

Minutes for October 26, 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> we </u>
Gov. Robertson	<u> R </u>
Gov. Balderston	<u> CCB </u>
Gov. Shepardson	<u> [Signature] </u>
Gov. Mitchell	<u> [Signature] </u>
Gov. Daane	<u> [Signature] </u>
Gov. Maisel	<u> SGM </u>

Minutes of a meeting of the available members of the Board of Governors of the Federal Reserve System on Tuesday, October 26, 1965.

The meeting was held in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Molony, Assistant to the Board
Mr. Fauver, Assistant to the Board
Mr. Hackley, General Counsel
Mr. Farrell, Director, Division of Bank Operations
Mr. Solomon, Director, Division of Examinations
Mr. Kakalec, Controller
Mr. Sammons, Adviser, Division of International Finance
Mr. Kiley, Assistant Director, Division of Bank Operations
Mr. Leavitt, Assistant Director, Division of Examinations
Miss Eaton, General 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

The following actions were taken subject to ratification at the next meeting of the Board at which a quorum was present:

Discount rates. The establishment without change by the Federal Reserve Bank of Boston on October 25, 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.

Foreign investment (Item No. 1). Unanimous approval was given to a letter to Citizens and Southern International Corporation, Atlanta,

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Georgia, granting consent to the acquisition of shares of Corporacion Financiera del Valle, Cali, Colombia. A copy is attached as Item No. 1.

Reports on competitive factors. There had been distributed a draft of report to the Comptroller of the Currency on the competitive factors involved in the proposed merger of The Merchants National Bank of Hampton, Hampton, Virginia, and Bank of Phoebus, Hampton, Virginia, into Virginia National Bank, Norfolk, Virginia.

After discussion, unanimous approval was given to the transmittal of a report to the Comptroller containing a conclusion in the following form:

Consummation of the proposed transactions would eliminate a considerable amount of competition existing between The Merchants National Bank of Hampton and Bank of Phoebus, Hampton, and some competition existing between Virginia National Bank, Norfolk, and the two Hampton banks.

Consummation of the proposals would enhance Virginia National's dominant position in the overall Hampton Roads area, and further increase concentration of banking resources in the Newport News-Hampton area in four large banking organizations.

The overall effect of the proposed mergers on competition is clearly adverse.

There had also been distributed a draft of report to the Comptroller of the Currency on the proposed purchase of assets and assumption of liabilities of Century Bank of Chicago, Chicago, Illinois, by National City Bank in Chicago, Chicago, Illinois.

After discussion, unanimous approval was given to the transmittal to the Comptroller of a report containing a conclusion in the following form:

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Century Bank of Chicago and National City Bank in Chicago are not competing institutions. The volume of business that would be held by the resulting bank is insubstantial in the context of area banking resources, and the proposed transaction would have no adverse competitive effects.

Savings bond luncheons (Item No. 2). Question had been raised by the Savings Bonds Division of the Treasury Department as to whether the Board's views with respect to assistance by Federal Reserve Banks in paying the cost of savings bond luncheons were the same as had been indicated in past years, specifically in 1959 and 1961. A 25th anniversary drive was to take place in the first part of 1966, and a considerable number of luncheons were being planned by State and area chairmen in this connection. As a specific illustration, a luncheon for approximately 450 leaders in industry was being planned for New York City in January.

A memorandum from Mr. Sherman dated October 26, 1965, which had been distributed, pointed out that the general view expressed in a letter from Chairman Martin to the then Under Secretary of the Treasury on November 30, 1959, and reaffirmed by the Board in October 1961, was that it would be appropriate for the Reserve Banks to pay for luncheons in a few cities in their districts or preferably to give such luncheons in Reserve Bank facilities where feasible. However, the Board also expressed the view that the Treasury should first attempt to obtain private sponsors for such luncheons. In 1961 the Board further stated that, while it would be undesirable for Reserve Bank Presidents to serve as co-chairmen

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or members of regional campaign committees, it would be appropriate for them to assist in such ways as arranging programs for the savings bond drives. Attention was called to the fact that Reserve Bank expenditures for savings bond luncheons were reported by the Board in its Annual Reports.

After discussion, there was general agreement with a suggestion that the views expressed in 1959 and 1961 be modified so as to state that it would be appropriate for the Reserve Banks to absorb the cost of such smaller savings bond luncheons as could be arranged on Reserve Bank premises but that it would be inappropriate for the Reserve Banks to pay the cost of larger luncheons arranged outside the Banks. It was understood that a letter reflecting the foregoing view would be sent to the Secretary of the Treasury and that the Federal Reserve Banks would be advised of the position stated in such letter. A copy of the letter subsequently sent to the Secretary of the Treasury is attached as Item No. 2.

The meeting then adjourned.

Secretary's Notes: Pursuant to the understanding at the meeting on October 20, 1965, there was sent today, over the signature of Vice Chairman Balderston, a letter to Mr. Howard J. Stoddard, Chairman of the Board of Michigan National Bank, Lansing, Michigan, regarding his request for an opportunity to discuss with the Board pending legislation that would permit the establishment and operation of certain branches by Michigan National Bank. A copy of the letter is attached as Item No. 3.

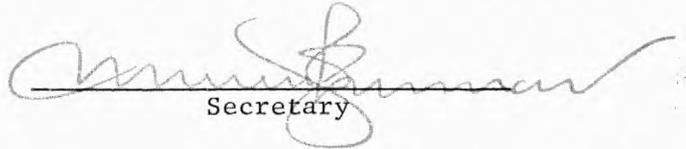
Governor Shepardson today approved on behalf of the Board the following items:

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Memorandum from Norma L. Neitzey, Secretary, Legal Division,
requesting permission to work for a local law office on a part-time
basis.

Letter to the Federal Reserve Bank of San Francisco (attached Item
No. 4) approving the appointment of Raymond V. Haws as assistant examiner.



Secretary

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

Item No. 1
10/26/65



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 26, 1965.

Citizens and Southern
International Corporation,
Marietta at Broad,
Atlanta, Georgia. 30302

Gentlemen:

In accordance with the request contained in your letter of September 22, 1965, transmitted through the Federal Reserve Bank of Atlanta, and on the basis of the information furnished, the Board of Governors grants consent for Citizens and Southern International Corporation to purchase and hold 250,000 shares of capital stock of Corporacion Financiera del Valle, Cali, Colombia, at a cost of approximately US\$198,000, provided such stock is acquired within one year from the date of this letter.

The foregoing consent is given with the understanding that the total amount of foreign loans and investments of your Corporation, combined with those of The Citizens and Southern National Bank and its affiliates, including the investment now being approved, will not be affected by this transaction.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 2
10/26/65

OFFICE OF THE VICE CHAIRMAN

November 2, 1965.



The Honorable Henry H. Fowler,
Secretary of the Treasury,
Washington, D. C. 20220.

Dear Joe:

The Savings Bonds Division of the Treasury Department, as well as one of the Reserve Banks, has raised a question as to the Board's views with respect to payment by the Federal Reserve Banks of the costs of savings bond luncheons to be given during the 25th Anniversary drive in the first few months of 1966. Specifically, question has been raised as to whether it would be appropriate for the Federal Reserve Bank of New York to pay the costs of a luncheon to be given for approximately 450 representatives of business and financial concerns.

The Board will be happy to have the Reserve Banks cooperate in giving luncheons to the extent that they can be arranged within the facilities of the Reserve Banks or their branches and, of course, within the limitations that the individual Banks believe are appropriate in their particular Districts. However, the Board does not believe that it is desirable or appropriate for the System to pay the costs of savings bond luncheons that cannot be given within the Banks' own facilities.

As in the past, the Reserve Bank Presidents will be glad to assist in arranging programs or serving as speakers or participants on panels, and they will be available for advice and counsel. For the same reasons that existed when Chairman Martin wrote to Under Secretary Baird on November 30, 1959, we think it would be undesirable for the Presidents to serve as co-chairmen or members of regional campaign committees.

With all good wishes,

Sincerely yours,

(Signed) Canby

C. Canby Balderston,
Vice Chairman.

Item No. 3
10/26/65BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

OFFICE OF THE VICE CHAIRMAN

October 26, 1965.



Mr. Howard J. Stoddard,
Chairman of the Board,
Michigan National Bank,
Lansing, Michigan.

Dear Mr. Stoddard:

This is in reply to your letter to Chairman Martin of September 17, 1965, in which you request an opportunity to discuss with the Board the bill, S. 308, concerning which the Board's views were expressed in a letter to the Senate Banking and Currency Committee dated September 8, 1965.

As you know, the Board has no jurisdiction to resolve the question of a possible legal error on the part of the Comptroller of the Currency in 1940. This question would appear to be properly a matter for determination by the Congress through its consideration of legislation such as has been introduced on behalf of your bank.

Thus, it seems doubtful whether any real purpose would be served by a meeting of the kind you have suggested. At the same time, the Board is, of course, willing to receive the views of member banks on matters that are of concern to them. Accordingly, if you continue to feel that a meeting with the members of the Board would be helpful, such a meeting will be arranged at some mutually convenient time, and the Secretary of the Board would be glad to discuss possible dates with you.

Sincerely yours,

(Signed) C. C. Balderston

C. Canby Balderston,
Vice Chairman.

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

Item No. 4
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ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 26, 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 20, 1965, the Board approves the appointment of Raymond V. Haws 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.