

Minutes for November 18, 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

MD

Gov. Robertson

R

Gov. Balderston

CB

Gov. Shepardson

SS

Gov. Mitchell

MM

Gov. Daane

DD

Gov. Maisel

EM

Minutes of the Board of Governors of the Federal Reserve
System on Thursday, November 18, 1965. The Board met in the Board
Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Balderston, Vice Chairman
Mr. Robertson
Mr. Shepardson
Mr. Mitchell
Mr. Daane

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Fauver, Assistant to the Board
Mr. Hackley, General Counsel
Mr. Solomon, Director, Division of Examinations
Mr. Smith, Associate Adviser, Division of
Research and Statistics
Mr. Sammons, Associate Director, Division of
International Finance
Mr. Goodman, Assistant Director, Division of
Examinations
Mr. Leavitt, Assistant Director, Division of
Examinations
Mr. Dahl, Chief, Special Studies and Operations
Section, Division of International Finance
Mr. Poundstone, Review Examiner, Division of
Examinations
Mr. Smith, Economist, Division of Research and
Statistics
Mr. Veenstra, Chief, Financial Statistics Section,
Division of Data Processing
Mr. Glenn, Analyst, Division of Data Processing

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

Item No.

1

Letter to The Detroit Bank and Trust Company,
Detroit, Michigan, approving the establishment
of a branch at Ann Arbor Road and Lilley Road,
Plymouth Township.

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Item No.

- Letters to Bank of the Commonwealth, Detroit, Michigan, approving the establishment of branches at 11531 Belleville Road, Van Buren Township, and at 33500 Earle Memorial Highway, Sterling Township. 2-3
- Letter to Bank of America National Trust and Savings Association, San Francisco, California, approving the establishment of a branch in Saigon, South Vietnam. 4
- Letter to Georgia Railroad Bank & Trust Company, Augusta, Georgia, approving the declaration of a dividend payable on December 31, 1965. 5
- Letter to the Chairman of the House Banking and Currency Committee transmitting a report prepared by the Board's staff on developments in the structure of banking in the early 1960's. 6

Report 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 Greenville Bank and Trust Company, Greenville, Mississippi, Mechanics-State Bank, McComb, Mississippi, and Lawrence County Bank, Monticello, Mississippi, into Deposit Guaranty National Bank, Jackson, Mississippi.

In discussion it was suggested that the conclusion of the report be revised to put it in a form similar to the conclusion of the report transmitted by the Board yesterday on the proposed merger of several smaller Mississippi banks into the First National Bank of Jackson. Accordingly, approval was given to the transmittal to the Comptroller of a report containing a conclusion in the following form,

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Governor Robertson dissenting on the same basis that he had dissented from the sending of the report transmitted yesterday:

There appears to be no significant competition existing between Deposit Guaranty National Bank, Jackson, and the three banks which it proposes to acquire (Greenville Bank and Trust Company; Mechanics-State Bank, McComb, and Lawrence County Bank, Monticello). Further, there is virtually no competition existing among the three aforementioned smaller banks.

While consummation of this proposed merger and the proposed mergers of First National Bank of Jackson would result in the remaining banks in Amite-Wilkinson, Pike and Washington Counties competing with the two largest banks in the State, and thus, change the nature of competition in such areas, the overall effect of the proposed transaction on competition would not be significantly adverse.

Messrs. Smith (Associate Adviser), Sammons, Goodman, Dahl, Poundstone, Smith (Economist), Veenstra, and Glenn then withdrew from the meeting.

17th Street National Bank. At Chairman Martin's request Mr. Solomon read a letter addressed to the Chairman under date of November 16, 1965, by Mr. Camp, Acting Comptroller of the Currency, in reply to the Board's letter of November 9 to the Comptroller regarding the 17th Street National Bank of Denver, Denver, Colorado. Mr. Solomon also read a copy of a letter that had been sent to the Comptroller by Chairman Randall of the Federal Deposit Insurance Corporation.

There followed discussion of developments in the matter, including a report by Governor Shepardson on a conversation he had had earlier this week in Denver with Vice President Snider and Cashier Stempel of

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the Denver Branch, Federal Reserve Bank of Kansas City. Among other things, Governor Shepardson related certain remarks by Messrs. Snider and Stempel indicating that the national bank's report of condition as of October 13, 1965, may have given a misleading impression of the bank's condition. The bank reportedly advised that the manner of presentation in the condition report had been sanctioned by the Office of the Comptroller of the Currency. It was understood that steps were being taken by Messrs. Hackley and Solomon to obtain clarification.

Various other steps that might be considered by the Federal Reserve in the current circumstances were discussed, and during the discussion Chairman Martin was twice called from the meeting to receive telephone calls from Treasury Under Secretary Barr. Chairman Martin reported that according to Mr. Barr the matter of the bank's condition was being brought directly to the attention of the Comptroller of the Currency, who was presently out of the country. The discussion concluded with a comment by Chairman Martin that he felt the Board had made its position clear through the sending of its November 9 letter to the Comptroller, with copies to Treasury Secretary Fowler, Under Secretary Barr, and Chairman Randall, and it was understood that no further steps were contemplated at the moment by the Board except to obtain a complete report on the aforementioned question concerning the condition statement.

All members of the staff except Messrs. Sherman and Kenyon then withdrew from the meeting.

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Program to improve service to the public (Items 7 and 8). Reference was made to a memorandum from President Johnson to the heads of departments and agencies dated November 1, 1965, relating to a program aimed at improving further the quality of service rendered to the public. The memorandum indicated that Chairman Macy of the Civil Service Commission had been placed in charge of this effort, with responsibility for coordinating the activities of each department and agency and rendering periodic reports to the President. The memorandum requested that the head of each department and agency assign a top person to develop the program within the particular organization, that the name of the official selected be forwarded to Chairman Macy, and that a report be made to Chairman Macy by December 15, 1965, on steps taken and plans for further improvement.

At Chairman Martin's suggestion, Governor Shepardson was designated as the member of the Board who would have responsibility for directing, within the Board's organization, the development of a program such as described in the President's memorandum. A copy of the letter sent to the Chairman of the Civil Service Commission reporting this designation is attached as Item No. 7.

At the instance of Governor Shepardson, there followed discussion of the question of exploring the various services rendered to the public by the Federal Reserve Banks, and it was understood that Governor Shepardson would pursue this phase of the matter through the

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Conference of Presidents of the Federal Reserve Banks. A copy of a letter sent to the President of the Federal Reserve Bank of Boston is attached as Item No. 8; similar letters were sent to the other Reserve Bank Presidents.

The meeting then adjourned.

Secretary's Notes: Pursuant to the action taken by the Board on November 8, 1965, it had been ascertained that Kenneth H. Hannan, Executive Vice President of Union Carbide Corporation and currently a Class B director of the Federal Reserve Bank of New York, would accept appointment, if tendered, as a Class C director of the Bank for the three-year term beginning January 1, 1966. Accordingly, a telegram was sent today to Mr. Hannan informing him of his appointment as Class C director for the term indicated and as Deputy Chairman of the Bank for the year 1966.

Governor Shepardson today approved on behalf of the Board memoranda recommending the following actions relating to the Board's staff:

Salary increases, effective November 21, 1965

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Office of the Secretary</u>			
Grace T. Colwell, Records Clerk		\$ 4,641	\$ 4,797
M. Elizabeth Jones, Technical Assistant		10,185	10,491
Margaret J. Molster, Supervisor, Subject Files		7,304	7,511
Jeanne Krieger Semia, Technical Assistant		10,185	10,491
<u>Legal</u>			
David Robinson, II, Attorney		7,479	7,733
<u>Research and Statistics</u>			
Murray Altmann, Senior Economist		17,055	17,645
Stephana P. Smith, Statistical Assistant		5,523	5,694
Orville K. Thompson, Economist		15,696	16,204

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Salary increases, effective November 21, 1965 (continued)

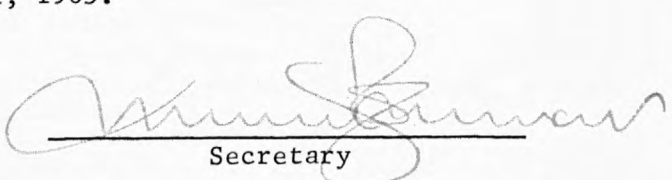
<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Examinations</u>			
E. A. Dittrich, Senior Federal Reserve Examiner		\$12,945	\$13,380
William E. Rumbarger, Review Examiner		9,879	10,185
<u>Administrative Services</u>			
Brenda D. Eyler, Stenographer		4,149	4,641
Mary K. Nantell, Cafeteria Helper		4,102	4,221
Charlie H. Ward, Lead Laborer		4,514	4,742
Walter L. Worthy, Jr., Mail Clerk		3,943	4,072
<u>Office of the Controller</u>			
Jean S. Barber, Accounting Clerk		6,278	6,470
Robert S. McClellan, Analyst		8,241	8,961
<u>Data Processing</u>			
Kathryn A. Jackson, Statistical Assistant		6,470	6,662

Salary increase, effective December 5, 1965

Judith L. Meyer, Stenographer, Division of International Finance, from \$4,149 to \$4,641 per annum.

Transfer

Barbara Wilson, from the position of Stenographer in the Division of Bank Operations to the position of Stenographer in the Division of International Finance, with no change in basic annual salary at the rate of \$4,797, effective November 21, 1965.



Secretary



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

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Item No. 1
11/18/65

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 18, 1965.

Board of Directors,
The Detroit Bank and Trust Company,
Detroit, Michigan.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by The Detroit Bank and Trust Company, Detroit, Michigan, of a branch at the southeast corner of Ann Arbor Road and Lilley Road, Plymouth Township, Wayne County, 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. 2
11/18/65

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



November 18, 1965.

Board of Directors,
Bank of the Commonwealth,
Detroit, Michigan.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Bank of the Commonwealth, Detroit, Michigan, of a branch at 11531 Belleville Road, Van Buren Township, Wayne County, Michigan, 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.)



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

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Item No. 3
11/18/65

**ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD**

November 18, 1965.

**Board of Directors,
Bank of the Commonwealth,
Detroit, Michigan.**

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Bank of the Commonwealth, Detroit, Michigan, of a branch at 33500 Earle Memorial Highway (Van Dyke Road), Sterling Township, Macomb County, Michigan, 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.)



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

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Item No. 4
11/18/65

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 18, 1965.

Bank of America National Trust
and Savings Association,
300 Montgomery Street,
San Francisco, California. 94120

Gentlemen:

The Board of Governors of the Federal Reserve System grants its permission to Bank of America National Trust and Savings Association, San Francisco, California, pursuant to the provisions of Section 25 of the Federal Reserve Act, to establish a branch in the City of Saigon, South Vietnam, and to operate and maintain such branch subject to the provisions of such Section and of Regulation M.

Unless the branch is actually established and opened for business on or before November 1, 1966, all rights granted hereby shall be deemed to have been abandoned and the authority hereby granted will automatically terminate on that date.

As you are aware, with respect to the establishment of foreign branches, funds provided by home office (whether in the form of allocated capital, advances, or otherwise) should be regarded as foreign assets for purposes of the voluntary foreign credit restraint effort.

Please inform the Board of Governors, through the Federal Reserve Bank of San Francisco, when the branch is opened for business, furnishing information as to the exact location of the branch. The Board should also be promptly informed of any future change in location of the branch within the City of Saigon.

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
11/18/65



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 18, 1965.

Board of Directors,
Georgia Railroad Bank & Trust Company,
Augusta, Georgia.

Gentlemen:

The Board of Governors of the Federal Reserve System approves, under the provisions of paragraph 6 of Section 9 of the Federal Reserve Act and Section 5199(b) of United States Revised Statutes, the declaration of a dividend of \$93,750 by Georgia Railroad Bank & Trust Company, payable December 31, 1965. This letter does not authorize any future declaration of dividends that would require the Board's approval under the foregoing statutes.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.

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Item No. 6
11/18/65



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

OFFICE OF THE CHAIRMAN

December 14, 1965

The Honorable Wright Patman, Chairman,
House Banking and Currency Committee,
2129 Rayburn House Office Building,
Washington, D. C. 20515

Dear Mr. Chairman:

In response to your letter of April 14, 1965, the enclosed document "Developments in the Structure of Banking in the Early 1960's," has been prepared by the Board staff.

The format and content of this report were developed pursuant to subsequent discussions between members of your Committee staff and the Board staff. Generally, the report follows a format similar to that of two previous studies done for the Senate's Select Committee on Small Business. However, the discussion of State banking structure developments and changes in concentration levels has been considerably amplified and a section discussing similar aspects of Standard Metropolitan Statistical Area activity in these two areas has been added.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.

Enclosure.

3767

Item No. 7
11/18/65



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

OFFICE OF THE CHAIRMAN

November 24, 1965.

Dear John:

With reference to the President's memorandum of November 1, 1965, the Board has asked Governor Shepardson to assume the responsibility for reviewing the quality of service given by the Board and its staff to the public.

We also note that a report is to be sent to you by December 15 as to plans for further improvement in the quality of service being given by the Board's organization.

Sincerely yours,

(Signed) Bill

Wm. McC. Martin, Jr.

The Honorable John W. Macy, Jr.,
Chairman,
United States Civil Service Commission,
Washington, D. C. 20415.

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Item No. 8

11/18/65



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

OFFICE OF THE CHAIRMAN

November 26, 1965

Mr. George H. Ellis, President,
Federal Reserve Bank of Boston,
Boston, Massachusetts 02106.

Dear George:

Enclosed is a copy of a memorandum from President Johnson dated November 1, 1965, which is accompanied by a report that he received from John Macy, Chairman of the United States Civil Service Commission, dealing with improving communications and contacts of Government departments and agencies with the public.

The Board has discussed the subject covered by this memorandum and it is, of course, in full accord with the general objectives set forth. It has asked Governor Shepardson to assume the responsibility for reviewing the quality of services given by the Board and its staff and to develop improvements where desirable.

The Board believes that all of the Federal Reserve System would wish to and should be included in a program for providing the best possible service to the American public, as reflected in not only its policy decisions but in its operations and individual contacts. The President's communication provides an opportunity for the Board and all of the Reserve Banks to review present practices and to develop improved service wherever feasible. Governor Shepardson will be in touch with the Chairman of the Conference of Presidents regarding steps that might be taken throughout the System to help further this objective.

Sincerely yours,

(Signed) Bill

Wm. McC. Martin, Jr.

Enclosure