective with the first biweekly reserve computation period beginning after the date of this letter.

Your attention is called to the fact that such permission is subject to revocation by the Board of Governors.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 4
10/14/65



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 14, 1965.

The Chase Manhattan Bank
(National Association),
1 Chase Manhattan Plaza,
New York, New York. 10015

Gentlemen:

This will acknowledge your letter of September 9, 1965 (received September 14, 1965), advising pursuant to Regulation H and Regulation M, of your intention to establish three additional branches in the Virgin Islands at the following locations:

1. No. 24, Queens Street (Palm Passage)
Charlotte Amalie, St. Thomas;
2. Caravan Hotel
Nye Tvar Gude and Waterfront Streets
Charlotte Amalie, St. Thomas; and
3. Golden Roc Shopping Center
North and Old Centerline Roads
(Outskirts of Christiansted)
St. Croix.

Unless the branches are actually established and opened for business on or before November 1, 1966, it will be deemed that plans for their establishment have been abandoned, in which event authority to establish such branches under the notice furnished in your letter of September 9, 1965, will automatically terminate.

Please inform the Board of Governors, through the Federal Reserve Bank of New York, when each branch is opened for business. The Board should also be promptly informed of any future change in location of the branches.

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. 5
10/14/65



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 14, 1965

Organization Committee,
Citizens Bank,
Smithville, Tennessee.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the application made on behalf of Citizens Bank, Smithville, Tennessee, for stock in the Federal Reserve Bank of Atlanta, effective if and when the bank opens for business under appropriate State authorization, subject to the numbered conditions hereinafter set forth.

1. Such bank at all times shall conduct its business and exercise its powers with due regard to the safety of its depositors, and, except with the permission of the Board of Governors of the Federal Reserve System, such bank shall not cause or permit any change to be made in the general character of its business or in the scope of the corporate powers exercised by it at the time of admission to membership.
2. The net capital and surplus funds of such bank shall be adequate in relation to the character and condition of its assets and to its deposit liabilities and other corporate responsibilities.
3. At the time of admission to membership, such bank shall have paid-in and unimpaired capital stock of not less than \$100,000, and other capital funds of not less than \$160,000.

In connection with the foregoing conditions of membership, particular attention is called to the provisions of the Board's Regulation H, regarding membership of State banking institutions in the Federal Reserve System, with especial reference to Section 208.7 thereof. A copy of the regulation is enclosed.

It is noted that upon receiving permission from the State Banking Department the bank may exercise fiduciary powers; however, it is understood that the bank does not plan to exercise such powers upon admission to membership. Should the bank at any future time desire to exercise any powers not exercised at the time of admission to membership it will be necessary, under condition of membership numbered 1, to obtain permission of the Board of Governors.

If at any time a change in or amendment to the bank's charter is made, the bank should advise the Federal Reserve Bank, furnishing copies of any documents involved, in order that it may be determined whether such change affects in any way the bank's status as a member of the Federal Reserve System.

Acceptance of the conditions of membership contained in this letter should be evidenced by a resolution adopted by the board of directors after the bank's charter has been issued and a certified copy of such resolution should be transmitted to the Federal Reserve Bank. Arrangements will thereupon be made to accept payment for an appropriate amount of Federal Reserve Bank stock, to accept the deposit of the required reserve balance, and to issue the appropriate amount of Federal Reserve Bank stock to the bank.

The time within which admission to membership in the Federal Reserve System in the manner described may be accomplished is limited to 30 days from the date of this letter, unless the bank applies to the Board and obtains an extension of time. When the Board is advised that all of the requirements have been complied with and that the appropriate amount of Federal Reserve Bank stock has been issued to the bank, the Board will forward to the bank a formal certificate of membership in the Federal Reserve System.

The Board of Governors sincerely hopes that you will find membership in the System beneficial and your relations with the Reserve Bank pleasant. The officers of the Federal Reserve Bank will be glad to assist you in establishing your relationships with the Federal Reserve System and at any time to discuss with representatives of your bank means for making the services of the System most useful to you.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.

Enclosure.

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

Item No. 6
10/14/65



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 15, 1965

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

Dear Mr. Galvin:

In accordance with the request contained
in your letter of October 7, 1965, the Board approves
the appointment of Armando L. DePizzol as an assistant
examiner for the Federal Reserve Bank of San Francisco,
effective today.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.



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

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Item No. 7
10/14/65

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 15, 1965

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

Dear Mr. Galvin:

In accordance with the request contained in Mr. Davenport's letter of October 11, 1965, the Board approves the appointment of Roy A. Remedios as an assistant examiner for the Federal Reserve Bank of San Francisco, effective today.

It is noted that Mr. Remedios owns 30 shares of The Bank of America, NT&SA, San Francisco, California. Accordingly, the Board's approval of the appointment of Mr. Remedios is given with the understanding that he dispose of the stock no later than 30 days from today's date.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.