

Minutes for November 15, 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.

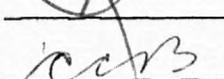
It is not proposed to include a statement with respect to any of the entries in this set of minutes in the record of policy actions required to be maintained pursuant to section 10 of the Federal Reserve Act.

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.

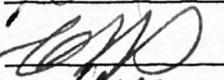
Chm. Martin



Gov. Robertson



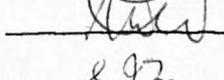
Gov. Balderston



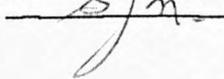
Gov. Shepardson



Gov. Mitchell



Gov. Daane



Gov. Maisel

Minutes of the Board of Governors of the Federal Reserve System on Monday, November 15, 1965. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Balderston, Vice Chairman
Mr. Robertson
Mr. Mitchell
Mr. Maisel

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Young, Senior Adviser to the Board and
Director, Division of International Finance
Mr. Solomon, Adviser 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. Furth, Consultant

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

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

Money market review. Mr. Bernard presented a review of developments in the Government securities market and Mr. Gemmill summarized foreign exchange market developments. Tables were distributed affording perspective on the money market and on bank reserve utilization; also a table, concerning which Mr. Gemmill commented, showing the Federal Reserve System's net position (spot and forward) in foreign currencies on selected dates.

After a general discussion based on the staff presentations, all members of the staff except Messrs. Sherman, Kenyon, Young, Cardon,

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Fauver, Brill, Solomon (Examinations), and Irvine and Miss Eaton withdrew and the following entered the room:

Mr. Hackley, General Counsel
Mr. Farrell, Director, Division of Bank Operations
Mr. Johnson, Director, Division of Personnel Administration
Mr. O'Connell, Assistant General Counsel
Mr. Hooff, Assistant General Counsel
Mr. Smith, Associate Adviser, Division of Research and Statistics
Mr. Daniels, Assistant Director, Division of Bank Operations
Mr. Kiley, Assistant Director, Division of Bank Operations
Mr. Leavitt, Assistant Director, Division of Examinations
Mr. Morgan, Staff Assistant, Board Members' Offices
Mr. Collier, Assistant to the Director, Division of Bank Operations
Mr. Egertson, Supervisory Review Examiner, Division of Examinations
Mr. Hart, Assistant to the Director, Division of Personnel Administration

Ratification of actions. Actions taken at the meeting of the available members of the Board on Wednesday, November 10, 1965, as recorded in the minutes of that meeting, were ratified by unanimous vote.

Discount rates. The establishment without change by the Federal Reserve Banks of Cleveland and Kansas City on November 10, by the Federal Reserve Banks of Richmond and Dallas on November 11, and by the Federal Reserve Bank of St. Louis on November 12, 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.

Reports on competitive factors. Unanimous approval was given to the transmittal to the Federal Deposit Insurance Corporation of a

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report on the competitive factors involved in the proposed merger of Clarkston State Bank, Clarkston, Michigan, into Pontiac State Bank, Pontiac, Michigan, in a form in which the conclusion read as follows:

The communities of Pontiac and Clarkston are only 10 miles apart and Pontiac State Bank has a branch 3 miles from Clarkston, which is to be moved even nearer. Obviously, consummation of the proposed merger of Pontiac State Bank and Clarkston State Bank will eliminate the existing and potential competition between them. However, it is to be noted that the service areas are also served by larger banks than either of the proponents, and there is little likelihood of adverse competitive effects on other banks.

After discussion at the meeting on November 8, 1965, of a draft of report to the Federal Deposit Insurance Corporation on the competitive factors involved in the proposed merger of Peoples Bank, Los Angeles, California, into Manufacturers Bank, also of Los Angeles, the Board asked the Division of Examinations to obtain information on reasons why applications by Manufacturers Bank for a branch in Beverly Hills were twice denied by supervisory authorities.

On the basis of information received from the Federal Reserve Bank of San Francisco, Mr. Solomon now suggested that the following two paragraphs be included in the body of the report:

On three different occasions Manufacturers has filed an application to establish a branch in Beverly Hills near the intersection of Wilshire and Santa Monica Boulevards, which is about 1-1/2 miles from the site of Peoples' office. One application was withdrawn, one was denied by State authorities on the ground that approval would tend toward over-banking in the area, and the third application is pending.

The area in the vicinity of the intersection of Wilshire and Santa Monica Boulevards contains numerous banking offices. Directly between Manufacturers' proposed branch and Peoples'

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sole office is an office of Bank of America; also there are other bank offices situated generally between these two offices. There is no other bank office in the immediate vicinity of Peoples. Were Manufacturers given permission to establish the requested branch there would be some overlap in the area served by that branch and the area served by Peoples. There would then be some competition, although probably only minor, between these two offices.

Unanimous approval then was given to the transmittal to the Federal Deposit Insurance Corporation of a report including the foregoing paragraphs and containing the following conclusion:

While the proposed merger of Manufacturers Bank and Peoples Bank, both of Los Angeles, would eliminate a small amount of competition between them, its overall effect on competition in the Los Angeles area would not be adverse.

Telegraphic transfers of funds (Item No. 1). Mr. Farrell summarized reasons underlying the proposal discussed in a circulated memorandum from the Division of Bank Operations dated November 2, 1965, for the establishment by the Federal Reserve Banks of uniform closing hours for interdistrict telegraphic transfers of funds. Such a proposal had been approved by the Presidents' Conference at its meeting on September 27, 1965.

The Board concurred in the proposal, and unanimous approval was given to a letter to the Federal Reserve Banks reflecting this concurrence. A copy is attached as Item No. 1.

Cincinnati Branch building (Item No. 2). There had been circulated a memorandum from the Division of Bank Operations dated November 1, 1965, in which reference was made to a letter dated

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October 15, 1965, from President Hickman of the Federal Reserve Bank of Cleveland presenting information on property purchased or under purchase agreement as a site for a new Cincinnati Branch building. The letter described plans for the building and requested authorization for the architects to proceed with the schematic design and design development phases of planning for the project. A draft of reply was submitted that would authorize the Bank to proceed with the preparation of preliminary plans and outline specifications, with the understanding, however, that the schematic design studies, including simple floor-plan drawings and sketches of building elevations, would be submitted for review by the Board's consulting architect and the Division of Bank Operations before the architects completed the preliminary plans and outline specifications.

In discussion, Mr. Farrell commented that the essential question to be decided was whether the Board wanted to authorize the Reserve Bank to go ahead with the construction of a new building. The proposed letter simply provided for the submission of drawings and sketches of the building. However, if the Board approved going even that far, the action would amount to tacit approval of the project.

After further discussion, unanimous approval was given to the letter to the Federal Reserve Bank of Cleveland. A copy is attached to these minutes as Item No. 2.

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Proposed survey of one-bank holding companies (Item No. 3).

A distributed memorandum from Mr. Cardon dated November 10, 1965, proposed that the Board undertake a survey of all banks to develop a list of one-bank holding companies that could be furnished to Chairman Robertson of the Senate Banking and Currency Committee. Attached to the memorandum was a copy of a letter from Chairman Robertson dated September 30, 1965, requesting a list of such companies that would be brought under the Bank Holding Company Act by S. 2353 and H.R. 7371. The memorandum brought out that the Board's only available list, prepared as of the end of 1963 and furnished to Chairman Patman of the House Banking and Currency Committee, had been submitted with a request that it be kept confidential because it was based in part on information taken from the confidential sections of examination reports. In view of the likelihood of Senate Committee hearings on holding company legislation, and in view of the interest that had been expressed by other members of the Congress in obtaining a list of one-bank holding companies, Mr. Cardon proposed a survey of all banks. According to an attached draft of letter to Chairman Robertson, the Board would request each bank to report the name of any corporation, business trust, association, or similar organization that owned 25 per cent or more of the voting shares of the bank. The banks would be advised that the survey was being made for the purpose of furnishing the Senate Banking and Currency Committee with a list of one-bank holding companies, and that it was expected that the list would be made public.

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In discussion, question was raised about the possibility of furnishing a list based on so-called section 301 determinations, but it was pointed out that such a list would include only a fraction of the companies that would be brought under the Bank Holding Company Act by the bills to which Senator Robertson had referred. In reply to another question, Mr. Cardon said conversations with the staff of the Senate Committee had indicated that Senator Robertson would have no objection to the inclusion in the Board's letter to the banks of a statement as to why the survey was being made.

Governor Mitchell then inquired why, if such a survey was made, the banks should not be asked also to report the names of any individuals owning 25 per cent or more of their shares. Similar questions were raised concerning the reporting of ownership of shares by partnerships and pension funds.

Mr. Cardon brought out that the language in the proposed letter to Senator Robertson was related to the definition of a bank holding company under the present law. None of the bills presently before the Congress would cover ownership of stock by individuals. While he could see no particular objection to broadening the scope of the survey to bring in any information the Board might want to have for its own purposes, he was concerned that the survey not get into the category of a long-term project.

After further discussion of matters such as complications with respect to the identification of individuals, Governor Robertson

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suggested that the survey request be kept simple by asking each bank merely to report any ownership of 25 per cent or more of the bank's shares. Then information responsive to Chairman Robertson's inquiry could be sorted out from the replies. As to the other information received, there would be less time pressure, and analysis of the information could proceed whenever feasible.

Chairman Martin then suggested that the Board authorize the survey, with the understanding that the precise scope of the inquiry would be worked out by Mr. Cardon and other members of the staff after further consideration in the light of the comments at this meeting. He noted that Mr. Cardon could bring the matter back to the Board if necessary.

Thereupon the survey was authorized, subject to the understanding stated by Chairman Martin.

Secretary's Note: Attached as Item No. 3 is a copy of the letter subsequently sent to the chief executive officer of each U.S. commercial bank. It was determined by Mr. Cardon from the staff of the Senate Banking and Currency Committee that no letter need be sent to Chairman Robertson at this time. Advice that the survey was being made was sent to the Comptroller of the Currency and the Chairman of the Federal Deposit Insurance Corporation.

Question re certificates of deposit (Item No. 4). In a distributed memorandum dated November 8, 1965, Mr. Hooff reported that The First Pennsylvania Banking and Trust Company, Philadelphia,

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Pennsylvania, had requested answers to two questions arising under Regulation Q, Payment of Interest on Deposits, in connection with the issuance of certificates of deposit. The first question was whether a bank could allow a depositor a 10-day "grace" period following each redemption date within which he might withdraw his funds where a time certificate--with an ultimate maturity of five years--permitted redemption 90 days after issuance or on any 90-day anniversary thereafter. The second question dealt with whether a bank could combine interest payments in a single check for certificates issued on various days in the same month, and in doing so anticipate interest up to one month, when a depositor held a number of "income" certificates purchased on different days.

The Board had substantially answered the first question in a published 1957 interpretation. The only difference was that in the earlier case the 10-day grace period was incorporated in the contract, whereas in the present case it would be permitted by agreement between the parties. However, now that interest at the maximum rate could be paid on 90-day certificates, the 10-day option was more significant than in 1957.

With respect to the second question, the maximum overpayment per year would be 17 cents on a \$1,000 deposit.

After comments by Mr. Hooff, unanimous approval was given to a letter to the Federal Reserve Bank of Philadelphia answering both

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of the member bank's questions in the affirmative. A copy of the letter is attached to these minutes as Item No. 4. The substance of the letter was sent to all Federal Reserve Banks.

Termination of Pueblo's designation as a reserve city (Items 5 and 6). A circulated memorandum from the Division of Bank Operations dated October 22, 1965, discussed a request for termination of the designation of Pueblo, Colorado, as a reserve city. The Division noted that this was the last of the so-called "grandfather clause" cases, under which it was possible for Pueblo to retain its status as a reserve city. The Colorado State legislature, at its last session, had repealed the statute that required State nonmember banks to maintain reserves in national banks located in cities designated as reserve cities. The two Pueblo reserve city banks then asked for permission to carry reduced reserves, but the Division of Bank Operations suggested to the Federal Reserve Bank of Kansas City that it obtain from one of these banks a request for termination of the designation of Pueblo as a reserve city. Such a request was forthcoming, along with letters from the other member banks indicating that they would have no objection.

As recommended by the Division, the designation of Pueblo as a reserve city was terminated, effective November 25, 1965. Attached as Item No. 5 is a copy of the notice published in the Federal Register; attached as Item No. 6 is a copy of a letter sent to the Federal Reserve Bank of Kansas City.

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Richmond salary structure (Item No. 7). A memorandum from the Division of Personnel Administration dated November 9, 1965, discussing employee salary structure revisions requested by the Federal Reserve Bank of Richmond for its head office and the Charlotte and Baltimore Branches had been distributed to the members of the Board. The Division's recommendation was favorable.

Unanimous approval was given to a letter to the Reserve Bank (copy attached as Item No. 7) approving the proposed salary structure revisions.

San Francisco National Bank matter (Item No. 8). There had been distributed copies of a letter from the President of the Federal Reserve Bank of San Francisco dated November 12, 1965, referring to the action entitled Federal Deposit Insurance Corporation v. A. M. R., Inc., et al. (involving the San Francisco National Bank), which had been the subject of previous correspondence between the Reserve Bank and the Board.

The letter noted that by telegram dated November 5, 1965, the Board had authorized the Reserve Bank to retain outside counsel to represent the Bank's position in the abovementioned action and in possible future actions that might arise in connection therewith, subject to the understanding that the Reserve Bank would advise the Board in advance of the general terms and fee basis of the proposed retention.

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The firm of Brobeck, Phleger & Harrison had now agreed to represent the Reserve Bank in all matters relating to the pending litigation and any related developments that might occur, including litigation that might be instituted against the Reserve Bank by any of the parties involved in the pending litigation. However, it had developed that the law firm would not set in advance, either on an hourly, per day, or other basis, an estimated fee for services to be rendered. The firm would only assure the Reserve Bank that the costs of the firm's services would be reasonably assessed and that such costs would reflect an equal value in services rendered.

After discussion of this point, Governor Robertson suggested that in the circumstances the retention of the law firm be authorized with the understanding that at the end of 1965, and at regular fixed intervals thereafter not to exceed quarter-of-year periods, a statement of costs would be rendered by the law firm to the Bank and forwarded to the Board for its information. There was agreement with Governor Robertson's suggestion.

The second question presented in the November 12 letter related to the position that should be taken by the Reserve Bank on "unpublished information of the Board" if such information should be sought from the Reserve Bank's officers in the course of depositions to be given in regard to the pending litigation. It was requested that the Board grant authorization to the Reserve Bank to disclose "unpublished

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information of the Board" to the extent that in the Bank's judgment such disclosure would not be adverse to the interests of the Board, the Reserve Bank, and the public. If such interests seemed to require nondisclosure, it would be the Reserve Bank's intention to request a determination from the Board as to whether the Board wished the Bank to continue in its effort to resist disclosure of the particular information.

A final question related to the matter of disclosing, in connection with the depositions, information or data relating to member banks other than San Francisco National Bank.

After comments on these two questions by Mr. O'Connell, Governor Robertson suggested that the Reserve Bank be authorized in its discretion to disclose any information, published or unpublished, that was pertinent to this particular litigation and was available to the Reserve Bank, but that the Reserve Bank be precluded, except with the prior specific approval of the Board, from disclosing any information with regard to any named member bank other than San Francisco National Bank. There was general agreement with Governor Robertson's suggestion.

Accordingly, unanimous approval was given to a letter to the Federal Reserve Bank of San Francisco in the form attached as Item No. 8.

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All members of the staff except Messrs. Sherman, Kenyon, Young, Fauver, Irvine, and Morgan then withdrew from the meeting.

Request for technical assistance. Mr. Young reported on a request from the Governor of the National Bank of Vietnam, received through the Federal Reserve Bank of New York and discussed in a distributed memorandum dated November 30, 1965, for the services of a senior economist for a period of one or two months to advise him on economic and financial problems currently under discussion. There was also in the picture a request through the Agency for International Development for an economist to go to Vietnam later for a more extended period.

After discussion it was agreed to explore the availability for the initial assignment of Frank Schiff of the Federal Reserve Bank of New York, currently on leave of absence to serve on the staff of the Council of Economic Advisers. As to the second assignment, it was understood that further thought would be given to possible candidates from within the System or otherwise.

Messrs. Young and Irvine then withdrew from the meeting.

Director appointments. It was agreed to ascertain through Chairman Bean of the Federal Reserve Bank of Minneapolis whether either Paul S. Gerot, Chairman of The Pillsbury Company, Minneapolis, Minnesota, or Donald C. Dayton, President of Dayton's Department Store,

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also of Minneapolis, would accept appointment if tendered as Class C director of the Minneapolis Reserve Bank for the three-year term beginning January 1, 1966, with the understanding that Messrs. Gerot and Dayton would be approached in the order of Chairman Bean's preference and that an appointment would be made if it developed that the individual approached by Chairman Bean was available.

It was reported that two persons previously considered for appointment as Class C director of the Federal Reserve Bank of Boston were not available. Accordingly, it was agreed to ascertain through the Chairman of the Boston Reserve Bank whether Charles Wesley Cole of Amherst, Massachusetts, would accept the appointment if tendered, with the understanding that if it were found that he would accept, the appointment would be made.

Secretary's Note: It having been ascertained that Mr. Cole would accept the appointment if tendered, an appointment wire was sent to him on November 18, 1965.

The meeting then adjourned.

Secretary's Notes: On November 12, 1965, Governor Robertson approved on behalf of the Board the sending of a telegram to the Federal Reserve Banks requesting them to pay to the Treasury on November 17, 1965, the eleventh and twelfth instalments of the special payment reflecting the Board's decision in late 1964 that the surplus accounts of the Federal Reserve Banks should be maintained at a level equal to 100 per cent of the paid-in capital of the respective Banks rather than 100 per cent of subscribed capital.

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Acting in the absence of Governor Shepardson, Governor Robertson approved on behalf of the Board on November 12, 1965, the following items:

Letter to Mrs. Jacqueline M. Dockery confirming arrangements for continuation of a course in Intermediate French for members of the Board's staff, as an activity of the Board's Employee Training and Development Program, at a fee of \$4 for each session conducted.

Memorandum from the Division of Research and Statistics dated November 5, 1965, recommending that William R. Fair, San Rafael, California, be appointed as Consultant to that Division effective to December 31, 1965, on a temporary contractual basis with compensation at the rate of \$75 per day for each day worked and with transportation expense and per diem when in travel status to be paid in accordance with the Board's travel regulations.

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

Acceptance of resignations

William A. Braxton, Supply Clerk, Division of Administrative Services, effective at the close of business November 12, 1965.

Barbara Ford, Stenographer, Division of International Finance, effective at the close of business November 12, 1965.

Acting in the absence of Governor Shepardson, Governor Robertson today approved on behalf of the Board the following items:

Letter to the Federal Reserve Bank of Chicago (attached Item No. 9) approving the appointment of Edward C. Teachout as assistant examiner.

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

Appointment

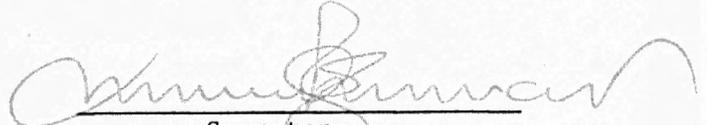
Sandra Greene as Assistant Review Examiner, Division of Examinations, with basic annual salary at the rate of \$9,573, effective the date of entrance upon duty.

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Salary increase

Catherine B. Davian, Secretary to Governor Maisel, from \$8,241 to \$8,495 per annum, effective November 21, 1965.


Secretary



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

Item No. 1
11/15/65
S-1975

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 15, 1965.

Dear Sir:

This refers to the establishment by the Reserve Banks of uniform closing hours for interdistrict telegraphic transfers of funds, as recommended in the September 1965 report of the Subcommittee on Cash, Leased Wire and Sundry Operations and approved, on the recommendation of the Committee of Miscellaneous Operations, by the Conference of Presidents at its meeting on September 27, 1965.

The Board concurs in this action of the Conference of Presidents, and the present instructions regarding closing hours for telegraphic transfers of funds contained in the Board's letter S-1615, dated December 28, 1956 (FRLS #3207) are amended as follows:

Requests for transfers - Closing hours

Requests for telegraphic transfers of funds for consummation on date of receipt should be accepted by Federal Reserve Banks up to 2:30 p.m. local time of the Federal Reserve Bank to which transfer is to be made, but in no case later than 3:00 p.m. local time of the Federal Reserve Bank from which the transfer is to be dispatched.

On infrequent occasions, any Reserve Bank or Branch might agree with any other Bank or Branch to accept up to a later hour individual requests for consummation on day of receipt if so authorized by the office receiving credit. Such exceptions should be limited to transfers to clear overdrafts and other emergency situations.

The Reserve Banks are expected to notify their member banks and others interested by revision of their pertinent operating circulars, with such accompanying explanation as may be desirable.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Merritt Sherman". The signature is written in dark ink and is positioned above the typed name.

Merritt Sherman,
Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 2
11/15/65



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 15, 1965

Mr. W. Braddock Hickman, President,
Federal Reserve Bank of Cleveland,
Cleveland, Ohio. 44101

Dear Mr. Hickman:

This refers to your letter of October 15, 1965, reporting acquisition of the Schmidt Building in Cincinnati and completion of an agreement with the City of Cincinnati for the purchase of land in the Central Business Core Project of the Urban Renewal Plan.

It is noted that the property occupied by the Schmidt Building is not in the area upon which it is planned to erect the new building for the Cincinnati Branch and that the building will be operated by the Bank under an agreement with Mr. Fred Christopher, who has managed the building for the past 11 years.

The Board of Governors authorizes your Bank to proceed with preparation of preliminary plans and outline specifications for the proposed new building for the Cincinnati Branch of your Bank. It is understood, however, that the schematic design studies, including simple floor-plan drawings and sketches of building elevations, will be submitted for review by the Board's consulting architect and the Division of Bank Operations before the architects complete preliminary plans and outline specifications.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON



OFFICE OF THE CHAIRMAN

November 26, 1965.

TO THE CHIEF EXECUTIVE OFFICER OF THE BANK ADDRESSED:

This letter is being sent to all commercial banks in the United States in an effort to obtain information to assist the Congress in considering legislation relating to bank holding companies. The Bank Holding Company Act of 1956 provides that any company--defined as "any corporation, business trust, association, or similar organization"--that controls two or more banks shall register with the Board of Governors of the Federal Reserve System. The Act prohibits formation of such companies, or their acquisition of more than five per cent of the voting shares of additional banks, without Board approval, and (with certain exceptions) it requires such companies to divest nonbanking businesses.

The Board has recommended to the Congress that the Act be amended to cover one-bank holding companies and that the definition of "company" be changed to include charitable, religious, and educational organizations, as well as trusts that extend beyond 25 years or the lifetime of a named beneficiary. These amendments, along with others, are included in S. 2353, a bill introduced by the Chairman of the Senate Banking and Currency Committee at the Board's request, and in H.R. 7371, a bill that passed the House of Representatives on September 23, 1965. The latter bill would also amend the definition of "company" to include partnerships. It is expected that the Senate Banking and Currency Committee will hold hearings on these bills during the coming session.

Senator A. Willis Robertson, Chairman of the Senate Banking and Currency Committee, has asked the Board for a list of organizations that would be affected by the proposed amendments, and we are asking that you help in providing this information by filling in the attached form and returning it in the envelope provided for that purpose, preferably to reach us by December 10. Names listed should be shareholders of record, whether they are organizations or individuals. Neither S. 2353 nor H.R. 7371 would affect shareholdings by individuals, and the names of individuals listed will be kept confidential. The names of organizations listed that would be covered by either bill will be furnished to the Committee and made public.

Your cooperation in supplying this information will be appreciated.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Wm. McC. Martin, Jr."

Wm. McC. Martin, Jr.

Enclosures.

November 1965

Name of Bank _____

Address of Bank _____
City State

No one shareholder holds 25 per cent or more of this bank's voting shares.

Each of the following named shareholders holds 25 per cent or more of this bank's voting shares (please list):

Name and Address of Shareholder

Nature of Organization*

Name and Address of Shareholder

Nature of Organization*

Name and Address of Shareholder

Nature of Organization*

*If the name of a listed organization does not readily identify it as a corporation, please indicate its nature.

(Signature of officer authorized to sign report)



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

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Item No. 4
11/15/65

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 15, 1965.

Mr. Joseph R. Campbell, Vice President,
Federal Reserve Bank of Philadelphia,
Philadelphia, Pennsylvania. 19101

Dear Mr. Campbell:

This refers to your letter of October 11, 1965, forwarding a letter from The First Pennsylvania Banking and Trust Company, Philadelphia, Pennsylvania, presenting two questions arising under Regulation Q, in connection with the issuance of certificates of deposit. Copies of the certificates, enclosed with the bank's letter, indicate that they have an ultimate maturity of five years but provide for redemption, without notice, 90 days after issuance or on any 90-day anniversary thereafter, and bear interest at the rate of 4-1/2 per cent per annum up to that date. Withdrawal can also be effected between these redemption dates, but only upon at least 30 days prior written notice and in such interim periods interest is paid for the full months after the last quarterly redemption date at the redemption value on such date as shown on the reverse side of the certificate.

The first question is whether the bank may allow a customer a so-called "grace period" of 10 days following each redemption date so that at any time within such period he can withdraw the funds and will not have to wait until the next redemption date. The bank anticipates unfavorable customer reaction if no grace period is permitted in cases where the customer says he missed the exact date because of sickness, accident, or other causes beyond his control.

The contract provides for successive maturities of 90 days with termination of the contract at the end of five years. The Board, in 1957, considered a certificate which expressly provided for automatic renewals unless presented for redemption within 10 days after the end of any such period. The Board (1957 Bulletin, page 412) stated that a certificate in this form would be properly classified as a time deposit under the regulation, and the fact that the depositor may prevent automatic renewal by presenting the certificate for payment within 10 days would not be objectionable. The Board considered, as analogous, its

Mr. Joseph R. Campbell

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position in an earlier case (1936 Bulletin, page 419) which permitted the payment of interest for the period between maturity and the date of requested renewal provided the certificate is renewed within 10 days.

The 1957 question differs from that now propounded only in that the certificate specifically set forth the 10-day "grace period", whereas the contract now under consideration does not contain this privilege which would become available only by express agreement between the parties. In this respect, it is similar to the 1936 case which likewise had no stated "grace period" in the contract. In effect, the deposit continues on a time basis but the customer is allowed to withdraw his funds before maturity (during the 10 days) and merely forfeits interest for such 10 days. Consistent with the 1957 decision, the bank may allow a 10-day "grace period" following each redemption date within which the deposit may be withdrawn.

The second question is whether the payment of interest on income certificates can, by agreement between the parties, be anticipated, provided the period of anticipation is less than one month, and, upon redemption or maturity, no interest is paid for the same number of days as the period anticipated. The bank issues three types of income certificates paying interest on a monthly, quarterly, or semiannual basis. These certificates are issued on any day requested and, therefore, the income check normally would be issued on the same day of subsequent months. It is stated that where a customer has purchased such certificates on various days during the same month both he and the bank prefer to combine the interest payments in one check, and to do so, it is proposed that interest be anticipated or prepaid up to one month.

Whenever interest is paid in advance, the net effect is the payment of interest at a higher rate than that stated in the contract. As the bank is paying the maximum interest permitted by Regulation Q, any such advance payment of interest could be regarded as a technical violation of the regulation. However, the actual overpayment for 12 months when interest anticipation is less than one month is extremely small and may be considered as de minimis. Therefore, the Board will not object to the adoption of this practice by agreement between the parties if the bank decides that such practice is of practical value to the depositor and the bank.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

TITLE 12 - BANKS AND BANKING

CHAPTER II - FEDERAL RESERVE SYSTEM

SUBCHAPTER A - BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

[Reg. D]

PART 204 - RESERVES OF MEMBER BANKS

Termination of Designation as Reserve City

1. Part 204 is amended by adding thereto the following new section:

§ 204.57 Termination of Pueblo, Colorado, designation as reserve city.

In accordance with paragraph (e) of § 204.51, a member bank in Pueblo, Colorado, has submitted a written request for termination of the designation of such city as a reserve city, and, acting pursuant to such paragraph (e) of § 204.51, the Board of Governors has granted such request. Accordingly, the designation of Pueblo, Colorado, as a reserve city is hereby terminated effective November 25, 1965.

2. There was no notice and public participation with respect to this amendment as such procedure and delay would be contrary to the public interest and serve no useful purpose. (See § 262.1(e) of the Board's Rules of Procedure (12 CFR 262.1(e)).)

Dated at Washington, D. C., this 15th day of November, 1965.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

(SEAL)

(Signed) Merritt Sherman

Merritt Sherman
Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

3678
Item No. 6
11/15/65

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 15, 1965

Mr. George D. Royer, Jr.,
Vice President,
Federal Reserve Bank of Kansas City,
Kansas City, Missouri. 64106

Dear Mr. Royer:

Referring to your letter of October 15, 1965,
the Board has granted the request of the First National Bank,
Pueblo, Colorado, that the reserve city designation of
Pueblo be terminated, pursuant to the July 28, 1962,
amendment to the 1947 Rule for Classification of Reserve
Cities.

The termination of Pueblo, Colorado, as a
reserve city will be effective with the first biweekly
reserve computation period beginning after the date of
this letter. A notice to this effect will be published in,
the Federal Register and in the Federal Reserve Bulletin.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Item No. 7
11/15/65

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 18, 1965.



CONFIDENTIAL (FR)

Mr. Aubrey N. Heflin,
First Vice President,
Federal Reserve Bank of Richmond,
Richmond, Virginia. 23213

Dear Mr. Heflin:

As requested in your letter of October 26, the Board of Governors approves the following minimum and maximum salaries for the respective grades of the Richmond-Charlotte Branch structure, effective December 24, 1965, and the Baltimore Branch structure, effective January 3, 1966.

<u>Grade</u>	<u>Richmond-Charlotte</u>		<u>Baltimore</u>	
	<u>Minimum</u>	<u>Maximum</u>	<u>Minimum</u>	<u>Maximum</u>
1	\$ 2,678	\$ 3,614	\$ 2,678	\$ 3,627
2	2,834	3,822	3,003	4,043
3	3,081	4,160	3,263	4,407
4	3,354	4,524	3,575	4,836
5	3,731	5,031	4,004	5,408
6	4,160	5,603	4,407	5,941
7	4,602	6,214	4,836	6,526
8	5,057	6,838	5,304	7,163
9	5,564	7,514	5,889	7,956
10	6,058	8,177	6,396	8,632
11	6,838	9,230	7,046	9,516
12	7,618	10,283	7,748	10,465
13	8,411	11,349	8,411	11,349
14	9,308	12,571	9,308	12,571
15	10,322	13,936	10,322	13,936
16	11,388	15,366	11,388	15,366

The Board approves the payment of salaries to employees within the limits specified for the grades in which their respective positions are classified. All employees whose salaries are below the minimum of their grades as a result of these structure increases should be brought within appropriate ranges by April 1, 1966.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 15, 1965.



Mr. Eliot J. Swan, President,
Federal Reserve Bank of San Francisco,
San Francisco, California. 94120

Re: F.D.I.C. v. A.M.R., Inc., et al. (USDC, ND of Cal.)

Dear Mr. Swan:

This is in response to your letter of November 12, 1965, in reference to the above litigation and related matters. You request the Board to authorize the retention of the law firm of Brobeck, Phleger & Harrison in respect to the above litigation, even though, pursuant to the Board's telegram of November 5, 1965, you are unable to render an estimate of the cost for the Brobeck firm's services. On the basis of your reasons given for being unable to advise as to the estimated cost of the firm's legal fees, the Board authorizes employment of that firm with the understanding that at year-end 1965, and at regularly fixed intervals thereafter not to exceed quarter-of-year periods, a statement of costs will be rendered by the law firm to your Bank and forwarded to the Board for its information.

In respect to the role that your Bank will be expected to assume in the matter of the forthcoming depositions, now scheduled to commence on November 18, 1965, the Board concurs in your statement of the Bank's primary responsibility and, generally, in the apparent advisability of allowing your retained counsel sufficient latitude of action so as to best position your Bank in respect to matters arising both from the depositions to be taken and from subsequent proceedings that may be instituted. Accordingly, and pursuant to your request, to the extent that there may be a demand or, in the opinion of your counsel, justification for disclosure of data or information considered to be "unpublished information of the Board", the Board authorizes disclosure of such information to the extent that the same relates to transactions between your Bank and the San Francisco National Bank. The authorization given contemplates that there may be instances in which, in the best interest of your Bank, the Board, and the System as a whole, you may consider it appropriate, despite the prior authorization given, to

Mr. Eliot J. Swan

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withhold disclosure of information pending more specific authorization from the Board. In such event, and upon request, the Board will indicate its concurrence or not in whatever position you indicate your counsel intends or wishes to take regarding disclosure of such information.

Your letter raises a "final question" regarding disclosure of information or data relating to a member bank in your District other than the San Francisco National Bank, and, presumably, possible disclosure as to member banks elsewhere in the System. You express the view that such question could arise either from questions put to your Bank's officials during deposition, or at the initiative of your Bank's counsel during these proceedings. It is the Board's opinion that information or data as to any member bank other than the San Francisco National Bank that would identify or make possible identification of the bank involved, should not be disclosed, either at the initiative of your counsel or pursuant to inquiry, without the prior knowledge and acquiescence of the Board. This view is intended to encompass not only "unpublished information of the Board", but any unpublished information in your Bank's possession, the disclosure of which would enable identification of the bank or banks involved.

It should be emphasized that the foregoing restriction upon disclosure is intended to apply only to instances where the disclosure contemplated would result in identification of a specific bank or of the details of the transaction involving such bank. Thus, testimony or statements reflecting the fact that your Bank or other Federal Reserve Banks have initiated advances of a nature similar to those made to the San Francisco National Bank, but which does not reveal or make possible the identification of the member bank involved, would not fall within the above restriction. If it is your view that your Bank's interest would best be served by divulging information that would result in the type of disclosure herein guarded against, you are directed to advise the Board regarding the questionable disclosure and await the Board's views thereon.

The Board has also authorized the continued availability to your Bank of the services of Mr. Thomas J. O'Connell for the purpose of informally counseling with and advising your Bank's counsel in respect to all matters discussed, including the taking of oral depositions presently scheduled to commence on November 18.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 9
11/15/65



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 15, 1965

Mr. Leland M. Ross, Vice President,
Federal Reserve Bank of Chicago,
Chicago, Illinois. 60690

Dear Mr. Ross:

In accordance with the request contained
in your letter of November 8, 1965, the Board approves
the appointment of Edward C. Teachout as an assistant
examiner for the Federal Reserve Bank of Chicago,
Please advise the effective date of the appointment.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.