

Minutes for October 25, 1965

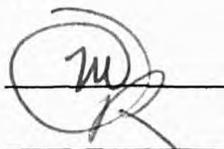
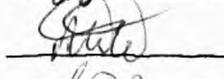
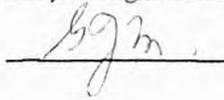
To: Members of the Board

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 Monday, October 25, 1965. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Robertson, Acting Chairman
Mr. Shepardson
Mr. Daane
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. Cardon, Legislative Counsel
Mr. Fauver, Assistant to the Board
Mr. Solomon, Director, Division of Examinations
Miss Eaton, General Assistant, Office of the
Secretary
Mr. Morgan, Staff Assistant, Board Members'
Offices
Mr. Furth, Consultant

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

Messrs. Hersey, Katz, Sammons, Reynolds, and
Baker 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 were distributed affording perspective on the money and capital markets.

Mr. Koch commented on recent operations of the Trading Desk. He also mentioned that there had been distributed to the Board under date of October 21, 1965, a memorandum summarizing recent experience in estimating net borrowed reserves, which he thought would clarify

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the record somewhat and on which the staff invited questions from the members of the Board.

After a general discussion of the reports, all members of the staff except Messrs. Sherman, Kenyon, Young, Molony, Cardon, Fauver, Solomon (Examinations), and Sammons, and Miss Eaton withdrew and the following entered the room:

Mr. Hackley, General Counsel
 Mr. O'Connell, Assistant General Counsel
 Mr. Leavitt, Assistant Director, Division of Examinations
 Mr. Forrestal, Senior Attorney, Legal Division
 Mr. Heyde, 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 following Federal Reserve Banks on October 21, 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 the respective Banks: New York, Philadelphia, Chicago, and San Francisco.

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

Item No.

1

Letter to Chase International Investment Corporation, New York, New York, granting consent to the acquisition of shares of a Western Hemisphere trade corporation to be known as Estano Aluvial, S.A. 1/

1/ The letter, as approved, reflected certain changes suggested at this meeting in the draft that had been distributed.

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Item No.

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| Letter to The Rittman Savings Bank, Rittman, Ohio, approving (1) the establishment of a branch on North Main Street near the Rittman Shopping Center and (2) an additional investment in bank premises. | 2 |
| Letter to Central Savings Bank and Trust Company, Monroe, Louisiana, approving the establishment of a branch at 401 North Fourth Street. | 3 |
| Letter to Security Bank and Trust Company, Lincoln Park, Michigan, approving the establishment of a branch at 1673 Fort Street. | 4 |
| Letter to Southern Arizona Bank & Trust Company, Tucson, Arizona, approving the establishment of a branch at 3667 East Grant Road. | 5 |

Report on competitive factors (Martinsville-Stuart, Virginia).

Unanimous approval was given to the transmittal to the Comptroller of the Currency of a report on the competitive factors involved in the proposed merger of Patrick County Bank, Stuart, Virginia, into The First National Bank of Martinsville and Henry County, Martinsville, Virginia. The conclusion read as follows:

The proposed merger of Patrick County Bank, Stuart, into The First National Bank of Martinsville and Henry County, Martinsville, would eliminate a small amount of competition which exists between the two banks. Effectuation of the proposal would change, to some extent, the nature of banking competition in Stuart. The First National Bank of Stuart, which now competes locally with Patrick Bank, of comparable size, would thereafter be in direct competition with a branch of a substantially larger bank.

Bank of Dublin matter (Item No. 6). In a distributed memorandum dated October 22, 1965, Mr. Hackley noted that on October 4, 1965, the

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Board granted a request of The First Virginia Corporation, Arlington, Virginia, for access to the confidential sections of certain examination reports of the Bank of Dublin, Dublin, Virginia, which was now merged into a subsidiary of First Virginia Corporation, in connection with the latter's effort to establish its claim under a bankers blanket bond issued to the Bank of Dublin. In requesting access to the confidential sections, First Virginia Corporation had agreed not to cite or quote, or otherwise reveal, any of the information therein without first obtaining authorization from the Board. In a letter of October 21, First Virginia requested authority to quote in its proof of loss to be filed with the bonding company a question from the officers' questionnaire, included in the confidential section of the examination reports, and the response furnished by the executive vice president of Bank of Dublin. The question in effect asked for a listing of loans made for the accommodation of others than those whose names appeared on the bank's records, and the reply was "none." First Virginia did not propose to refer to the source of the quotation, but would merely use a description.

Governor Robertson suggested that a check be made to make sure that the reference in the confidential section was an exact quotation from the officers' questionnaire, and Mr. O'Connell said he would check this with the Federal Reserve Bank of Richmond.

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The request of First Virginia Corporation to quote the item in question in the manner indicated then was granted. A copy of the letter sent to First Virginia Corporation is attached as Item No. 6.

Request for copies of applications (Item No. 7). In a distributed memorandum dated October 13, 1965, the Legal Division reported that in a letter dated August 13, 1965, transmitted through the Federal Reserve Bank of Atlanta, Mr. James B. McDonough, Jr., an attorney in Tampa, Florida, had requested copies of applications filed by the First National Bank of Tampa and the Union Security and Investment Company, both of Tampa, Florida, with respect to the acquisition of voting stock to be issued by Second National Bank of Tampa, Tampa, Florida, a then proposed new bank. These applications were approved by order of the Board dated May 18, 1964. At its meeting on September 15, 1965, the Board adopted an amendment to its Rules of Procedure providing that "Unless the Board shall otherwise direct, each holding company and merger application received subsequent to October 30, 1965, shall be made available for inspection by the public except for portions thereof as to which the Board determines that disclosure would not be in the public interest." Therefore, the applications in question were technically subject to the Board's previous rule that in the absence of an order for a public proceeding such an application was not available for inspection by the public except in circumstances in which the Board deemed such disclosure to be in the public interest. No public hearing

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or presentation was ordered in connection with the applications sought by Mr. McDonough.

In the opinion of the Legal Division at least two arguments, as set forth in the memorandum, could support denial of the request, but other arguments would support granting the request. On balance the Division recommended granting the request.

The request for access to the applications was approved unani- mously, together with a letter to Mr. McDonough in the form attached to these minutes as Item No. 7.

Request was also made in the October 13 memorandum that the Board grant to the staff a continuing authorization to receive and determine similar requests for access to applications filed with and acted upon by the Board prior to October 30, 1965. Under such an authorization the staff would assume the responsibility in each instance of reviewing the application so as to protect against release of any material considered to be of a confidential nature.

The continuing authorization was granted, with the under- standing that any unusual situation would be brought to the atten- tion of the Board.

The meeting then adjourned.

Secretary's Notes: On October 22, 1965,
Governor Shepardson approved on behalf
of the Board the following items:

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Letter to the Federal Reserve Bank of New York (attached Item No. 8) approving the appointment of William H. Braun, Jr., as examiner.

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

Appointment

Constance I. Stokes as Stenographer, Division of Personnel Administration, with basic annual salary at the rate of \$4,005, effective the date of entrance upon duty.

Salary increases

Patricia A. Schoen, Stenographer, Division of Research and Statistics, from \$4,630 to \$5,000 per annum, with a change in title to Secretary, effective October 24, 1965.

Jacqueline Schuster, Statistical Clerk, Division of Data Processing, from \$5,660 to \$6,060 per annum, with a change in title to Digital Computer Programmer, effective October 24, 1965.

Transfer

Denise C. Blackburn, from the position of Statistical Clerk in the Division of Research and Statistics to the position of Statistical Assistant in the Division of International Finance, with an increase in basic annual salary from \$4,480 to \$5,000, effective November 7, 1965.

Governor Shepardson today approved on behalf of the Board a letter to the Bureau of the Budget (attached Item No. 9) forwarding certain schedules for calendar years 1964, 1965, and 1966, for use in making a presentation on a memorandum basis of data on the financial operations of the Board of Governors in a separate section of the 1967 Federal budget document.


Secretary

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



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 25, 1965.

Chase International Investment Corporation,
1 Chase Manhattan Plaza,
New York, New York. 10005

Gentlemen:

In accordance with the request contained in your letter of July 19, 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 approximately 8 per cent of the common shares of a Western Hemisphere trade corporation to be known as Estano Aluvial, S.A., at a cost of approximately US\$333,000, provided such stock is acquired within one year from the date of this letter.

It is the Board's understanding that Estano Aluvial, S.A., will not (1) engage in the business of underwriting, selling, or distributing securities in the United States nor (2) engage in the general business of buying or selling goods, wares, merchandise, or commodities in the United States or transact any business in the United States except such as may be incidental to its international or foreign business.

The foregoing consent is given with the understanding that the foreign loans and investments of your Corporation, combined with those of The Chase Manhattan Bank (National Association) and Chase Manhattan Overseas Banking Corporation, including the investment now being approved, do 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



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 25, 1965

Board of Directors,
The Rittman Savings Bank,
Rittman, Ohio.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by The Rittman Savings Bank, Rittman, Ohio, of a branch on North Main Street near the Rittman Shopping Center, Rittman, Ohio, provided the branch is established within six months from the date of this letter.

The Board of Governors also approves, under the provisions of Section 24A of the Federal Reserve Act, an additional investment in bank premises of \$40,000 for the purposes of acquiring land and for the construction of a building thereon in which the proposed branch will be located.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.

(The letter to the Reserve Bank stated that the Board also had approved a six-month extension of the period allowed to establish the branch; and that if an extension should be requested, the procedure prescribed in the Board's letter of November 9, 1962 (S-1846), should be followed.)

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

Item No. 3
10/25/65

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 25, 1965



Board of Directors,
Central Savings Bank and Trust Company,
Monroe, Louisiana.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Central Savings Bank and Trust Company, Monroe, Louisiana, of a branch at 401 North Fourth Street, Monroe, Louisiana, provided the branch is established within six months from the date of this letter.

Very truly yours,
(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.

(The letter to the Reserve Bank stated that the Board also had approved a six-month extension of the period allowed to establish the branch; and that if an extension should be requested, the procedure prescribed in the Board's letter of November 9, 1962 (S-1846), should be followed.)

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

Item No. 4
10/25/65

**ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD**

October 25, 1965

Board of Directors,
Security Bank and Trust Company,
Lincoln Park, Michigan.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Security Bank and Trust Company, Lincoln Park, Michigan, of a branch at 1673 Fort Street, Lincoln Park, Michigan, provided the branch is established within six months from the date of this letter.

Very truly yours,

(Signed) Karl E. Bakke

**Karl E. Bakke,
Assistant Secretary.**

(The letter to the Reserve Bank stated that the Board also had approved a six-month extension of the period allowed to establish the branch; and that if an extension should be requested, the procedure prescribed in the Board's letter of November 9, 1962 (S-1846), should be followed.)

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

Item No. 5
10/25/65



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 25, 1965

Board of Directors,
Southern Arizona Bank & Trust Company,
Tucson, Arizona.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Southern Arizona Bank & Trust Company, Tucson, Arizona, of a branch at 3667 East Grant Road, Tucson, Arizona, provided the branch is established within one year from the date of this letter.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.

(The letter to the Reserve Bank stated that the Board also had approved a six-month extension of the period allowed to establish the branch; and that if an extension should be requested, the procedure prescribed in the Board's letter of November 9, 1962 (S-1846), should be followed.)

Item No. 6
10/25/65

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 25, 1965.



The First Virginia Corporation,
2924 Columbia Pike,
Arlington, Virginia. 22204

Attention Mr. Ralph A. Beeton, President

Gentlemen:

This refers to your letter of October 21, 1965, referring to the Board's letter of October 4, 1965, and requesting permission to quote in the Proof of Loss to be filed by First Virginia Corporation under a Bankers Blanket Bond issued to the Bank of Dublin, Incorporated, Dublin, Virginia, an item cited at page E(1)-(c) of the confidential section of the report of examination of the Bank of Dublin as of May 3, 1965, by the Federal Reserve Bank of Richmond, specifically Item 15 of the "Officers' Questionnaire" and the response made by Executive Vice President Evans of the Bank of Dublin to that item.

It is understood that, if such permission is granted, First Virginia Corporation's Proof of Loss would include a description along the following lines set forth in your letter of October 21, 1965:

"On the occasion of the examination of the Bank of Dublin by the Federal Reserve Bank of Richmond as of January 25, 1965 and May 3, 1965, the following question was submitted in writing to Mr. Evans: 'List loans, advances, and other extensions of credit made since last examination for accommodation of others than those whose names appear on bank's records or on notes or credit instruments in connection with such loans, advances and extensions.' Mr. Evans' written response to the above question was on each occasion, 'None'."

In the circumstances attending this matter and for reasons similar to those for which the Board, in its letter of October 4, 1965, granted access by First Virginia Corporation to the confidential portions

The First Virginia Corporation

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of the January 25 and May 3, 1965, reports of examination of the Bank of Dublin, the Board now grants to First Virginia Corporation permission to quote Item 15, and the response thereto, for the purposes and in the manner indicated in your letter.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Merritt Sherman", with a long, sweeping flourish extending to the right.

Merritt Sherman,
Secretary.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 7
10/25/65



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 25, 1965.

James B. McDonough, Jr., Esq.,
MacFarland, Ferguson, Allison and Kelly,
612 Florida Avenue,
P. O. Box 1531,
Tampa, Florida. 33801

Dear Mr. McDonough:

Further reference is made to your letter of August 13, 1965, wherein you request that the Board make available to you copies of the applications filed by the First National Bank of Tampa and the Union Security and Investment Company, both of Tampa, Florida, for approval of the acquisition of 80 per cent or more of the voting stock to be issued by Second National Bank of Tampa, Tampa, Florida, a proposed new bank.

The Board has approved your request and has directed its staff to have copies of the applications reproduced. When completed, the reproduced copies will be forwarded together with a statement of the cost to you for such reproduction.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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Item No. 8
10/25/65

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

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 22, 1965

Mr. Alfred Hayes, President,
Federal Reserve Bank of New York,
New York, New York. 10045

Dear Mr. Hayes:

In accordance with the request contained in your letter of October 20, 1965, the Board approves the appointment of William H. Braun, Jr. as an examiner for the Federal Reserve Bank of New York, effective today.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.



10/25/65

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 25, 1965



The Honorable Charles L. Schultze
Director
Bureau of the Budget
Washington, D. C. 20503

Dear Mr. Schultze:

We are forwarding herewith the following schedules for 1964, 1965 and 1966, for use in making a presentation on a memorandum basis of data on the financial operations of the Board of Governors in a separate section of the 1967 Federal budget document.

1. Salaries and Expenses by object classification
2. Program and Financing
3. Personnel Summary
4. Revenue, Expense and Retained Earnings
5. Balance Sheets

There is also enclosed a brief summary statement of the basic legislation under which the Board operates, its program, and its financing.

It should be noted that 1965 and 1966 data have been taken from preliminary budgets submitted by our operating divisions. These budgets will be reviewed by the Board and should any significant changes result from this review, revised tables will be submitted.

Members of the Board's staff have worked with representatives of the Bureau in developing the above statements, and it is understood that they contain the type of data desired.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman
Secretary.

Enclosures